



**JOHNSON COUNTY**  
**IOWA CITY, IOWA**

# JOHNSON COUNTY

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# **JOHNSON COUNTY**

# JOHNSON COUNTY OFFICIALS

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sally Stutsman	Board of Supervisors	December 2010
Larry Meyers	Board of Supervisors	December 2010
Rod Sullivan	Board of Supervisors	December 2008
Pat Harney	Board of Supervisors	December 2008
Terrence Neuzil	Board of Supervisors	December 2008
Tom Slockett	County Auditor	December 2008
Tom Kriz	County Treasurer	December 2010
Kim Painter	County Recorder	December 2010
Lonny Pulkrabek	County Sheriff	December 2008
Janet Lyness	County Attorney	December 2010
Bill Greazel	County Assessor	Appointed
Dennis Baldrige	City Assessor	Appointed



CPAs & BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

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To the Officials of Johnson County:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2006, on our consideration of Johnson County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information listed in the table of contents are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. 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. However, 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 Johnson County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 and 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*, are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa  
December 21, 2006

**Johnson County, Iowa**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2006**

**INTRODUCTION**

Our discussion and analysis of financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2006. It should be read in conjunction with the County's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- ❑ Total net assets were \$41,406,593 at June 30, 2006. This was an increase of \$2,638,073 (6.8%) over the prior year.
- ❑ Overall revenues of governmental activities increased 5.7% or \$2,807,509 from fiscal year 2005. Property tax increased \$1,749,614, operating grants and contributions increased \$656,757, charges for services increased \$496,423, investment earnings increased \$505,971 and capital grants and contributions decreased \$791,763.
- ❑ Program expenses grew 9.2% or \$4,162,607 from fiscal year 2005. Physical health and social services increased \$928,099, public safety and legal services increased \$771,795, governmental services to residents increased \$685,098, mental health expenses grew \$580,084, roads and transportation expenses increased \$562,139, and administration expenses increased \$462,815.

**OVERVIEW OF FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements and information as follows:

- ❑ **Management's Discussion and Analysis** - Introduces the basic financial statements and provides an analytical overview of the County's activities.
- ❑ **Government-wide financial statements** - Comprise the first two statements, providing both short-term and long-term information about Johnson County's overall financial position.
- ❑ **Fund financial statements** - Focus on reporting how government services were financed in the short term as well as what remains for future spending. Fund financial statements report operations in more detail by providing information about the most significant funds. The remaining statements provide financial information activities for which Johnson County acts solely as an agent or custodian for the benefit of those outside of county government (agency funds).

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements.

**Government-Wide Financial Statements**

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

The two government-wide statements (Statement of Net Assets and the Statement of Activities) report the County's net assets and how they have changed. Net assets-the difference between the assets and liabilities- is one way to measure the County's financial health or position.

- ❑ Over time, increases or decreases in the County's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- ❑ To assess the overall health of the County, one needs to consider additional non-financial factors such as changes in population, changes in the property tax base, and changes in program funding by the Federal and State governments, and condition of facilities.

The government-wide financial statements of the County include governmental activities such as public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, interest on long term debt, and non-program activities. Most of the County's basic services are included here, such as the Sheriff, County Attorney, Recorder, Treasurer, Auditor, Board of Supervisors, Ambulance, Public Health, Medical Examiner, Paratransit Services (SEATS), Planning & Zoning, Conservation, Human Services, Veteran Affairs, Juvenile Court Services, Mental Health/ Developmental Disabilities, Rural Funding to Libraries, Secondary Roads, and Court Services. Property Taxes and intergovernmental revenue fund most of these functions.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the County's most significant funds-not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law. The Board of Supervisors establishes other funds to control and manage money for particular purposes or to show that the County is meeting legal responsibilities for using certain revenues. The County has three kinds of funds:

- ❑ Governmental funds - Most of the County's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for future use. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information following the governmental fund statements that explain the relationship (or differences) between them. Funds included are the General Fund, Debt Service Fund, Capital Projects Fund, and Special Revenue Funds (Rural Fund, Mental Health Fund, Secondary Roads Fund). The required financial statements for governmental funds include a balance sheet and a statement of revenue, expenditures, and changes in fund balances.
- ❑ Fiduciary funds – the County is the trustee, or fiduciary, for assets that belong to others. Fiduciary funds for Johnson County include the E-911 Fund, the Empowerment Fund, The Iowa City & Johnson County Assessor Funds & Special Appraisal Funds, the Emergency Management Fund, and the Abandoned Storage Fund. The County is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the County-wide financial statements because the County cannot use the assets to finance its operations. The required financial statements for fiduciary funds include a statement of net assets and liabilities.
- ❑ Proprietary funds – The County has an internal service fund set up for the administration of its self-funded employee health insurance plans. Funds are paid into the health insurance fund from other county funds for payment of premiums, claims and administration costs. The internal service fund is an accounting device used to accumulate and allocate costs internally among the County's various functions. The required statements include a statement of net assets, a statement of revenue, expenses, and changes in fund net assets, and a statement of cash flows.

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

## FINANCIAL ANALYSIS OF JOHNSON COUNTY -- Net Assets

The County's combined net assets increased from \$38,768,520 to \$41,406,593. See Table 1. Analysis will focus on changes in net assets for governmental activities.

**Table 1:**  
**Net Assets**

	Governmental Activities		Total Percentage Change
	2006	2005	2006-2005
<b>Assets</b>			
Current Assets	\$52,022,282	\$49,623,951	4.8%
Capital Assets, Net of Accumulated Depreciation	\$25,193,602	\$21,657,080	16.3%
<b>TOTAL ASSETS</b>	<b>\$77,215,884</b>	<b>\$71,281,031</b>	<b>8.3%</b>
<b>Liabilities</b>			
Current Liabilities	\$33,840,694	\$30,935,332	9.4%
Long Term Liabilities	\$1,968,597	\$ 1,577,179	24.8%
<b>TOTAL LIABILITIES</b>	<b>\$35,809,291</b>	<b>\$32,512,511</b>	<b>10.1%</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt, as restated	\$25,187,820	\$21,641,670	16.4%
Restricted	\$5,196,756	\$ 5,843,786	-11.1%
Unrestricted	\$11,022,017	\$11,283,064	-2.3%
<b>TOTAL NET ASSETS, as restated</b>	<b>\$41,406,593</b>	<b>\$38,768,520</b>	<b>6.8%</b>

### Changes in Net Assets

Total net assets of governmental activities increased by 6.8%. The largest portion of the County's net assets are invested in capital assets (land, buildings, equipment), net of related debt. The debt related to investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets decreased from approximately \$11.3 million in fiscal year 2005 to approximately \$11.0 million in fiscal year 2006, a decrease of 2.3%.

**Table 2:  
Changes in Net Assets**

	Governmental Activities		Total Percentage
	2006	2005	Change 2006-2005
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$4,877,452	\$4,381,029	11.3%
Operating Grants and Contributions	\$15,994,771	\$15,338,014	4.3%
Capital Grants and Contributions	\$1,084,659	\$1,876,422	-42.2%
Property and other taxes levied for:			
General Purpose	\$26,646,204	\$21,645,887	23.1%
Debt Service	\$0	\$3,843,444	-100.0%
Other County Taxes	\$751,698	\$158,957	372.9%
Penalties and Interest on Taxes	\$366,090	\$220,083	66.3%
State tax credits	\$677,010	\$671,416	0.8%
Franchise tax	\$56,429	\$65,322	-13.6%
Unrestricted investment earnings	\$1,238,270	\$732,299	69.1%
Gain on sale of capital assets	\$3,339	\$8,908	-62.5%
Miscellaneous	\$276,173	\$222,805	24.0%
<b>TOTAL REVENUES</b>	<b>\$51,972,095</b>	<b>\$49,164,586</b>	<b>5.7%</b>
<b>Expenditures</b>			
Public Safety and Legal Services	\$12,913,204	\$12,141,409	6.4%
Physical Health and Social Services	\$7,195,810	\$6,267,711	14.8%
Mental Health, MR & DD	\$10,684,804	\$10,104,720	5.7%
County Environment and Education	\$2,658,630	\$2,448,380	8.6%
Roads & Transportation	\$7,253,215	\$6,691,076	8.4%
Government Services to Residents	\$2,433,394	\$1,748,296	39.2%
Administration	\$6,192,479	\$5,729,664	8.1%
Nonprogram Current	\$2,486	\$0	100.0%
Interest on long-term debt	\$0	\$40,159	-100.0%
<b>TOTAL EXPENDITURES</b>	<b>\$49,334,022</b>	<b>\$45,171,415</b>	<b>9.2%</b>
<b>INCREASE IN NET ASSETS</b>	<b>\$2,638,073</b>	<b>\$3,993,171</b>	<b>-33.9%</b>
Beginning, as restated	<u>\$38,768,520</u>	<u>\$34,775,349</u>	11.5%
Ending	<u>\$41,406,593</u>	<u>\$38,768,520</u>	6.8%

The County increased property taxes levied for 2006 by 5.6%. This increase raised the County's property tax revenue by approximately \$1,750,000. Based on increases in the total assessed valuation, property tax revenue is budgeted to increase by an additional \$2,327,012 for fiscal year 2007.

The cost of all government services this year was \$49,334,022 compared to \$45,171,415 last year. The amount financed by taxpayers was \$27,763,992 (See Statement of Activities). Some of the cost was paid for by those who benefited from programs or other government grants and contributions. The County's program revenues increased from \$21,595,465 to \$21,956,882 principally due to increased revenue from charges for services and operating grants and contributions. These revenue increases were offset by a decrease in capital grants and contributions in 2006.

## MAJOR FUND ANALYSIS

Governmental funds reported a combined fund balance of \$15,413,278, a decrease of \$1,875,791. Mental Health Fund expenditures exceeded revenues by approximately \$600,000 and the Capital Projects Fund's expenditures exceeded its revenues and cash transfers in by approximately \$1,500,000.

- ❑ General Fund revenues increased approximately \$6,690,000 due largely to an increase in property and other taxes of \$5,304,755. Expenditures increased \$1,928,481 due to an increase in public safety and legal services of \$767,731 and an increase in health and human services of \$798,130.
- ❑ Rural Service Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance showed an increase of \$2,631 from the prior year to \$103,543.
- ❑ Secondary Roads Fund revenues increased approximately \$330,000 largely due to an increase in miscellaneous revenue of approximately \$284,000. Expenditures increased in roads and transportation by approximately \$119,000 and also increased in capital project expenditures by approximately \$919,000 due to timing of projects.
- ❑ Mental Health Fund revenues decreased by approximately \$228,000 from the prior year, due largely to a decrease in intergovernmental revenue of approximately \$249,000. Expenditures increased by \$572,033 due to an increasing demand for services, an increase in service unit costs, and an increase in departmental administration costs.
- ❑ Capital Projects Fund revenues increased approximately \$767,000 and expenditures increased approximately \$4,080,000. The revenues and expenditures vary depending on the timing of projects.

### General Fund Budgetary Highlights

Johnson County amended the budget three times in fiscal year 2006. The first amendment in October 2005 related to the administration for receipt and disbursement of the Systems Unlimited block grant and additional budgeting for technology needs such as the Sheriff's management information system, purchase of new voting equipment, and software purchases and maintenance for Recorder, Real Estate and County Attorney. The second amendment in November 2005 was for anticipated costs of land acquisition for the Health and Human Services building and increased expenses for Medical Examiner services and institutionalized care. The third amendment in May 2006 was largely for more land acquisition and preparation costs for the Health and Human Services building, professional fees incurred by Secondary Roads, increased expenses for Mental Health and Public Health, equipment purchases for Elections and Information Services and merit pay distributions.

Information is available in the County Auditor's Office.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

For fiscal year 2006 the County had a net increase of \$3,536,522 in a broad range of capital assets, including land, equipment and vehicles and infrastructure. This is due mainly to the acquisition of land for the Health and Human Services building, infrastructure additions and equipment and machinery purchases. See Table 3. More detailed information about the County's capital assets is presented in the notes to the financial statements.

**Table 3**  
**Capital Assets**

	Value of Capital Assets		Total Percentage
	2006	2005	Change 2006-2005
<b>Non-Depreciated</b>			
Land	\$5,859,070	\$2,804,032	109.0%
Construction in Progress	\$ 678,147	\$ 616,312	10.0%
<b>Total Not Being Depreciated</b>	<u>\$6,537,217</u>	<u>\$3,420,344</u>	91.1%
<b>Depreciable</b>			
Buildings & Improvements	\$13,622,081	\$13,622,081	0.0%
Machinery and Equipment	\$12,651,073	\$12,057,723	4.9%
Infrastructure	\$11,223,593	\$ 9,682,896	15.9%
<b>Total Depreciable Assets</b>	<u>\$37,496,747</u>	<u>\$35,362,700</u>	6.0%
<b>Total Accumulated Depreciation</b>	<u>(\$18,840,362)</u>	<u>(\$17,125,964)</u>	10.0%
<b>NET CAPITAL ASSETS</b>	\$25,193,602	\$21,657,080	16.3%

The County has depreciation expense of \$2,276,678 in FY 2006 and total accumulated depreciation of \$18,840,362 on June 30, 2006.

The County's fiscal year 2007 budget projects spending of \$4,634,844 for capital projects, primarily for construction of the new Health & Human Services building and architectural services, Secondary Roads planned projects and technology upgrades. The County annually completes a Five Year Road Plan and Capital Improvement Plan (CIP). Both can be viewed by contacting management or are available on the County's web site [www.johnson-county.com](http://www.johnson-county.com).

**Long-Term Liabilities**

At year end, the County had \$1,968,597 in long term liabilities, consisting of compensated absences and capital lease purchase agreements (Table 4). The County added \$391,418 in liabilities during the fiscal year. This is due mainly to an increase in the amount of compensated absences. More detailed information about the County's long-term liabilities is presented in the notes to the financial statements.

**Table 4  
Long-Term Liabilities**

	Total Year End Fiscal Year 2006 Long Term Liabilities		Total Percentage Change
	2006	2005	2006-2005
Compensated Absences	\$1,962,815	\$1,561,769	25.7%
Capital Leases Payable	\$5,782	\$15,410	-62.5%
<b>TOTAL LONG TERM LIABILITIES</b>	<b>\$1,968,597</b>	<b>\$1,577,179</b>	<b>24.8%</b>

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

At the time these financial statements were prepared and audited, the County was aware of several circumstances that could affect its future financial health:

- ❑ Interest rates remained steady, but seemed to be increasing near the end of FY 2006. This could have an adverse affect on home construction and property tax base growth.
- ❑ Johnson County continues to enjoy a strong economy. Historically low interest rates on mortgages and a low unemployment rate make Johnson County fourth in the State of Iowa in per capita income.

- Johnson County grew from 96,000 residents in 1990 to 111,000 in 2000. The estimated current population is over 118,000.

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

This financial report is designed to provide our citizens, taxpayers, stakeholders, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact:

Tom Slockett  
Johnson County Auditor  
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Iowa City, Iowa 52240  
319-356-6000  
[rclaiborne@co.johnson.ia.us](mailto:rclaiborne@co.johnson.ia.us)

# **BASIC FINANCIAL STATEMENTS**

**JOHNSON COUNTY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

**Exhibit A**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 18,905,258
Receivables	
Property tax	
Delinquent	81,075
Succeeding year	29,993,142
Interest and penalty on property tax	92,664
Interest, other	13,256
Accounts	983,527
Due from other governments	1,071,680
Prepaid expenses	527,804
Inventories	353,876
Land and construction in progress	6,537,217
Other capital assets (net of accumulated depreciation)	18,656,385
Total assets	<u>77,215,884</u>
<b>LIABILITIES</b>	
Accounts payable	1,947,350
Salaries and benefits payable	755,430
Due to other governments	1,144,772
Unearned revenue	
Succeeding year property tax	29,993,142
Long-term liabilities	
Portion due or payable within one year	
Capital lease purchase agreements	5,782
Compensated absences	350,340
Portion due or payable after one year	
Compensated absences	1,612,475
Total liabilities	<u>35,809,291</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	25,187,820
Restricted for	
Supplemental levy purposes	220,643
Secondary roads purposes	3,508,600
Mental health purposes	1,030,033
Other purposes	437,480
Unrestricted	11,022,017
Total net assets	<u>\$ 41,406,593</u>

See notes to financial statements.

**JOHNSON COUNTY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006**

**Exhibit B**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Functions/Programs</b>					
Governmental activities					
Public safety and legal services	\$ 12,913,204	\$ 1,723,275	\$ 1,308,791	\$ -	\$ (9,881,138)
Physical health and social services	7,195,810	227,928	2,786,747	487,844	(3,693,291)
Mental health	10,684,804	7,645	6,920,267	-	(3,756,892)
County environment and education	2,658,630	378,343	89,478	-	(2,190,809)
Roads and transportation	7,253,215	319,566	4,025,300	582,422	(2,325,927)
Governmental services to residents	2,433,394	1,762,340	756,970	14,393	100,309
Administration	6,192,479	458,355	107,218	-	(5,626,906)
Non-program	2,486	-	-	-	(2,486)
<b>Total</b>	<b>\$ 49,334,022</b>	<b>\$ 4,877,452</b>	<b>\$ 15,994,771</b>	<b>\$ 1,084,659</b>	<b>(27,377,140)</b>

**General Revenues**

Property and other County tax levied for	
General purposes	26,646,204
Other County taxes	751,698
Penalty and interest on property tax	366,090
State tax credits	677,010
Franchise tax	56,429
Unrestricted investment earnings	1,238,270
Gain on sale of capital assets	3,339
Miscellaneous	276,173
<b>Total general revenues</b>	<b>30,015,213</b>
Change in net assets	2,638,073
Net assets beginning of year, as restated	38,768,520
<b>Net assets end of year</b>	<b>\$ 41,406,593</b>

**JOHNSON COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	Special Revenue			
	General	Rural Services	Secondary Roads	Mental Health
<b>ASSETS</b>				
Cash and pooled investments	\$ 4,192,838	\$ 107,035	\$ 3,075,267	\$ 2,033,429
Receivables				
Property tax				
Delinquent	54,826	17,340	-	7,655
Succeeding year	23,037,568	2,969,179	-	3,138,395
Accounts	915,723	-	6,952	1,157
Interest and penalty on property tax	92,664	-	-	-
Interest, other	-	-	-	-
Due from other governments	469,190	-	302,153	285,944
Inventories	-	-	353,876	-
Prepays	344,070	-	-	109,618
Total assets	<u>\$ 29,106,879</u>	<u>\$ 3,093,554</u>	<u>\$ 3,738,248</u>	<u>\$ 5,576,198</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 734,158	\$ -	\$ 120,664	\$ 492,516
Salaries and benefits payable	609,214	-	100,554	45,662
Due to other governments	315,428	4,078	8,355	764,206
Deferred revenue				
Succeeding year property tax	23,037,568	2,969,179	-	3,138,395
Other	914,646	16,754	75	105,386
Total liabilities	<u>25,611,014</u>	<u>2,990,011</u>	<u>229,648</u>	<u>4,546,165</u>
Fund balances				
Reserved for				
Inventories	-	-	353,876	-
Prepays	344,070	-	-	109,618
Unreserved, reported in				
General fund	3,151,795	-	-	-
Special revenue funds	-	103,543	3,154,724	920,415
Debt service fund	-	-	-	-
Capital projects fund	-	-	-	-
Total fund balances	<u>3,495,865</u>	<u>103,543</u>	<u>3,508,600</u>	<u>1,030,033</u>
Total liabilities and fund balances	<u>\$ 29,106,879</u>	<u>\$ 3,093,554</u>	<u>\$ 3,738,248</u>	<u>\$ 5,576,198</u>

See notes to financial statements.

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<u>Capital Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 3,942,520	\$ 3,412,675	\$ 16,763,764
-	1,254	81,075
-	848,000	29,993,142
8,761	-	932,593
-	-	92,664
-	13,256	13,256
14,393	-	1,071,680
-	-	353,876
<u>74,116</u>	<u>-</u>	<u>527,804</u>
<u>\$ 4,039,790</u>	<u>\$ 4,275,185</u>	<u>\$ 49,829,854</u>
\$ 35,275	\$ 16,957	\$ 1,399,570
-	-	755,430
52,705	-	1,144,772
-	848,000	29,993,142
<u>2,331</u>	<u>84,470</u>	<u>1,123,662</u>
<u>90,311</u>	<u>949,427</u>	<u>34,416,576</u>
-	-	353,876
74,116	-	527,804
-	-	3,151,795
-	3,325,636	7,504,318
-	122	122
<u>3,875,363</u>	<u>-</u>	<u>3,875,363</u>
<u>3,949,479</u>	<u>3,325,758</u>	<u>15,413,278</u>
<u>\$ 4,039,790</u>	<u>\$ 4,275,185</u>	<u>\$ 49,829,854</u>

**JOHNSON COUNTY**  
**RECONCILIATION OF THE BALANCE SHEET -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

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**Exhibit D**

Total governmental fund balances		\$ 15,413,278
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 \$44,033,964 and the accumulated depreciation is \$18,840,362.		25,193,602
Other assets, such as County taxes, are not available to pay current period expenditures and therefore are deferred in the funds.		1,123,662
The Internal Service Fund is used by the County to charge the costs of health insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.		1,644,648
Long-term liabilities, including capital lease purchase agreements and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Capital lease purchase agreements	\$ (5,782)	
Compensated absences	<u>(1,962,815)</u>	
Total long-term liabilities		<u>(1,968,597)</u>
Net assets of governmental activities		<u>\$ 41,406,593</u>

**JOHNSON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2006**

	Special Revenue			
	General	Rural Services	Secondary Roads	Mental Health
<b>Revenues</b>				
Property and other County tax	\$ 21,156,002	\$ 2,848,513	\$ -	\$ 3,080,513
Interest and penalty on property tax	375,395	-	-	-
Intergovernmental	5,820,194	92,665	4,029,365	6,994,563
Licenses and permits	526,964	-	1,695	-
Charges for service	2,995,188	-	-	7,515
Use of money and property	901,265	-	17,118	-
Miscellaneous	446,490	-	328,308	27,858
Total revenues	<u>32,221,498</u>	<u>2,941,178</u>	<u>4,376,486</u>	<u>10,110,449</u>
<b>Expenditures</b>				
<b>Operating</b>				
Public safety and legal services	12,708,579	-	-	-
Physical health and social services	7,130,324	-	-	-
Mental health	-	-	-	10,712,349
County environment and education	1,922,910	538,790	-	-
Roads and transportation	-	-	5,957,011	-
Governmental services to residents	1,711,786	-	-	-
Administration	5,374,237	-	-	-
Non-program	600	-	-	-
Capital projects	-	-	1,267,779	-
Total expenditures	<u>28,848,436</u>	<u>538,790</u>	<u>7,224,790</u>	<u>10,712,349</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,373,062</u>	<u>2,402,388</u>	<u>(2,848,304)</u>	<u>(601,900)</u>
<b>Other financing sources (uses)</b>				
Sale of capital assets	2,489	-	-	850
Transfers in (out)	<u>(3,379,510)</u>	<u>(2,399,757)</u>	<u>2,909,519</u>	<u>-</u>
Total other financing sources (uses)	<u>(3,377,021)</u>	<u>(2,399,757)</u>	<u>2,909,519</u>	<u>850</u>
Net change in fund balances	(3,959)	2,631	61,215	(601,050)
Fund balances beginning of year, as restated	<u>3,499,824</u>	<u>100,912</u>	<u>3,447,385</u>	<u>1,631,083</u>
Fund balances end of year	<u>\$ 3,495,865</u>	<u>\$ 103,543</u>	<u>\$ 3,508,600</u>	<u>\$ 1,030,033</u>

See notes to financial statements.

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Capital Projects	Other Nonmajor Governmental Funds	Total
\$ -	\$ 122	\$ 27,085,150
-	-	375,395
649,573	82,370	17,668,730
-	-	528,659
-	32,686	3,035,389
133,188	134,314	1,185,885
38,741	44,307	885,704
<u>821,502</u>	<u>293,799</u>	<u>50,764,912</u>
-	88,654	12,797,233
-	2,000	7,132,324
-	-	10,712,349
-	-	2,461,700
-	-	5,957,011
-	5,100	1,716,886
-	-	5,374,237
-	-	600
<u>5,122,147</u>	<u>101,776</u>	<u>6,491,702</u>
<u>5,122,147</u>	<u>197,530</u>	<u>52,644,042</u>
<u>(4,300,645)</u>	<u>96,269</u>	<u>(1,879,130)</u>
-	-	3,339
<u>2,810,926</u>	<u>58,822</u>	<u>-</u>
<u>2,810,926</u>	<u>58,822</u>	<u>3,339</u>
(1,489,719)	155,091	(1,875,791)
<u>5,439,198</u>	<u>3,170,667</u>	<u>17,289,069</u>
<u>\$ 3,949,479</u>	<u>\$ 3,325,758</u>	<u>\$ 15,413,278</u>

**JOHNSON COUNTY**

Exhibit F

**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 \$ (1,875,791)

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 outlays  
exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 5,230,729	
Capital grants for capital assets	582,422	
Depreciation expense	<u>(2,276,678)</u>	3,536,473

Bond proceeds and capital leases provide current financial resources  
to governmental funds, and thus contribute to the change in fund  
balance. In the Statement of Net Assets, however, issuing debt  
increases long-term liabilities and does not affect the Statement  
of Activities. Similarly, repayment of principal is an expenditure in  
the governmental funds but reduces the liability in the Statement of  
Net Assets.

Repayments	9,628
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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.	588,665
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Some expenses reported in the Statement of Activities do not  
require the use of current financial resources and therefore are  
not reported as expenditures in governmental funds as follows:

Change in accrued compensated absences	(401,046)
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The Internal Service Fund is used by the County to charge the costs of health insurance to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.	<u>780,144</u>
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Change in net assets of governmental activities	<u>\$ 2,638,073</u>
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**JOHNSON COUNTY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**JUNE 30, 2006**

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**Exhibit G**

	<u>Internal Service - Employee Group Health</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 2,141,494
Accounts receivable	<u>50,934</u>
Total assets	2,192,428
<b>LIABILITIES</b>	
Accounts payable	<u>547,780</u>
<b>NET ASSETS</b>	
Unrestricted	<u><u>\$ 1,644,648</u></u>

**JOHNSON COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2006**

**Exhibit H**

		Internal Service - Employee Group Health
Operating revenues		
Contributions and reimbursements from operating funds and other governmental units		\$ 4,233,195
Health fees - employees		<u>386,296</u>
Total operating revenues		4,619,491
Operating expenses		
Medical and health services	\$ 3,234,106	
Accounting, auditing, and clerical	696,040	
Miscellaneous	<u>1,000</u>	<u>3,931,146</u>
Operating income		688,345
Non-operating revenues		
Interest income		<u>91,799</u>
Change in net assets		780,144
Net assets, beginning of year		<u>864,504</u>
Net assets, end of year		<u><u>\$ 1,644,648</u></u>

**JOHNSON COUNTY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2006**

**Exhibit I**

	Internal Service - Employee Group Health
Cash flows from operating activities	
Cash received from operating fund reimbursements	\$ 4,233,195
Cash received from employees and others	359,714
Cash paid for administrative fees	(697,040)
Cash paid for medical claims and insurance premiums	<u>(3,220,464)</u>
Net cash provided by operating activities	675,405
Cash flows from investing activities	
Interest on investments	<u>91,799</u>
Net increase in cash and pooled investments	767,204
Cash and pooled investments at beginning of year	<u>1,374,290</u>
Cash and pooled investments at end of year	<u>\$ 2,141,494</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 688,345
Adjustments to reconcile operating income to net cash provided by operating activities	
Increase in accounts receivable	(26,582)
Increase in accounts payable	<u>13,642</u>
Net cash provided by operating activities	<u>\$ 675,405</u>

**JOHNSON COUNTY**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2006**

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**Exhibit J**

**ASSETS**

Cash and investments	
County Treasurer	\$ 4,298,880
Other County officials	667,728
Receivables	
Property tax	
Delinquent	256,790
Succeeding year	160,631,242
Accounts	66,246
Interest and penalties on special assessments	47,820
Prepays	2,075
Due from other governments	<u>12,598</u>
 Total assets	 <u>165,983,379</u>

**LIABILITIES**

Accounts payable	113,875
Salaries and benefits payable	33,059
Due to other governments	165,252,966
Trusts payable	489,105
Compensated absences	<u>94,374</u>
 Total liabilities	 <u>165,983,379</u>

**NET ASSETS** \$ -

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

A. Reporting Entity

For financial reporting purposes, Johnson County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The County 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 commission: Johnson County Assessor's Conference Board, Iowa City Assessor's Conference Board, Johnson County Emergency Management Commission, Johnson County Joint E911 Service Board, and Johnson County Council of Governments. 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, except for the Johnson County Council of Governments.

B. Basis of Presentation

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

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

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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*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 that do not meet 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 and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The County reports the following major governmental funds:

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

Special Revenue:

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

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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Special Assessments Receivable - Assessments receivable represent amounts assessed to individuals for work done which benefit their property. These assessments are payable by individuals in not less than ten nor more than twenty 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. Assessments receivable represent assessments which are due and payable 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, Secondary Roads Fund, consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Prepaid Expenses – Prepaid expenses represent certain payments to vendors that reflect costs applicable to future accounting periods.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Other capital assets	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	15 – 40
Improvements	10 – 40
Infrastructure	20 – 65
Equipment	2 – 30

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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

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

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

Unearned 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 that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services, Secondary Roads, and Mental Health 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 that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets – The net assets of the Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

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

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**NOTE 2 – CASH AND POOLED INVESTMENTS**

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

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

The County held no investments as of June 30, 2006.

*Interest Rate Risk.* The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County. The County did not hold any instruments with a maturity greater than 397 days during the year.

*Credit Risk.* The County's investment policy limits investment in commercial paper and other corporate debt to the top two highest classifications. The County did not invest in any commercial paper or other corporate debt during the year.

*Concentration of Credit Risk.* The County's investment policy does not allow for a prime bankers acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The County held no such investments during the year.

*Custodial Credit Risk – Deposits.* In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The County's deposits are 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.

*Custodial Credit Risk – Investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County did not hold any investments during the year.

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**NOTE 3 – INTERFUND TRANSFERS**

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

Transfer To	Transfer From	Amount
General	Capital Projects	\$ 7,058
	Conservation Land Acquisition Trust	25,625
	REAP	8,124
Special Revenue		
Secondary Roads	General	512,838
	Special Revenue	
	Rural Services	2,399,757
Debt Service	General	18,345
Conservation Land Acquisition Trust	General	74,226
Capital Projects	General	2,814,908
	Special Revenue	
	Secondary Roads	<u>3,076</u>
Total		<u>\$ 5,863,957</u>

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

**NOTE 4 – 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	\$ 2,804,032	\$ 3,055,038	\$ -	\$ 5,859,070
Construction in progress	<u>616,312</u>	<u>1,728,314</u>	<u>(1,666,479)</u>	<u>678,147</u>
Total capital assets not being depreciated	<u>3,420,344</u>	<u>4,783,352</u>	<u>(1,666,479)</u>	<u>6,537,217</u>

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets being depreciated				
Buildings and improvements	\$ 13,622,081	\$ -	\$ -	\$ 13,622,081
Machinery and equipment	12,057,723	1,169,325	(575,975)	12,651,073
Infrastructure	<u>9,682,896</u>	<u>1,540,697</u>	<u>-</u>	<u>11,223,593</u>
Total capital assets being depreciated	<u>35,362,700</u>	<u>2,710,022</u>	<u>(575,975)</u>	<u>37,496,747</u>
Less accumulated depreciation for				
Buildings and improvements	8,208,504	279,365	-	8,487,869
Machinery and equipment	7,203,535	1,188,542	(562,280)	7,829,797
Infrastructure	<u>1,713,925</u>	<u>808,771</u>	<u>-</u>	<u>2,522,696</u>
Total accumulated depreciation	<u>17,125,964</u>	<u>2,276,678</u>	<u>(562,280)</u>	<u>18,840,362</u>
Total capital assets being depreciated, net	<u>18,236,736</u>	<u>433,344</u>	<u>(13,695)</u>	<u>18,656,385</u>
Governmental activities capital assets, net	<u>\$ 21,657,080</u>	<u>\$ 5,216,696</u>	<u>\$ (1,680,174)</u>	<u>\$ 25,193,602</u>

**NOTE 5 – 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. The Agency Fund collections also include accruals of property tax for the succeeding year. 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	\$ 315,428
Rural Services		4,078
Secondary Roads		8,355
Mental Health		764,206
Capital Projects		<u>52,705</u>
Total for governmental funds		<u>1,144,772</u>

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

Fund	Description	Amount
Agency		
County Auditor	Collections	\$ 3,297
County Recorder		177,469
County Sheriff		21
Agricultural Extension Education		312,101
County Assessor		1,115,071
City Assessor		695,918
Emergency Management		192,634
Brucellosis and Tuberculosis Eradication		134
Schools		100,931,328
Community Colleges		3,784,448
Corporations		54,631,117
Townships		647,593
City Special Assessments		57,079
E911 Surcharge		479,652
Auto License and Use Tax		1,817,590
Empowerment Board		253,250
Tax Sales		154,264
Total for agency funds		<u>165,252,966</u>
 Total		 <u>\$ 166,397,738</u>

**NOTE 6 – CHANGES IN LONG-TERM LIABILITIES**

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

	Compensated Absences	Capital Lease Purchase Agreements	Total
Balance beginning of year	\$ 1,561,769	\$ 15,410	\$ 1,577,179
Increases	401,046	-	401,046
Decreases	<u>-</u>	<u>9,628</u>	<u>9,628</u>
Balance end of year	<u>\$ 1,962,815</u>	<u>\$ 5,782</u>	<u>\$ 1,968,597</u>
Due within one year	<u>\$ 350,340</u>	<u>\$ 5,782</u>	<u>\$ 356,122</u>

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**Capital Lease Purchase Agreements**

The County has entered into capital lease purchase agreements to lease various equipment with historical costs of \$36,722. The following is a schedule of the future minimum lease payments, including interest ranging from 5.82% to 9.74% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2006:

<u>Year Ending June 30,</u>	<u>Three Leases for Various Office Equipment</u>
2007	\$ 4,276
2008	<u>1,925</u>
Total minimum lease payments	6,201
Less amount representing interest	<u>(419)</u>
Present value of net minimum lease payments	<u>\$ 5,782</u>

Payments under capital lease purchase agreements totaled \$10,715 for the year ended June 30, 2006.

**NOTE 7 – PENSION AND RETIREMENT BENEFITS**

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

Plan members are required to contribute 3.70% of their annual covered salary, and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2006, are 8.2% and 8.2%, respectively, and conservation peace officers, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2005, the contribution rates for law enforcement employees and the County were 5.10% and 7.66%, respectively, and conservation peace officers, in which case the percentages were 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for law enforcement employees and the County were 4.99% and 7.48%, respectively, and conservation peace officers, in which case the percentages were 5.93% and 8.90%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$1,138,954, \$1,070,978, and \$988,069, respectively, equal to the required contributions for each year.

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**NOTE 8 – RISK MANAGEMENT**

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

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2006, were \$322,864.

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

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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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.

**NOTE 9 – EMPLOYEE HEALTH INSURANCE PLAN**

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. Health benefits were self-insured up to a specific stop-loss amount of \$50,000 and an aggregate annual stop-loss amount of approximately \$3,850,000 for 2006. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop-loss amount.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2006, was \$4,233,195.

Amounts payable from the Employee Group Health Fund at June 30, 2006, total \$485,519, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$1,644,648 at June 30, 2006, and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. Changes in the fund's claims liability amount in fiscal 2006 and 2005 were:

Unpaid claims, June 30, 2004	\$ 668,606
Incurred claims (including IBNRs)	2,813,801
Claim payments	<u>(2,980,554)</u>
Unpaid claims, June 30, 2005	501,853
Incurred claims (including IBNRs)	3,234,106
Claim payments	<u>(3,250,440)</u>
Unpaid claims, June 30, 2006	<u>\$ 485,519</u>

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**NOTE 10 – CONDUIT DEBT OBLIGATIONS**

From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2006, there were four series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$2,183,017.

**NOTE 11 – CONSTRUCTION COMMITMENTS**

The County has entered into four contracts totaling \$5,922,206 for road construction and bridge replacements. As of June 30, 2006, costs of \$3,073,809 on the projects have been incurred. The balance remaining on the projects at June 30, 2006, \$2,848,397, will be paid as work on the projects progress.

**NOTE 12 – LITIGATION**

The County Attorney reported that as of June 30, 2006, various claims and lawsuits were on file against the County. The probability of loss, if any, is undeterminable.

**NOTE 13 – RESTATEMENT OF BEGINNING BALANCES**

The County restated the General Fund beginning balance due to an error in the prior period.

	<u>General Fund</u>	<u>Tax Sales</u>
Balance June 30, 2005, as previously reported	\$ 3,715,004	\$ -
Adjustments for tax sales redemptions received prior to July 1, 2005, and still unpaid	<u>(215,180)</u>	<u>215,180</u>
Total, as restated	<u>\$ 3,499,824</u>	<u>\$ 215,180</u>

The County restated the Road Construction Escrow Fund balance due to an error in the prior period.

	<u>Road Construction Escrow</u>
Balance June 30, 2005, as previously reported	\$ 2,827,112
Adjustments for unearned revenue previously held in fund balance	<u>(83,000)</u>
Total, as restated	<u>\$ 2,744,112</u>

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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The County restated governmental activities beginning net asset balance due to the restatement of the general fund above and due to the County inadvertently recording excess property tax and penalties and interest receivable in prior year.

	<u>Governmental Activities</u>
Balance June 30, 2005, as previously reported	\$ 39,835,137
Adjustments for tax sale redemptions receipted prior to July 1, 2005 and still unpaid	(215,180)
Adjustment for excess property tax and penalties and interest receivable recorded at June 30, 2005	<u>(851,437)</u>
Total, as restated	<u>\$ 38,768,520</u>

**NOTE 14 – PROSPECTIVE ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) has issued five statements not yet implemented by Johnson County. The statements, which might impact Johnson County, are as follows:

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the County for the fiscal year ending June 30, 2008. This statement establishes uniform financial reporting standards for other postemployment benefit (OPEB) plans and supersedes the interim guidance included in Statement No. 26. This statement affects reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the County for the fiscal year ending June 30, 2009. This statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.

Statement No. 47, *Accounting for Termination Benefits*, issued June 2005, establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this statement should be implemented simultaneously with the requirements of Statement No. 45. For all other termination benefits, this statement is effective for the fiscal year ended June 30, 2006.

Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, issued September 2006, will be effective for the fiscal year ending June 30, 2008. This statement establishes standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also establishes standards that apply to all intra-entity transfers of assets and future revenues.

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the fiscal year ending June 30, 2009. This statement establishes standards for accounting and financial reporting for obligations to address the current or potential detrimental effects of existing pollution.

The County's management has not yet determined the effect these statements will have on the County's financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**JOHNSON COUNTY**

**JOHNSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN**  
**BALANCES – BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS BUDGET TO**  
**GAAP RECONCILIATION**  
**YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual	Variance- Favorable (Unfavorable)	Actual as % of Final Budget
	Original	Final			
<b>Receipts</b>					
Property and other County tax	\$ 26,964,067	\$ 26,964,067	\$ 27,081,582	\$ 117,515	100%
Interest and penalty on property tax	317,379	317,379	381,770	64,391	120
Intergovernmental	14,264,095	18,126,020	17,617,250	(508,770)	97
Licenses and permits	482,860	487,560	527,551	39,991	108
Charges for service	2,631,795	2,630,765	3,017,804	387,039	115
Use of money and property	567,366	567,524	1,147,344	579,820	202
Miscellaneous	1,749,771	1,784,524	847,810	(936,714)	48
Total receipts	<u>46,977,333</u>	<u>50,877,839</u>	<u>50,621,111</u>	<u>(256,728)</u>	<u>99</u>
<b>Disbursements</b>					
Public safety and legal services	13,300,273	13,583,047	12,712,297	870,750	94%
Physical health and social services	6,721,766	7,657,063	6,925,849	731,214	90
Mental health	11,179,045	11,324,335	10,274,255	1,050,080	91
County environment and education	2,451,235	2,459,937	2,363,055	96,882	96
Roads and transportation	6,476,999	6,866,651	6,139,505	727,146	89
Governmental services to residents	1,924,488	1,967,751	1,700,521	267,230	86
Administration	5,968,031	5,994,953	5,386,192	608,761	90
Non-program	1,950	1,950	600	1,350	31
Capital projects	<u>3,684,181</u>	<u>8,722,606</u>	<u>6,412,941</u>	<u>2,309,665</u>	<u>74</u>
Total disbursements	<u>51,707,968</u>	<u>58,578,293</u>	<u>51,915,215</u>	<u>6,663,078</u>	<u>89</u>
Deficiency of receipts under disbursements	(4,730,635)	(7,700,454)	(1,294,104)		
<b>Other financing sources</b>					
Sale of capital assets	<u>2,600</u>	<u>2,600</u>	<u>3,339</u>		
Deficiency of receipts and other financing sources under disbursements	(4,728,035)	(7,697,854)	(1,290,765)		
Balance beginning of year, as restated	<u>17,786,546</u>	<u>17,786,546</u>	<u>17,786,546</u>		
Balance end of year	<u>\$ 13,058,511</u>	<u>\$ 10,088,692</u>	<u>\$ 16,495,781</u>		
<b>Budget to GAAP reconciliation</b>					
	Governmental Funds				
	Cash Basis	Accrual Adjustments	Modified Accrual Basis		
Revenues	\$ 50,621,111	\$ 143,801	\$ 50,764,912		
Expenditures	<u>51,915,215</u>	<u>728,827</u>	<u>52,644,042</u>		
Net	(1,294,104)	(585,026)	(1,879,130)		
Other financing sources (uses)	3,339	-	3,339		
Beginning fund balances, as restated	<u>17,786,546</u>	<u>(497,477)</u>	<u>17,289,069</u>		
Ending fund balances	<u>\$ 16,495,781</u>	<u>\$ (1,082,503)</u>	<u>\$ 15,413,278</u>		

**JOHNSON COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING**  
**JUNE 30, 2006**

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, 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, two budget amendments increased budgeted disbursements by \$6,870,325. The budget amendments are reflected in the final budgeted amounts.

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

**JOHNSON COUNTY**

**JOHNSON COUNTY**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2006**

	County Sheriff Law Enforcement Proceeds	County Attorney Law Enforcement Proceeds	Resources Enhancement and Protection	Road Construction Escrow	Historical Preservation	Special County Recorder's Records Management
<b>ASSETS</b>						
Cash and pooled investments	\$ 81,398	\$ 23,350	\$ 72,217	\$ 2,910,048	\$ 1,569	\$ 40,181
Receivables						
Property tax						
Delinquent	-	-	-	-	-	-
Succeeding year	-	-	-	-	-	-
Interest, other	-	-	-	13,256	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,256</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 81,398</u>	<u>\$ 23,350</u>	<u>\$ 72,217</u>	<u>\$ 2,923,304</u>	<u>\$ 1,569</u>	<u>\$ 40,181</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ 1,968	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue						
Succeeding year property tax	-	-	-	-	-	-
Other	-	-	-	83,000	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,000</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,968</u>	<u>-</u>	<u>-</u>	<u>83,000</u>	<u>-</u>	<u>-</u>
Fund balances						
Unreserved, reported in						
Special revenue funds	79,430	23,350	72,217	2,840,304	1,569	40,181
Debt service fund	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>79,430</u>	<u>23,350</u>	<u>72,217</u>	<u>2,840,304</u>	<u>1,569</u>	<u>40,181</u>
Total liabilities and fund balances	<u>\$ 81,398</u>	<u>\$ 23,350</u>	<u>\$ 72,217</u>	<u>\$ 2,923,304</u>	<u>\$ 1,569</u>	<u>\$ 40,181</u>

Revenue Funds

<u>Ambulance</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Courthouse Centenary Trust</u>	<u>Conservation Land Acquisition Trust</u>	<u>SIH Consortium Trust</u>	<u>Debt Service</u>	<u>Total</u>
\$ 1,307	\$ 3	\$ 4,795	\$ 276,269	\$ 1,538	\$ -	\$ 3,412,675
-	-	-	-	-	1,254	1,254
-	-	-	-	-	848,000	848,000
-	-	-	-	-	-	13,256
<u>\$ 1,307</u>	<u>\$ 3</u>	<u>\$ 4,795</u>	<u>\$ 276,269</u>	<u>\$ 1,538</u>	<u>\$ 849,254</u>	<u>\$ 4,275,185</u>
\$ -	\$ -	\$ -	\$ 14,989	\$ -	\$ -	\$ 16,957
-	-	-	-	-	848,000	848,000
-	-	-	-	338	1,132	84,470
-	-	-	14,989	338	849,132	949,427
1,307	3	4,795	261,280	1,200	-	3,325,636
-	-	-	-	-	122	122
<u>1,307</u>	<u>3</u>	<u>4,795</u>	<u>261,280</u>	<u>1,200</u>	<u>122</u>	<u>3,325,758</u>
<u>\$ 1,307</u>	<u>\$ 3</u>	<u>\$ 4,795</u>	<u>\$ 276,269</u>	<u>\$ 1,538</u>	<u>\$ 849,254</u>	<u>\$ 4,275,185</u>

**JOHNSON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2006**

	County Sheriff Law Enforcement Proceeds	County Attorney Law Enforcement Proceeds	Resources Enhancement and Protection	Road Construction Escrow	Historical Preservation	Special County Recorder's Records Management
Revenues						
Property and other County tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	50,203	-	32,167	-	-	-
Charges for service	-	-	-	-	-	32,686
Use of money and property	4,934	-	3,279	113,192	-	2,244
Miscellaneous	-	1,570	-	(17,000)	-	-
Total revenues	<u>55,137</u>	<u>1,570</u>	<u>35,446</u>	<u>96,192</u>	<u>-</u>	<u>34,930</u>
Expenditures						
Operating						
Public safety and legal services	88,654	-	-	-	-	-
Physical health and social services	-	-	-	-	-	-
Governmental services to residents	-	-	-	-	-	5,100
Capital projects	-	-	24,016	-	-	-
Total expenditures	<u>88,654</u>	<u>-</u>	<u>24,016</u>	<u>-</u>	<u>-</u>	<u>5,100</u>
Excess (deficiency) of revenues over (under) expenditures	(33,517)	1,570	11,430	96,192	-	29,830
Other financing sources (uses)						
Transfers in (out)	<u>-</u>	<u>-</u>	<u>(8,124)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(33,517)	1,570	3,306	96,192	-	29,830
Fund balances beginning of year, as restated	<u>112,947</u>	<u>21,780</u>	<u>68,911</u>	<u>2,744,112</u>	<u>1,569</u>	<u>10,351</u>
Fund balances end of year	<u>\$ 79,430</u>	<u>\$ 23,350</u>	<u>\$ 72,217</u>	<u>\$ 2,840,304</u>	<u>\$ 1,569</u>	<u>\$ 40,181</u>

Revenue Funds

<u>Ambulance</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Courthouse Centenary Trust</u>	<u>Conservation Land Acquisition Trust</u>	<u>SIH Consortium Trust</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 122	\$ 122
-	-	-	-	-	-	82,370
-	-	-	-	-	-	32,686
-	-	12	10,653	-	-	134,314
209	-	230	57,298	2,000	-	44,307
<u>209</u>	<u>-</u>	<u>242</u>	<u>67,951</u>	<u>2,000</u>	<u>122</u>	<u>293,799</u>
-	-	-	-	-	-	88,654
-	-	-	-	2,000	-	2,000
-	-	-	-	-	-	5,100
-	-	-	77,760	-	-	101,776
-	-	-	77,760	2,000	-	197,530
209	-	242	(9,809)	-	122	96,269
-	-	-	48,601	-	18,345	58,822
209	-	242	38,792	-	18,467	155,091
1,098	3	4,553	222,488	1,200	(18,345)	3,170,667
<u>\$ 1,307</u>	<u>\$ 3</u>	<u>\$ 4,795</u>	<u>\$ 261,280</u>	<u>\$ 1,200</u>	<u>\$ 122</u>	<u>\$ 3,325,758</u>

**JOHNSON COUNTY**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS**  
**AND LIABILITIES – AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2006**

**Schedule 3**

	Balance June 30 2005	Additions	Deletions	Balance June 30 2006
<b>COUNTY AUDITOR</b>				
<b>Assets</b>				
Cash and investments	\$ 11,692	\$ 132,010	\$ 140,405	\$ 3,297
<b>Liabilities</b>				
Accounts payable	\$ 164	\$ -	\$ 164	\$ -
Due to other funds	-	35,212	35,212	-
Due to other governments	11,528	3,297	11,528	3,297
Total liabilities	<u>\$ 11,692</u>	<u>\$ 38,509</u>	<u>\$ 46,904</u>	<u>\$ 3,297</u>
<b>COUNTY RECORDER</b>				
<b>Assets</b>				
Cash and investments	\$ 156,169	\$ 2,490,568	\$ 2,471,432	\$ 175,305
Accounts receivable	1,787	2,164	1,787	2,164
Total assets	<u>\$ 157,956</u>	<u>\$ 2,492,732</u>	<u>\$ 2,473,219</u>	<u>\$ 177,469</u>
<b>Liabilities</b>				
Due to other funds	\$ -	\$ 1,100,877	\$ 1,100,877	\$ -
Due to other governments	157,956	1,391,855	1,372,342	177,469
Total liabilities	<u>\$ 157,956</u>	<u>\$ 2,492,732</u>	<u>\$ 2,473,219</u>	<u>\$ 177,469</u>
<b>COUNTY SHERIFF</b>				
<b>Assets</b>				
Cash and investments	\$ 416,994	\$ 2,526,825	\$ 2,454,693	\$ 489,126
<b>Liabilities</b>				
Due to other funds	\$ -	\$ 235,059	\$ 235,059	\$ -
Due to other governments	40	247	266	21
Trusts payable	416,954	2,291,519	2,219,368	489,105
Total liabilities	<u>\$ 416,994</u>	<u>\$ 2,526,825</u>	<u>\$ 2,454,693</u>	<u>\$ 489,126</u>

(continued)

**JOHNSON COUNTY**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS**  
**AND LIABILITIES – AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2006**

**Schedule 3**  
**(continued)**

	Balance June 30 2005	Additions	Deletions	Balance June 30 2006
<b>AGRICULTURAL EXTENSION EDUCATION</b>				
<b>Assets</b>				
Cash and investments	\$ 1,554	\$ 253,489	\$ 253,618	\$ 1,425
Property tax receivable				
Delinquent	1,575	703	1,575	703
Succeeding year	<u>252,200</u>	<u>309,973</u>	<u>252,200</u>	<u>309,973</u>
Total assets	<u>\$ 255,329</u>	<u>\$ 564,165</u>	<u>\$ 507,393</u>	<u>\$ 312,101</u>
<b>Liabilities</b>				
Due to other governments	<u>\$ 255,329</u>	<u>\$ 564,165</u>	<u>\$ 507,393</u>	<u>\$ 312,101</u>
<b>COUNTY ASSESSOR</b>				
<b>Assets</b>				
Cash and investments	\$ 511,744	\$ 816,187	\$ 900,198	\$ 427,733
Receivables				
Property tax				
Delinquent	6,232	2,673	6,232	2,673
Succeeding year	635,002	749,256	635,002	749,256
Accounts	77	-	77	-
Prepays	<u>794</u>	<u>-</u>	<u>794</u>	<u>-</u>
Total assets	<u>\$ 1,153,849</u>	<u>\$ 1,568,116</u>	<u>\$ 1,542,303</u>	<u>\$ 1,179,662</u>
<b>Liabilities</b>				
Accounts payable	\$ 3,407	\$ 757	\$ 3,407	\$ 757
Salaries and benefits payable	14,577	16,093	14,577	16,093
Due to other governments	1,106,981	1,503,525	1,495,435	1,115,071
Compensated absences	<u>28,884</u>	<u>47,741</u>	<u>28,884</u>	<u>47,741</u>
Total liabilities	<u>\$ 1,153,849</u>	<u>\$ 1,568,116</u>	<u>\$ 1,542,303</u>	<u>\$ 1,179,662</u>

(continued)

**JOHNSON COUNTY**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS**  
**AND LIABILITIES – AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2006**

**Schedule 3**  
**(continued)**

	Balance June 30 2005	Additions	Deletions	Balance June 30 2006
<b>CITY ASSESSOR</b>				
<b>Assets</b>				
Cash and investments	\$ 233,428	\$ 500,147	\$ 516,168	\$ 217,407
Receivables				
Property tax				
Delinquent	1,472	617	1,472	617
Succeeding year	498,037	529,687	498,037	529,687
Accounts	117	112	117	112
Prepays	-	2,075	-	2,075
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 733,054</u>	<u>\$ 1,032,638</u>	<u>\$ 1,015,794</u>	<u>\$ 749,898</u>
<b>Liabilities</b>				
Accounts payable	\$ 635	\$ 80	\$ 635	\$ 80
Salaries and benefits payable	11,419	13,601	11,419	13,601
Due to other governments	687,245	978,658	969,985	695,918
Compensated absences	33,755	40,299	33,755	40,299
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>\$ 733,054</u>	<u>\$ 1,032,638</u>	<u>\$ 1,015,794</u>	<u>\$ 749,898</u>
<b>EMERGENCY MANAGEMENT</b>				
<b>Assets</b>				
Cash and investments	\$ 260,682	\$ 685,500	\$ 729,112	\$ 217,070
Accounts receivable	49	49	49	49
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 260,731</u>	<u>\$ 685,549</u>	<u>\$ 729,161</u>	<u>\$ 217,119</u>
<b>Liabilities</b>				
Accounts payable	\$ 102,121	\$ 14,786	\$ 102,121	\$ 14,786
Salaries and benefits payable	2,828	3,365	2,828	3,365
Due to other governments	150,232	661,064	618,662	192,634
Compensated absences	5,550	6,334	5,550	6,334
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>\$ 260,731</u>	<u>\$ 685,549</u>	<u>\$ 729,161</u>	<u>\$ 217,119</u>

(continued)

**JOHNSON COUNTY**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS**  
**AND LIABILITIES – AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2006**

**Schedule 3**  
**(continued)**

	Balance June 30 2005	Additions	Deletions	Balance June 30 2006
<b>BRUCellosIS AND TUBERCULOSIS ERADICATION</b>				
<b>Assets</b>				
Cash and investments	\$ 97	\$ 46,021	\$ 46,026	\$ 92
Property tax receivable				
Delinquent	98	42	98	42
Total assets	<u>\$ 195</u>	<u>\$ 46,063</u>	<u>\$ 46,124</u>	<u>\$ 134</u>
<b>Liabilities</b>				
Due to other governments	<u>\$ 195</u>	<u>\$ 46,063</u>	<u>\$ 46,124</u>	<u>\$ 134</u>
<b>SCHOOLS</b>				
<b>Assets</b>				
Cash and investments	\$ 331,352	\$ 57,308,626	\$ 57,313,248	\$ 326,730
Property tax receivable				
Delinquent	327,206	149,508	327,206	149,508
Succeeding year	90,516,690	100,455,090	90,516,690	100,455,090
Total assets	<u>\$ 91,175,248</u>	<u>\$ 157,913,224</u>	<u>\$ 148,157,144</u>	<u>\$ 100,931,328</u>
<b>Liabilities</b>				
Due to other governments	<u>\$ 91,175,248</u>	<u>\$ 157,913,224</u>	<u>\$ 148,157,144</u>	<u>\$ 100,931,328</u>
<b>COMMUNITY COLLEGES</b>				
<b>Assets</b>				
Cash and investments	\$ 16,227	\$ 2,642,720	\$ 2,644,094	\$ 14,853
Property tax receivable				
Delinquent	16,425	8,360	16,425	8,360
Succeeding year	2,629,264	3,761,235	2,629,264	3,761,235
Total assets	<u>\$ 2,661,916</u>	<u>\$ 6,412,315</u>	<u>\$ 5,289,783</u>	<u>\$ 3,784,448</u>
<b>Liabilities</b>				
Due to other governments	<u>\$ 2,661,916</u>	<u>\$ 6,412,315</u>	<u>\$ 5,289,783</u>	<u>\$ 3,784,448</u>

(continued)

**JOHNSON COUNTY**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS**  
**AND LIABILITIES – AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2006**

**Schedule 3**  
**(continued)**

	Balance June 30 2005	Additions	Deletions	Balance June 30 2006
<b>CORPORATIONS</b>				
<b>Assets</b>				
Cash and investments	\$ 385,089	\$ 62,265,020	\$ 62,297,148	\$ 352,961
Property tax receivable				
Delinquent	175,456	91,742	175,456	91,742
Succeeding year	<u>49,546,553</u>	<u>54,186,414</u>	<u>49,546,553</u>	<u>54,186,414</u>
Total assets	<u>\$ 50,107,098</u>	<u>\$ 116,543,176</u>	<u>\$ 112,019,157</u>	<u>\$ 54,631,117</u>
<b>Liabilities</b>				
Due to other governments	<u>\$ 50,107,098</u>	<u>\$ 116,543,176</u>	<u>\$ 112,019,157</u>	<u>\$ 54,631,117</u>
<b>TOWNSHIPS</b>				
<b>Assets</b>				
Cash and investments	\$ 5,304	\$ 598,424	\$ 598,867	\$ 4,861
Property tax receivable				
Delinquent	7,418	3,145	7,418	3,145
Succeeding year	<u>596,007</u>	<u>639,587</u>	<u>596,007</u>	<u>639,587</u>
Total assets	<u>\$ 608,729</u>	<u>\$ 1,241,156</u>	<u>\$ 1,202,292</u>	<u>\$ 647,593</u>
<b>Liabilities</b>				
Due to other governments	<u>\$ 608,729</u>	<u>\$ 1,241,156</u>	<u>\$ 1,202,292</u>	<u>\$ 647,593</u>
<b>CITY SPECIAL ASSESSMENTS</b>				
<b>Assets</b>				
Cash and investments	\$ 1,197	\$ 671,441	\$ 663,379	\$ 9,259
Receivables				
Interest and penalties on special assessments	60,935	47,820	60,935	47,820
Special assessments	<u>35,116</u>	<u>-</u>	<u>35,116</u>	<u>-</u>
Total assets	<u>\$ 97,248</u>	<u>\$ 719,261</u>	<u>\$ 759,430</u>	<u>\$ 57,079</u>
<b>Liabilities</b>				
Due to other governments	<u>\$ 97,248</u>	<u>\$ 719,261</u>	<u>\$ 759,430</u>	<u>\$ 57,079</u>

(continued)

**JOHNSON COUNTY**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS**  
**AND LIABILITIES – AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2006**

**Schedule 3**  
**(continued)**

	Balance June 30 2005	Additions	Deletions	Balance June 30 2006
<b>STATE TAX CREDITS</b>				
<b>Assets</b>				
Cash and investments	\$ -	\$ 47,504	\$ 47,504	\$ -
<b>Liabilities</b>				
Due to other governments	\$ -	\$ 47,504	\$ 47,504	\$ -
<b>E911 SURCHARGE</b>				
<b>Assets</b>				
Cash and investments	\$ 297,237	\$ 372,091	\$ 244,869	\$ 424,459
Accounts receivable	68,277	63,921	68,277	63,921
Due from other governments	2,820	12,598	2,820	12,598
Total assets	<u>\$ 368,334</u>	<u>\$ 448,610</u>	<u>\$ 315,966</u>	<u>\$ 500,978</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,119	\$ 21,326	\$ 1,119	\$ 21,326
Due to other governments	367,215	427,284	314,847	479,652
Total liabilities	<u>\$ 368,334</u>	<u>\$ 448,610</u>	<u>\$ 315,966</u>	<u>\$ 500,978</u>
<b>AUTO LICENSE AND USE TAX</b>				
<b>Assets</b>				
Cash and investments	\$ 1,958,749	\$ 24,830,524	\$ 24,971,683	\$ 1,817,590
<b>Liabilities</b>				
Due to other funds	\$ -	\$ 57,181	\$ 57,181	\$ -
Due to other governments	1,958,749	24,830,524	24,971,683	1,817,590
Total liabilities	<u>\$ 1,958,749</u>	<u>\$ 24,887,705</u>	<u>\$ 25,028,864</u>	<u>\$ 1,817,590</u>

(continued)

**JOHNSON COUNTY**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS**  
**AND LIABILITIES – AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2006**

**Schedule 3**  
**(continued)**

	Balance June 30 2005	Additions	Deletions	Balance June 30 2006
<b>ABANDONED STORAGE</b>				
<b>Assets</b>				
Cash and investments	\$ 500	\$ -	\$ 500	\$ -
<b>Liabilities</b>				
Due to other governments	\$ 500	\$ -	\$ 500	\$ -
<b>EMPOWERMENT BOARD</b>				
<b>Assets</b>				
Cash and investments	\$ 272,554	\$ 848,306	\$ 790,684	\$ 330,176
<b>Liabilities</b>				
Accounts payable	\$ 63,883	\$ 76,926	\$ 63,883	\$ 76,926
Due to other funds	-	21,961	21,961	-
Due to other governments	208,671	749,419	704,840	253,250
Total liabilities	\$ 272,554	\$ 848,306	\$ 790,684	\$ 330,176
<b>TAX SALES</b>				
<b>Assets</b>				
Cash and investments	\$ 215,180	\$ 848,444	\$ 909,360	\$ 154,264
<b>Liabilities</b>				
Due to other governments	\$ 215,180	\$ 848,444	\$ 909,360	\$ 154,264

(continued)

**JOHNSON COUNTY**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS**  
**AND LIABILITIES – AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2006**

**Schedule 3**  
**(continued)**

	Balance June 30 2005	Additions	Deletions	Balance June 30 2006
<b>TOTAL COMBINED FUNDS</b>				
<b>Assets</b>				
Cash and investments				
County Treasurer	\$ 4,490,894	\$ 152,734,444	\$ 152,926,458	\$ 4,298,880
Other County officials	584,855	5,149,403	5,066,530	667,728
Receivables				
Property tax				
Delinquent	535,882	256,790	535,882	256,790
Succeeding year	144,673,753	160,631,242	144,673,753	160,631,242
Accounts	70,307	66,246	70,307	66,246
Interest and penalties on special assessments	60,935	47,820	60,935	47,820
Special assessments	35,116	-	35,116	-
Prepays	794	2,075	794	2,075
Due from other governments	2,820	12,598	2,820	12,598
	<u>2,820</u>	<u>12,598</u>	<u>2,820</u>	<u>12,598</u>
Total assets	<u>\$ 150,455,356</u>	<u>\$ 318,900,618</u>	<u>\$ 303,372,595</u>	<u>\$ 165,983,379</u>
<b>Liabilities</b>				
Accounts payable	\$ 171,329	\$ 113,875	\$ 171,329	\$ 113,875
Salaries and benefits payable	28,824	33,059	28,824	33,059
Due to other funds	-	1,450,290	1,450,290	-
Due to other governments	149,770,060	314,881,181	299,398,275	165,252,966
Trusts payable	416,954	2,291,519	2,219,368	489,105
Compensated absences	68,189	94,374	68,189	94,374
	<u>68,189</u>	<u>94,374</u>	<u>68,189</u>	<u>94,374</u>
Total liabilities	<u>\$ 150,455,356</u>	<u>\$ 318,864,298</u>	<u>\$ 303,336,275</u>	<u>\$ 165,983,379</u>

**JOHNSON COUNTY**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION –**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE LAST FIVE YEARS**

**Schedule 4**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Revenues</b>					
Property and other County tax	\$ 27,085,150	\$ 25,643,264	\$ 24,596,847	\$ 24,006,429	\$ 21,780,617
Interest and penalty on property tax	375,395	278,470	311,322	284,957	329,416
Intergovernmental	17,668,730	16,583,058	15,628,260	15,027,205	14,986,922
Licenses and permits	528,659	478,236	424,448	439,361	377,714
Charges for service	3,035,389	2,913,707	3,138,414	3,030,099	2,551,094
Use of money and property	1,185,885	734,308	379,088	671,680	811,279
Miscellaneous	885,704	505,562	370,696	389,089	275,627
Total revenues	<u>\$ 50,764,912</u>	<u>\$ 47,136,605</u>	<u>\$ 44,849,075</u>	<u>\$ 43,848,820</u>	<u>\$ 41,112,669</u>
<b>Expenditures</b>					
<b>Operating</b>					
Public safety and legal services	\$ 12,797,233	\$ 11,941,799	\$ 11,111,743	\$ 10,197,204	\$ 9,814,074
Physical health and social services	7,132,324	6,332,194	6,368,969	5,938,444	6,970,493
Mental health	10,712,349	10,140,316	9,529,981	8,896,526	9,153,902
County environment and education	2,461,700	2,325,169	2,183,913	2,078,719	1,378,232
Roads and transportation	5,957,011	5,838,452	5,504,698	5,244,849	5,395,074
Governmental services to residents	1,716,886	1,722,204	1,602,117	1,600,354	1,398,147
Administration	5,374,237	5,168,099	4,705,144	4,847,683	4,086,067
Non-program	600	600	11,816	600	600
Debt service	-	3,995,146	3,617,328	9,198,554	160,000
Capital projects	6,491,702	1,449,068	2,411,700	2,138,624	3,873,079
Total expenditures	<u>\$ 52,644,042</u>	<u>\$ 48,913,047</u>	<u>\$ 47,047,409</u>	<u>\$ 50,141,557</u>	<u>\$ 42,229,668</u>

**INFORMATION PROVIDED TO COMPLY WITH  
GOVERNMENT AUDITING STANDARDS  
AND OMB CIRCULAR A-133**

# **JOHNSON COUNTY**



CPAs & BUSINESS ADVISORS

**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**

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To the Officials of Johnson County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Johnson County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise Johnson County's basic financial statements and have issued our report thereon dated December 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Johnson 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. Our consideration of the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Johnson 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*.

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 and are reported in Part II of the accompanying Schedule of Findings and Questioned Costs. 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.

We noted certain matters that we reported to management of Johnson County in a separate letter dated December 21, 2006.

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

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Dubuque, Iowa  
December 21, 2006



CPAs & BUSINESS ADVISORS

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

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To the Officials of Johnson County:

Compliance

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

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

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

Internal Control Over Compliance

The management of Johnson County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered Johnson 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 non-compliance with applicable requirements of laws, regulations, contracts, and grant agreements 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 Johnson County and other parties to whom Johnson 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.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa  
December 21, 2006

**JOHNSON COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2006**

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<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
<b>Direct</b>			
Department of the Interior Payments in Lieu of Taxes	15.226		\$ <u>35,365</u>
Department of Justice Byrne Formula Grant Program	16.579	2006-DJ-BX-0484	<u>56,744</u>
State Criminal Alien Assistance Program	16.606	2003APBX0194	<u>22,293</u>
Total Direct			<u>114,402</u>
<b>Indirect</b>			
Department of Agriculture Iowa Department of Public Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5885A051	79,139
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5886A051	<u>279,580</u>
			<u>358,719</u>
Department of Defense Iowa State Treasurer's Office Payments to States in Lieu of Real Estate Taxes	12.112		<u>84,255</u>
Department of Housing and Urban Development Iowa Department of Economic Development Community Development Block Grants/State's Program	14.228	05-CF-01	<u>580,496</u>
Department of Justice Iowa Department of Human Rights Juvenile Accountability Incentive Block Grants	16.523	28-JD03-F504	13,508
Juvenile Accountability Incentive Block Grants	16.523	28-JD04-F505	<u>26,181</u>
			<u>39,689</u>
Juvenile Justice and Delinquency Prevention – Allocation to States	16.540	28-JD04-F505	18,512
Juvenile Justice and Delinquency Prevention – Allocation to States	16.540	28-JD03-F504	<u>1,163</u>
			<u>19,675</u>
Title V – Delinquency Prevention Program	16.548	28-JD04-F505	<u>4,158</u>
Iowa Department of Public Safety Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		<u>93,087</u>

(continued)

**JOHNSON COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**  
**YEAR ENDED JUNE 30, 2006**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect (continued)			
Department of Justice (continued)			
Iowa Department of Human Rights (continued)			
Public Safety Partnership and Community Policing Grants	16.710	04-COPS-28	\$ <u>11,877</u>
Enforcing Underage Drinking Laws Program	16.727	28-JD03-F504	1,594
Enforcing Underage Drinking Laws Program	16.727	28-JD04-F505	<u>9,225</u>
			<u>10,819</u>
Department of Transportation			
East Central Iowa Council of Governments			
Formula Grants for Other Than Urbanized Areas	20.509	TF-2000-XXX	<u>1,018</u>
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513		<u>18,227</u>
Department of Public Safety			
State and Community Highway Safety	20.600	06-04, Task 24	<u>7,581</u>
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	05-163, Task 39	4,916
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	06-163, Task 35	<u>10,424</u>
			<u>15,340</u>
Iowa Department of Public Defense			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		<u>9,105</u>
General Services Administration			
Iowa Secretary of State			
Help America Vote Act	39.011		<u>649,573</u>
Environmental Protection Agency			
Iowa Department of Natural Resources			
Capitalization Grants for Drinking Water State Revolving Funds	66.468		<u>2,882</u>
Performance Partnership Grants	66.605		<u>1,386</u>
Department of Health and Human Services			
Iowa Department of Public Health			
Immunization Grants	93.268	5885I416	16,909
Immunization Grants	93.268	5886I416	<u>17,619</u>
			<u>34,528</u>

(continued)

**JOHNSON COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**  
**YEAR ENDED JUNE 30, 2006**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect (continued)			
Department of Health and Human Services (continued)			
Iowa Department of Public Health (continued)			
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	5886NB14	\$ 14,295
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	5885WW08	7,588
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	5206	78,459
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	5205	<u>11,765</u>
			<u>112,107</u>
Iowa Department of Human Services			
Child Support Enforcement	93.563	BOC-04-009	<u>371,816</u>
Human Services Administrative Reimbursements			
Temporary Assistance for Needy Families	93.558		<u>46,848</u>
Refugee and Entrant Assistance – State Administered Programs	93.566		<u>38,800</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>11,109</u>
Foster Care – Title IV-E	93.658		<u>24,151</u>
Adoption Assistance	93.659		<u>5,905</u>
Medical Assistance Program	93.778		<u>62,581</u>
Social Services Block Grant	93.667		31,576
Social Services Block Grant	93.667		<u>724,733</u>
			<u>756,309</u>
Hawkeye Area Community Action Program			
Head Start	93.600		<u>22,724</u>
Iowa Secretary of State			
Voting Access for Individuals with Disabilities – Grants to States	93.617		<u>22,286</u>
Iowa Department of Human Rights			
Basic Center Grant	93.623	04-COPS-28(9188)	58,543
Basic Center Grant	93.623	04-COPS-28(9189)	<u>76,935</u>
			<u>135,478</u>
Iowa Department of Public Health			
HIV Care Formula Grants	93.917	5885HC02	105,420
HIV Care Formula Grants	93.917	5886HC02	<u>28,717</u>
			<u>134,137</u>

(continued)

**JOHNSON COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**  
**YEAR ENDED JUNE 30, 2006**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect (continued)			
Department of Health and Human Services (continued)			
Iowa Department of Public Health (continued)			
HIV Prevention Activities – Health Department Based	93.940	5885AP11	\$ 121,129
HIV Prevention Activities – Health Department Based	93.940	5886AP11	<u>84,499</u>
			<u>205,628</u>
Maternal and Child Health Services Block Grant to the States	93.994	5886MH14	71,371
Maternal and Child Health Services Block Grant to the States	93.994	5885A051	<u>4,839</u>
			<u>76,210</u>
Department of Homeland Security:			
Iowa Department of Public Defense			
State Domestic Preparedness Equipment Support Program	97.004		156,715
Homeland Security Grant Program	97.067	ODP-2003-MU-TE-0056	<u>106,223</u>
			<u>262,938</u>
Emergency Management Performance Grants	97.042	2004-GE-T4-0046	<u>16,625</u>
Buffer Zone Protection Plan (BZPP)	97.078		<u>48,895</u>
United Way of America			
Emergency Food and Shelter National Board Program	97.024	2952-00	<u>1,279</u>
Total Indirect			<u>4,298,241</u>
Total			<u>\$ 4,412,643</u>

**JOHNSON COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2006**

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Johnson County and is presented on the 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.

**NOTE 2 – SUBRECIPIENTS**

Of the federal expenditures presented in the schedule, Johnson County provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 3,839
Payments to States in Lieu of Real Estate Taxes	12.112	63,191
Community Development Block Grants/State's Program	14.228	580,496
Byrne Formula Grant Program	16.579	28,372
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	521
Immunization Grants	93.268	22,310
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	21,786
Voting Access for Individuals with Disabilities – Grants to States	93.617	10,129
HIV Care Formula Grants	93.917	91,199
HIV Prevention Activities – Health Department Based	93.940	10,126
Maternal and Child Health Services Block Grant to the States	93.994	23,331
State Domestic Preparedness Equipment Support Program	97.004	8,905

**JOHNSON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006**

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**PART I: SUMMARY OF THE INDEPENDENT AUDITOR’S RESULTS**

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (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 14.228 – Community Development Block Grants/State’s Program
  - CFDA Number 39.011 – Help America Vote Act
  - CFDA Number 93.563 – Child Support Enforcement
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Johnson County qualified as a low-risk auditee.

**PART II: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING**

- II-A-06 Certified Budget – Disbursements during the year ended June 30, 2006, did not exceed the amounts budgeted by function.
- II-B-06 Questionable Expenditures –No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979, were noted.
- II-C-06 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-06 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
James Waldschmidt, Deputy Sheriff	Snow removal	\$ 585

In accordance with Chapter 331.342(10) of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since total transactions with the individual were less than \$1,500 during the fiscal year.

**JOHNSON COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**YEAR ENDED JUNE 30, 2006**

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- II-E-06    Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-06    Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-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.
- II-H-06    Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1) (b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-I-06    County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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