

CALHOUN COUNTY

INDEPENDENT AUDITOR'S REPORTS

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

SCHEDULE OF FINDINGS

JUNE 30, 2006

CALHOUN COUNTY
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CALHOUN COUNTY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Larry Hood	Board of Supervisors	Jan. 2007
Dean G. Hoag, Sr.	Board of Supervisors	Jan. 2009
Gary Nicholson	Board of Supervisors	Jan. 2009
Judy Howrey	County Auditor	Jan. 2009
Lori Erkenbrack	County Treasurer	Jan. 2007
Marty Minnick	County Recorder	Jan. 2007
William A. Davis	County Sheriff	Jan. 2009
Cynthia Voorde	County Attorney	Jan. 2007
Joan Wagner	County Assessor	Jan. 2010

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

WESLEY E. STILLE, C.P.A.
JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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INDEPENDENT AUDITOR'S REPORT

To the Officials of Calhoun County:

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated October 5, 2006, on our consideration of Calhoun County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Calhoun County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Henzelman, Putzier & Co.

October 5, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2006 FINANCIAL HIGHLIGHTS

- Revenue of Calhoun County's governmental activities decreased 2.2%, or \$300,385, from fiscal 2005 to fiscal 2006. Charges for services increased \$415,025, property tax increased \$374,961, and unrestricted investment earnings increased \$101,880. Capital grants and contributions decreased \$1,142,975, primarily because of a decrease in capital assets contributed by the Iowa Department of Transportation.
- Program expenses of Calhoun County's governmental activities were 2.5%, or \$281,542, more in fiscal 2006 than in fiscal 2005. Roads and transportation increased \$345,926, and non-program increased \$365,960. Public safety and legal services decreased \$194,258.
- Calhoun County's net assets increased 12.9%, or \$1,576,072, from June 30, 2005 to June 30, 2006.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Calhoun County as a whole and present an overall view of the County's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Calhoun County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Calhoun 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.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt, and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services, and Secondary Roads, and 3) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

- 2) Proprietary funds account for the County's Internal Service Fund, Self Funding Insurance Account. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets, and a statement of cash flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services, and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Calhoun County's combined net assets for fiscal year 2006 totaled approximately \$13.8 million, increasing from \$12.3 million for fiscal year 2005. The analysis that follows focuses on the changes of the net assets for governmental activities.

Net Assets of Governmental Activities

	June 30,	
	2006	2005
Current and other assets	\$11,606,528	\$10,707,955
Capital assets	<u>9,118,270</u>	<u>7,955,589</u>
Total assets	<u>20,724,798</u>	<u>18,663,544</u>
Long-term liabilities	858,544	729,715
Other liabilities	<u>6,026,201</u>	<u>5,669,848</u>
Total liabilities	<u>6,884,745</u>	<u>6,399,563</u>
Net assets		
Invested in capital assets	9,118,270	7,955,589
Restricted	2,884,459	2,460,093
Unrestricted	<u>1,837,324</u>	<u>1,848,299</u>
Total net assets	<u>\$13,840,053</u>	<u>\$12,263,981</u>

Net assets of Calhoun County's governmental activities increased by \$1,576,072 from fiscal year 2005. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment). Restricted net assets represent resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets represent the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The increase of approximately \$1,162,681 in capital assets is the result of expenditures for computer equipment, election equipment in compliance with the Help America Vote Act, heating and cooling system improvements in the courthouse, and additional security systems.

Changes in Net Assets of Governmental Activities

	Year Ended	
	<u>June 30,</u>	
	<u>2006</u>	<u>2005</u>
Revenues:		
Program revenues:		
Charges for service	\$ 3,127,835	\$ 2,712,810
Operating grants, contributions, and restricted interest	3,852,945	3,916,082
Capital grants, contributions, and restricted interest	1,115,535	2,258,510
General revenues:		
Property tax	4,397,346	4,022,385
Penalty and interest on property tax	32,587	21,251
State tax credits	250,610	269,387
Unrestricted investment earnings	206,152	104,272
Other general revenues	90,597	69,295
Total revenues	<u>13,073,607</u>	<u>13,373,992</u>
Program expenses:		
Public safety and legal services	1,133,906	1,328,163
Physical health and social services	3,181,081	3,332,346
Mental health	1,109,737	1,162,884
County environment and education	487,162	482,704
Roads and transportation	3,474,013	3,128,087
Governmental services to residents	347,892	333,226
Administration	847,331	906,061
Non-program	885,655	519,695
Interest on long-term debt	30,758	22,827
Total expenses	<u>11,497,535</u>	<u>11,215,993</u>
Increase in net assets	1,576,072	2,157,999
Net assets beginning of year, as restated	<u>12,263,981</u>	<u>10,105,982</u>
Net assets end of year	<u>\$13,840,053</u>	<u>\$12,263,981</u>

Calhoun County increased property taxes from a total levy of 11.26965 to 11.89940 which is not a significant increase. The County does not anticipate a substantial change in the rate for fiscal year 2007.

INDIVIDUAL MAJOR FUND ANALYSIS

As Calhoun County completed the year, its governmental funds reported a combined fund balance of \$5,495,123, an increase of \$432,553 above last year's total of \$5,062,570. Changes in fund balances of the major funds from the prior year are as follows:

- General Fund revenues increased by \$255,312 and expenditures decreased by \$213,388. The General fund ending balance increased by \$57,272 from the prior year to \$3,108,378. The departments usually spend 90% of their budget trying to have something to work with in case an expenditure arises that was not anticipated. Budget amendments are expensive to the taxpayer with publications costing approximately \$250 each time, and because of other work involved.

- Mental Health revenues decreased by \$16,232. Mental health expenditures decreased \$55,768. The deficit fund balance at the end of fiscal year 2006 was \$403,766.
- Rural Services Fund ending balance decreased \$16,470 from the prior year.
- Secondary Roads Fund revenues increased \$296,950 and expenditures increased \$232,305. The ending fund balance of \$1,258,870 was a \$146,314 increase from the prior year.
- Conservation Fund revenues increased \$294,758 and expenditures increased \$95,749. The ending fund balance of \$722,944 was a \$414,776 increase from the prior year.
- Capital Projects Fund expenditures increased \$280,329 from fiscal year 2005 to fiscal year 2006.

BUDGETARY HIGHLIGHTS

Over the course of the year, Calhoun County amended its budget two times. The first amendment, which was made on February 28, 2006, increased budgeted revenues by \$92,000 and budgeted expenditures by \$233,000. The second amendment, which was made on May 30, 2006, increased budgeted revenues by \$251,877 and budgeted expenditures by \$149,550.

CAPITAL ASSETS

Capital Assets

At June 30, 2006, Calhoun County had approximately \$9.1 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads, and bridges.

Capital Assets of Governmental Activities at Year End

	<u>June 30,</u>	
	<u>2006</u>	<u>2005</u>
Land	\$ 439,430	\$ 423,930
Buildings and improvements	941,924	826,108
Equipment and vehicles	4,568,388	4,271,492
Construction in progress	1,009,498	1,196,851
Infrastructure, road network	<u>2,159,030</u>	<u>1,237,208</u>
Total	<u>\$9,118,270</u>	<u>\$7,955,589</u>

The County had depreciation expense of \$536,888 in fiscal year 2006, and total accumulated depreciation of \$3,396,520 at June 30, 2006.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Calhoun County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget and tax rates. One of the factors concerning Calhoun County is the age of the population. The census for 1990 was 11,580 and 2000 was 11,115.

The aging population was taken into consideration by the Health Department and the grants that would be the most beneficial concerning this factor.

Budget disbursements are expected to rise due to an increase in health care benefits, and wage increases that are set by the compensation board, unions, and the Department of Health.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Calhoun County's finances and to show the County's accountability for the money it receives. If you have any questions, contact the Calhoun County Auditors Office, 416 4th St., Rockwell City, Iowa, 50579.

CALHOUN COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2006

Exhibit A

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and pooled investments	\$ 5,191,803
Receivables:	
Property tax:	
Delinquent, net of \$14,472 allowance	7,795
Succeeding year	4,855,157
Interest and penalty on property tax, net of \$8,380 allowance	12,174
Accounts	261,400
Accrued interest	40,828
Notes	186,750
Due from other governments	463,161
Inventories	510,972
Prepaid insurance	76,488
Capital assets (net of accumulated depreciation)	<u>9,118,270</u>
Total assets	<u>20,724,798</u>
 <u>LIABILITIES</u>	
Accounts payable	360,202
Salaries and benefits payable	67,313
Due to other governments	646,842
Interest payable	90,874
Deferred revenue:	
Succeeding year property tax	4,855,157
Other	5,813
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	366,349
Portion due or payable after one year:	
Drainage warrants payable	<u>492,195</u>
Total liabilities	<u>6,884,745</u>
 <u>NET ASSETS</u>	
Invested in capital assets	9,118,270
Restricted for:	
Supplemental levy purposes	1,031,884
Mental health purposes	(396,603)
Secondary roads purposes	1,149,177
Other purposes	1,100,001
Unrestricted	<u>1,837,324</u>
Total net assets	<u>\$ 13,840,053</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	
Governmental activities:					
Public safety and legal services	\$ 1,133,906	\$ 37,598	\$ 189,125	\$ -	\$ 907,183
Physical health and social services	3,181,081	1,905,971	565,697	-	709,413
Mental health	1,109,737	12,021	755,472	-	342,244
County environment and education	487,162	326,882	-	4,649	155,631
Roads and transportation	3,474,013	196,859	2,248,303	1,017,765	11,086
Governmental services to residents	347,892	193,710	94,348	-	59,834
Administration	847,331	47,064	-	-	800,267
Non-program	885,655	407,730	-	93,121	384,804
Interest on long-term debt	30,758	-	-	-	30,758
Total	<u>\$ 11,497,535</u>	<u>\$ 3,127,835</u>	<u>\$ 3,852,945</u>	<u>\$ 1,115,535</u>	<u>(3,401,220)</u>
General Revenues:					
Property and other county tax					4,397,346
Penalty and interest on property tax					32,587
State tax credits					250,610
Unrestricted investment earnings					206,152
Miscellaneous					90,597
Total general revenues					4,977,292
Change in net assets					1,576,072
Net assets beginning of year					12,263,981
Net assets end of year					\$ 13,840,053

See notes to financial statements.

CALHOUN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

Exhibit C

	General	Special Revenue				Capital Projects	Nonmajor Special Revenue	Total
		Mental Health	Rural Services	Secondary Roads	Conservation Trust			
ASSETS								
Cash and pooled investments	\$2,221,125	\$ 226,435	\$ 234,385	\$ 811,118	\$ 688,707	\$187,014	\$ 498,791	\$ 4,867,575
Receivables:								
Property tax:								
Delinquent	18,340	2,375	1,552	-	-	-	-	22,267
Succeeding year	3,174,475	411,086	1,269,596	-	-	-	-	4,855,157
Interest and penalty on property tax	20,554	-	-	-	-	-	-	20,554
Accounts	255,719	-	4,817	-	-	-	864	261,400
Accrued interest	40,059	-	-	-	-	-	9	40,068
Notes	186,750	-	-	-	-	-	-	186,750
Due from other governments	414,986	-	-	13,658	34,517	-	-	463,161
Inventories	-	-	-	510,972	-	-	-	510,972
Prepaid expenses	117,134	-	6,103	57,191	-	-	-	180,428
Total assets	<u>\$6,449,142</u>	<u>\$ 639,896</u>	<u>\$1,516,453</u>	<u>\$1,392,939</u>	<u>\$ 723,224</u>	<u>\$187,014</u>	<u>\$ 499,664</u>	<u>\$11,408,332</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 66,693	\$ -	\$ 9,492	\$ 110,817	\$ 280	\$ 5,308	\$ 17,612	\$ 210,202
Salaries and benefits payable	44,161	-	-	23,152	-	-	-	67,313
Due to other governments	16,541	630,201	-	100	-	-	-	646,842
Interest payable	-	-	-	-	-	-	90,874	90,874
Deferred revenue:								
Succeeding year property tax	3,174,475	411,086	1,269,596	-	-	-	-	4,855,157
Other	38,894	2,375	1,552	-	-	-	-	42,821
Total liabilities	<u>3,340,764</u>	<u>1,043,662</u>	<u>1,280,640</u>	<u>134,069</u>	<u>280</u>	<u>5,308</u>	<u>108,486</u>	<u>5,913,209</u>
Fund balances:								
Reserved for:								
Supplemental levy purposes	1,031,884	-	-	-	-	-	-	1,031,884
Drainage warrants	-	-	-	-	-	-	129,500	129,500
Unreserved, reported in:								
General fund	2,076,494	-	-	-	-	-	-	2,076,494
Special revenue funds	-	(403,766)	235,813	1,258,870	722,944	181,706	261,678	2,257,245
Total fund balances	<u>3,108,378</u>	<u>(403,766)</u>	<u>235,813</u>	<u>1,258,870</u>	<u>722,944</u>	<u>181,706</u>	<u>391,178</u>	<u>5,495,123</u>
Total liabilities and fund balances	<u>\$6,449,142</u>	<u>\$ 639,896</u>	<u>\$1,516,453</u>	<u>\$1,392,939</u>	<u>\$ 723,224</u>	<u>\$187,014</u>	<u>\$ 499,664</u>	<u>\$11,408,332</u>

See notes to financial statements.

CALHOUN COUNTY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS

JUNE 30, 2006

Exhibit D

Total governmental fund balances	\$ 5,495,123
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 \$12,514,790 and the accumulated depreciation is \$3,396,520.	9,118,270
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	42,821
The allowance for uncollectible accounts receivable is not reported in the funds	(22,852)
The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	65,235
Compensated absences payable and drainage warrants payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(858,544)</u>
Net assets of governmental activities	<u>\$13,840,053</u>

See notes to financial statements.

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

Exhibit E

	General	Special Revenue				Capital Projects	Nonmajor Special Revenue	Total
		Mental Health	Rural Services	Secondary Roads	Conservation Trust			
Revenues:								
Property and other County tax	\$2,851,842	\$ 407,024	\$1,135,961	\$ -	\$ -	\$ -	\$ -	\$4,394,827
Interest and penalty on property tax	28,124	-	-	-	-	-	-	28,124
Intergovernmental	2,459,718	779,223	59,971	2,649,171	123,019	-	5,814	6,076,916
Licenses and permits	7,362	-	-	710	-	-	-	8,072
Charges for service	681,126	-	14,308	-	74,001	-	2,379	771,814
Use of money and property	251,514	-	-	-	15,051	-	759	267,324
Miscellaneous	61,459	-	422	33,171	252,721	-	99,120	446,893
Total revenues	<u>6,341,145</u>	<u>1,186,247</u>	<u>1,210,662</u>	<u>2,683,052</u>	<u>464,792</u>	<u>-</u>	<u>108,072</u>	<u>11,993,970</u>
Expenditures:								
Operating:								
Public safety and legal services	853,063	-	289,804	-	-	-	7,721	1,150,588
Physical health and social services	3,199,600	-	-	-	-	-	-	3,199,600
Mental health	-	1,111,901	-	-	-	-	-	1,111,901
County environment and education	567,926	-	123,866	-	-	-	20,115	711,907
Roads and transportation	573	-	54,102	3,367,700	-	-	-	3,422,375
Governmental services to residents	353,683	-	1,432	-	-	-	12,614	367,729
Administrative	814,097	-	1,131	-	-	-	-	815,228
Non-program	138,186	-	-	-	-	-	221,125	359,311
Capital projects	-	-	-	30,545	156,624	389,658	-	576,827
Total expenditures	<u>5,927,128</u>	<u>1,111,901</u>	<u>470,335</u>	<u>3,398,245</u>	<u>156,624</u>	<u>389,658</u>	<u>261,575</u>	<u>11,715,466</u>
Excess (deficiency) of revenues over expenditures	<u>414,017</u>	<u>74,346</u>	<u>740,327</u>	<u>(715,193)</u>	<u>308,168</u>	<u>(389,658)</u>	<u>(153,503)</u>	<u>278,504</u>
Other financing sources (uses):								
Sale of capital assets	11,250	-	-	31,715	-	-	-	42,965
Operating transfers in	-	-	-	829,792	-	295,000	-	1,124,792
Operating transfers out	(367,995)	-	(756,797)	-	-	-	-	(1,124,792)
Proceeds/payment of drainage warrants	-	-	-	-	-	-	111,084	111,084
Total other financing sources (uses)	<u>(356,745)</u>	<u>-</u>	<u>(756,797)</u>	<u>861,507</u>	<u>-</u>	<u>295,000</u>	<u>111,084</u>	<u>154,049</u>
Net change in fund balances	57,272	74,346	(16,470)	146,314	308,168	(94,658)	(42,419)	432,553
Fund balances, beginning of year	<u>3,051,106</u>	<u>(478,112)</u>	<u>252,283</u>	<u>1,112,556</u>	<u>414,776</u>	<u>276,364</u>	<u>433,597</u>	<u>5,062,570</u>
Fund balances, end of year	<u>\$3,108,378</u>	<u>\$ (403,766)</u>	<u>\$ 235,813</u>	<u>\$1,258,870</u>	<u>\$ 722,944</u>	<u>\$181,706</u>	<u>\$391,178</u>	<u>\$5,495,123</u>

See notes to financial statements.

CALHOUN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Exhibit F

Net change in fund balances - Total governmental funds \$ 432,553

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

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

Expenditures for capital assets	\$1,080,888	
Capital assets contributed by Iowa Department of Transportation	656,842	
Depreciation expense	<u>(536,888)</u>	1,200,842

In the Statement of Activities, the loss on the disposition of capital assets
 is reported whereas the governmental funds report the proceeds from the
 sale as an increase in financial resources. (38,161)

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

Change in property tax	5,281	
Change in other	<u>4,578</u>	9,859

The increase in the allowance for uncollectible accounts receivable is not
 reported in the fund financial statements. (2,876)

Proceeds from issuing long-term liabilities provide current financial
 resources to governmental funds, but issuing debt increases long-term
 liabilities in the Statement of Net Assets.
 Issued (111,084)

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 compensated absences (17,745)

The Internal Service Fund is used by management to charge the costs of
 employee health benefits to individual funds. The change in net assets of
 the Internal Service Fund is reported with governmental activities. 102,684

Change in net assets of governmental activities \$1,576,072

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

Exhibit G

Internal
Service-
Self
Funding
Insurance

ASSETS

Cash and cash equivalents	\$ 324,228
Accrued interest	<u>760</u>
Total assets	<u>324,988</u>

LIABILITIES

Accounts payable	150,000
Deferred revenue	<u>109,753</u>
Total liabilities	<u>259,753</u>

NET ASSETS

Unrestricted	<u>\$ 65,235</u>
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See notes to financial statements.

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

Exhibit H

	Internal Service- Self Funding <u>Insurance</u>
Operating revenues:	
Reimbursements from operating funds	\$ 1,172,933
Payments from external customers	126,143
Insurance company refunds	<u>278,527</u>
Total operating revenues	1,577,603
Operating expenses:	
Medical claims and administrative fees	<u>1,481,257</u>
Operating income	96,346
Non-operating revenues:	
Interest on investments	<u>6,338</u>
Net income	102,684
Net assets beginning of year	<u>(37,449)</u>
Net assets end of year	<u><u>\$ 65,235</u></u>

See notes to financial statements.

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

Exhibit I

Internal
Service-
Self
Funding
Insurance

Cash flows provided by operating activities:	
Cash received from employees and others	\$ 126,143
Cash received from insurance company reimbursements	278,527
Cash received from operating fund reimbursements	1,172,933
Cash payments for medical claims and administrative fees	<u>(1,480,390)</u>
Net cash provided by operating activities	97,213
Cash flows from investing activities:	
Interest on investments	<u>5,818</u>
Net increase in cash and cash equivalents	103,031
Cash and cash equivalents, beginning of year	<u>221,197</u>
Cash and cash equivalents, end of year	<u>\$ 324,228</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 96,346
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in deferred revenue	<u>867</u>
Net cash provided by operating activities	<u>\$ 97,213</u>

See notes to financial statements.

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

Exhibit J

ASSETS

Cash and pooled investments:	
County treasurer	\$ 502,816
Other county officials	37,183
Receivables:	
Property tax:	
Delinquent	72,126
Succeeding year	8,092,659
Accounts	<u>31,363</u>
Total assets	<u>8,736,147</u>

LIABILITIES

Accounts payable	56,186
Due to other governments	8,675,579
Trusts payable	<u>4,382</u>
Total liabilities	<u>8,736,147</u>

Net Assets \$ -

See notes to financial statements.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

Three hundred sixty-four drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed, and supervised by the Calhoun County Board of Supervisors. The drainage districts are reported as a special revenue fund. Financial information of the individual drainage districts can be obtained from the Calhoun County Auditor's office.

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

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets 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 nonmajor governmental funds.

The County reports the following major governmental funds:

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

Special Revenue:

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

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

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

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

The Conservation Trust Fund accounts for the assets held for County conservation land acquisition and capital improvement projects.

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

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-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus and Basis of Accounting - (Continued)

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund 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 non-operating revenues and expenses.

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

D. Assets, Liabilities, and Fund Equity

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

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

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

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

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

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

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

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

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

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

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. Calhoun County was not required to report its infrastructure assets retroactively and it elected not to do so. 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
Land, buildings, and improvements	25,000
Equipment and vehicles	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-200
Building improvements	10-50
Infrastructure	10-65
Equipment	4-50
Vehicles	6-10

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.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

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

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

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, Mental Health, Rural Services, and Secondary Roads Funds.

Long-term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets.

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.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

2. CASH AND POOLED INVESTMENTS

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

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

The County had no investments meeting the disclosure requirements of Government Auditing Standards Board Statement Number 3.

The County's investments at June 30, 2006, include drainage district warrants with a carrying amount of \$109,286. Market value for these warrants is not readily available.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$681,578 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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.

3. INTERFUND TRANSFERS

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 72,995
	Special Revenue: Rural Services	756,797
Capital Projects	General	<u>295,000</u>
Total		<u>\$1,124,792</u>

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

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

4. CAPITAL ASSETS

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

	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>End</u> <u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 423,930	\$ 15,500	\$ -	\$ 439,430
Construction in progress	<u>1,196,851</u>	<u>-</u>	<u>(187,353)</u>	<u>1,009,498</u>
Total capital assets not being depreciated	<u>1,620,781</u>	<u>15,500</u>	<u>(187,353)</u>	<u>1,448,928</u>
Capital assets being depreciated:				
Buildings	1,237,301	145,429	-	1,382,730
Equipment and vehicles	6,987,938	797,448	(404,316)	7,381,070
Infrastructure, road network	<u>1,268,175</u>	<u>1,033,887</u>	<u>-</u>	<u>2,302,062</u>
Total capital assets being depreciated	<u>9,493,414</u>	<u>1,976,764</u>	<u>(404,316)</u>	<u>11,065,862</u>
Less accumulated depreciation for:				
Buildings	411,193	29,613	-	440,806
Equipment and vehicles	2,716,446	395,210	(298,974)	2,812,682
Infrastructure, road network	<u>30,967</u>	<u>112,065</u>	<u>-</u>	<u>143,032</u>
Total accumulated depreciation	<u>3,158,606</u>	<u>536,888</u>	<u>(298,974)</u>	<u>3,396,520</u>
Total capital assets being depreciated, net	<u>6,334,808</u>	<u>1,439,876</u>	<u>(105,342)</u>	<u>7,669,342</u>
Governmental activities capital assets, net	<u>\$7,955,589</u>	<u>\$1,455,376</u>	<u>\$(292,695)</u>	<u>\$ 9,118,270</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 27,584
Physical health and social services	4,228
County environment and education	16,686
Roads and transportation	443,898
Governmental services to residents	2,391
Administration	<u>42,101</u>
Total depreciation expense - governmental activities	<u>\$536,888</u>

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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. Tax collections are remitted to those governments in the month following collection.

A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Revenue:		
Mental Health	Services	\$ 630,201
General Fund		16,541
Secondary Roads		<u>100</u>
Total for governmental funds		<u>\$ 646,842</u>
Agency:		
County Assessor	Collections	\$ 243,643
Schools		5,232,195
Community Colleges		311,765
Corporations		2,203,666
Auto License and Use Tax		223,896
All other		<u>460,414</u>
Total for agency funds		<u>\$8,675,579</u>

6. CHANGES IN LONG-TERM LIABILITIES

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

	<u>Drainage Warrants</u>	<u>Compen- sated Absences</u>	<u>Total</u>
Balance, beginning of year	\$381,111	\$348,604	\$729,715
Increases	176,425	17,745	194,170
Decreases	<u>65,341</u>	<u>-</u>	<u>65,341</u>
Balance, end of year	<u>\$492,195</u>	<u>\$366,349</u>	<u>\$858,544</u>
Due within one year	<u>\$ -</u>	<u>\$366,349</u>	<u>\$366,349</u>

Drainage Warrants

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage warrants are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$240,224, \$231,003, and \$232,074, respectively, equal to the required contributions for each year.

8. RISK MANAGEMENT

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

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2006, were \$139,653.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

8. RISK MANAGEMENT - (Continued)

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

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 \$1,000,000 and \$40,000, respectively, except that the treasurer's bond is in the amount of \$200,000. 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.

9. SELF FUNDING INSURANCE PLAN

The Internal Service, Self Funding Insurance 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. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$35,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions in the Self Funding Insurance 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 Self Funding Insurance Fund. The County's contribution for the year ended June 30, 2006, was \$1,235,009.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

9. SELF FUNDING INSURANCE PLAN - (Continued)

Amounts payable from the Self Funding Insurance Fund at June 30, 2006, total \$150,000 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. 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. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	<u>\$ 150,000</u>
Incurred claims (including claims incurred but not reported at June 30, 2006):	
Current year events	<u>1,481,257</u>
Total incurred claims	<u>1,481,257</u>
Payments:	
Current year events	1,331,257
Prior year events	<u>150,000</u>
Total payments	<u>1,481,257</u>
Unpaid claims end of year	<u>\$ 150,000</u>

10. E911 NOTE PAYABLE AND COUNTY GUARANTEE

During the year ended June 30, 2003, Calhoun County made a \$318,000 loan to the Calhoun County E911 Service Board. The ten year loan is interest free and is being paid off at a rate of \$35,000 (four quarterly payments of \$8,750) per year for each of the first nine years with the balance of \$3,000 to be paid during the tenth year. During the year ended June 30, 2006, the County received payments totaling \$78,750. The balance of the note on June 30, 2006 was \$186,750.

11. DEFICIT FUND BALANCE

The Special Revenue - Mental Health fund had a deficit balance of \$403,766 at June 30, 2006. The deficit balance was a result of accounts payable as of June 30, 2006.

12. DESIGNATED FUND BALANCE

The Board of Supervisors has designated \$70,000 from the Conservation Land Acquisition Fund fund balance and \$25,000 from the Resource Enhancement and Protection Fund fund balance for trail and campground development. In the Secondary Road Fund, \$824,018 is designated for the purchase of gravel and equipment. In the Capital Projects Funds, \$140,000 is designated for the purchase of computer equipment and a new generator for the Court House.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

13. COMMITMENTS

The County has entered into the following contracts prior to June 30, 2006, which have not yet been completed.

<u>Project</u>	<u>Total Contract Amount</u>	<u>Costs Incurred As of 6-30-06</u>	<u>Remaining Commitment As of 6-30-06</u>
Purchase of hydraulic plow	\$ 15,872	\$ -	\$ 15,872
Traffic markings	\$ 38,832	\$ 33,317	\$ 5,515
Purchase of gravel	\$305,000	\$ -	\$305,000
2007 Sterling LT 9500	\$ 72,664	\$ -	\$ 72,664
West Side Trail project	\$171,003	\$154,484	\$ 16,519
Twin Lakes Trail project	\$115,855	\$108,034	\$ 7,821
Bike trail project	\$203,055	\$104,476	\$ 98,579

The balance remaining at June 30, 2006, will be paid as work on the projects progresses.

14. FARM LEASE

The County has entered into an agreement to lease 236.5 acres of farmland which it owns situated in Calhoun County. This cash lease arrangement is at a rate of \$37,503 per year for each of the three years of the lease with payments of \$12,501 being due on or before each March 15, August 15, and December 1, of 2005, 2006, and 2007. This agreement commenced on March 1, 2005, and will end on February 28, 2008.

15. JUVENILE DETENTION CENTER

The County participates in Central Iowa Juvenile Detention Center, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The primary purpose of this detention facility is to provide a physically secure, emotionally stable, and safe environment in which juveniles can await court disposition. The Center does not determine capital allocations of the equity interest for individual participating jurisdictions. The Center issues separate financial statements on the basis of cash receipts and disbursements, and the transactions of the Center are not included in the financial statements of the County.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

15. JUVENILE DETENTION CENTER - (Continued)

The Center's activity for the fiscal year ending June 30, 2006, which is the latest information available, is summarized as follows:

Net assets, beginning of year	\$1,932,661
Receipts	1,570,981
Disbursements	<u>1,361,555</u>
Net assets, end of year	<u>\$2,142,087</u>

The Center has designated a portion of the net assets for future capital projects. The amount designated for this purpose totaled \$900,000 at June 30, 2006.

The Center has no short or long-term debt outstanding at June 30, 2006. Audited financial statements can be obtained from the administrative office of the center located in Eldora, Iowa.

16. OPERATING LEASE

Calhoun County leases digital imaging and client monitoring equipment for its public health department, which provides respite and supported community living services to clients over a six county area. Total expenses under these operating leases for the year ended June 30, 2006, was \$61,987. Future remaining payments under these leases at June 30, 2006, are as follows:

<u>Year</u>	<u>Amount</u>
2007	\$ 55,889
2008	55,889
2009	55,889
2010	38,128
2011	<u>35,460</u>
Total minimum lease payments	<u>\$241,255</u>

17. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

18. RELATED PARTY TRANSACTIONS

The County had business transactions between the County and County officials or employees totaling \$214,331 during the year ended June 30, 2006.

19. ACCOUNTING RESTATEMENT

Beginning net assets for governmental activities has been restated to reflect a change in capital assets. This restatement is summarized below.

Net assets, June 30, 2005, as previously reported	\$12,175,289
Restatement of beginning capital assets	<u>88,692</u>
Restated net assets, June 30, 2005	<u>\$12,263,981</u>

REQUIRED SUPPLEMENTARY INFORMATION

CALHOUN COUNTY
 BUDGETARY COMPARISON
 SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN BALANCES - BUDGET
 AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2006

	Actual	Less Funds	Net	Budgeted Amounts		Final to Net Variance
		Not Required to be Budgeted		Original	Final	
Receipts:						
Property and other County tax	\$4,394,825	\$ -	\$ 4,394,825	\$4,422,798	\$ 4,422,798	\$ (27,973)
Interest and penalty on property tax	28,124	-	28,124	25,000	25,000	3,124
Intergovernmental	5,917,071	-	5,917,071	5,876,710	5,968,710	(51,639)
Licenses and permits	7,556	-	7,556	7,350	7,350	206
Charges for service	757,975	-	757,975	829,400	829,400	(71,425)
Use of money and property	251,141	-	251,141	176,250	428,127	(176,986)
Miscellaneous	520,747	93,121	427,626	139,200	139,200	288,426
Total receipts	<u>11,877,439</u>	<u>93,121</u>	<u>11,784,318</u>	<u>11,476,708</u>	<u>11,820,585</u>	<u>(36,267)</u>
Disbursements:						
Public safety and legal services	1,171,407	-	1,171,407	1,280,938	1,282,938	111,531
Physical health and social services	3,293,707	-	3,293,707	3,573,328	3,573,328	279,621
Mental health	1,152,841	-	1,152,841	1,097,050	1,157,050	4,209
County environment and education	720,021	-	720,021	740,098	740,098	20,077
Roads and transportation	3,515,498	-	3,515,498	3,380,145	3,600,145	84,647
Governmental services to residents	372,994	-	372,994	384,577	440,127	67,133
Administration	828,773	-	828,773	971,256	1,001,256	172,483
Non-program	314,712	176,526	138,186	7,725	178,725	40,539
Capital projects	572,389	-	572,389	751,000	595,000	22,611
Total disbursements	<u>11,942,342</u>	<u>176,526</u>	<u>11,765,816</u>	<u>12,186,117</u>	<u>12,568,667</u>	<u>802,851</u>
Excess (deficiency) of receipts over disbursements	(64,903)	(83,405)	18,502	(709,409)	(748,082)	766,584
Other financing sources, net	<u>154,049</u>	<u>111,084</u>	<u>42,965</u>	<u>1,500</u>	<u>1,500</u>	<u>41,465</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	89,146	27,679	61,467	(707,909)	(746,582)	808,049
Balance beginning of year	<u>4,778,429</u>	<u>410,462</u>	<u>4,367,967</u>	<u>3,403,450</u>	<u>3,403,450</u>	<u>964,517</u>
Balance end of year	<u>\$4,867,575</u>	<u>\$ 438,141</u>	<u>\$ 4,429,434</u>	<u>\$2,695,541</u>	<u>\$ 2,656,868</u>	<u>\$ 1,772,566</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
BUDGETARY COMPARISON SCHEDULE-BUDGET
TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	<u>Governmental Funds</u>		
	<u>Cash</u> <u>Basis</u>	<u>Accrual</u> <u>Adjustments</u>	<u>Modified</u> <u>Accrual</u> <u>Basis</u>
Revenues	\$11,877,439	\$ 116,531	\$ 11,993,970
Expenditures	<u>11,942,342</u>	<u>(226,876)</u>	<u>11,715,466</u>
Net	(64,903)	343,407	278,504
Other financing sources, net	154,049	-	154,049
Beginning fund balances	<u>4,778,429</u>	<u>284,141</u>	<u>5,062,570</u>
Ending fund balances	<u>\$ 4,867,575</u>	<u>\$ 627,548</u>	<u>\$ 5,495,123</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - BUDGETARY REPORTING
JUNE 30, 2006

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. 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 Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$382,550. 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 County Assessor by the County Conference Board; for the E911 System by the E911 Service Board; and for Disaster Services by the Calhoun County Emergency Management Commission.

OTHER SUPPLEMENTARY INFORMATION

CALHOUN COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2006

Schedule 1

	Resource Enhancement and Protection	Drainage Districts	DARE	Recorder's Records Management	Sheriff's Fund	County Security	Total
ASSETS							
Cash and pooled investments	\$ 5,730	\$ 438,141	\$ 7,089	\$ 14,540	\$ 9,764	\$ 23,527	\$ 498,791
Receivables:							
Accrued interest	-	-	-	9	-	-	9
Accounts receivable	-	-	-	-	-	864	864
Total assets	<u>\$ 5,730</u>	<u>\$ 438,141</u>	<u>\$ 7,089</u>	<u>\$ 14,549</u>	<u>\$ 9,764</u>	<u>\$ 24,391</u>	<u>\$ 499,664</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 720	\$ 16,892	\$ -	\$ -	\$ -	\$ -	\$ 17,612
Interest payable	-	90,874	-	-	-	-	90,874
Total liabilities	<u>720</u>	<u>107,766</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,486</u>
Fund balances:							
Reserved for drainage warrants	-	129,500	-	-	-	-	129,500
Unreserved	<u>5,010</u>	<u>200,875</u>	<u>7,089</u>	<u>14,549</u>	<u>9,764</u>	<u>24,391</u>	<u>261,678</u>
Total fund equity	<u>5,010</u>	<u>330,375</u>	<u>7,089</u>	<u>14,549</u>	<u>9,764</u>	<u>24,391</u>	<u>391,178</u>
Total liabilities and fund balances	<u>\$ 5,730</u>	<u>\$ 438,141</u>	<u>\$ 7,089</u>	<u>\$ 14,549</u>	<u>\$ 9,764</u>	<u>\$ 24,391</u>	<u>\$ 499,664</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006

Schedule 2

	Resource Enhancement and Protection	Drainage Districts	DARE	Recorder's Records Management	Sheriff's Fund	County Security	County Recorder's Electronic Transactions Fund	Total
Revenues:								
Intergovernmental	\$ 4,649	\$ -	\$ 1,165	\$ -	\$ -	\$ -	\$ -	\$ 5,814
Charges for service	-	-	-	2,379	-	-	-	2,379
Use of money and property	685	-	-	74	-	-	-	759
Miscellaneous	-	93,121	-	-	-	5,999	-	99,120
Total revenues	<u>5,334</u>	<u>93,121</u>	<u>1,165</u>	<u>2,453</u>	<u>-</u>	<u>5,999</u>	<u>-</u>	<u>108,072</u>
Expenditures:								
Operating:								
Public safety and legal services	-	-	806	-	-	6,915	-	7,721
County environment and education	20,115	-	-	-	-	-	-	20,115
Government services to residents	-	-	-	-	-	-	12,614	12,614
Non-program	-	221,125	-	-	-	-	-	221,125
Capital projects	-	-	-	-	-	-	-	-
Total expenditures	<u>20,115</u>	<u>221,125</u>	<u>806</u>	<u>-</u>	<u>-</u>	<u>6,915</u>	<u>12,614</u>	<u>261,575</u>
Excess (deficiency) of revenues over expenditures	<u>(14,781)</u>	<u>(128,004)</u>	<u>359</u>	<u>2,453</u>	<u>-</u>	<u>(916)</u>	<u>(12,614)</u>	<u>(153,503)</u>
Other financing sources:								
Drainage district warrants	-	111,084	-	-	-	-	-	111,084
Excess (deficiency) of revenues and other financing sources over expenditures	<u>(14,781)</u>	<u>(16,920)</u>	<u>359</u>	<u>2,453</u>	<u>-</u>	<u>(916)</u>	<u>(12,614)</u>	<u>(42,419)</u>
Fund balances beginning of year	<u>19,791</u>	<u>347,295</u>	<u>6,730</u>	<u>12,096</u>	<u>9,764</u>	<u>25,307</u>	<u>12,614</u>	<u>433,597</u>
Fund balances end of year	<u>\$ 5,010</u>	<u>\$ 330,375</u>	<u>\$ 7,089</u>	<u>\$ 14,549</u>	<u>\$ 9,764</u>	<u>\$ 24,391</u>	<u>\$ -</u>	<u>\$ 391,178</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS
AND LIABILITIES - AGENCY FUNDS
 JUNE 30, 2006

Schedule 3

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
ASSETS										
Cash and pooled investments:										
County treasurer	\$ -	\$ 1,605	\$ 44,711	\$ 73,081	\$ 5,517	\$ 47,122	\$ 2,310	\$ 223,896	\$ 104,574	\$ 502,816
Other County officials	37,183	-	-	-	-	-	-	-	-	37,183
Receivables:										
Property tax:										
Delinquent	-	655	1,461	29,073	1,759	39,081	87	-	10	72,126
Succeeding year	-	113,352	252,889	5,130,041	304,489	2,117,463	172,643	-	1,782	8,092,659
Accounts	540	-	-	-	-	-	-	-	30,823	31,363
Total assets	<u>\$ 37,723</u>	<u>\$ 115,612</u>	<u>\$ 299,061</u>	<u>\$ 5,232,195</u>	<u>\$ 311,765</u>	<u>\$ 2,203,666</u>	<u>\$ 175,040</u>	<u>\$ 223,896</u>	<u>\$ 137,189</u>	<u>\$ 8,736,147</u>
LIABILITIES										
Accounts payable	\$ -	\$ -	\$ 55,418	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 768	\$ 56,186
Due to other governments	33,341	115,612	243,643	5,232,195	311,765	2,203,666	175,040	223,896	136,421	8,675,579
Trusts payable	4,382	-	-	-	-	-	-	-	-	4,382
Total liabilities	<u>\$ 37,723</u>	<u>\$ 115,612</u>	<u>\$ 299,061</u>	<u>\$ 5,232,195</u>	<u>\$ 311,765</u>	<u>\$ 2,203,666</u>	<u>\$ 175,040</u>	<u>\$ 223,896</u>	<u>\$ 137,189</u>	<u>\$ 8,736,147</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
 AND LIABILITIES - AGENCY FUNDS
 YEAR ENDED JUNE 30, 2006

Schedule 4

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
ASSETS AND LIABILITIES										
Balances beginning of year	\$ 29,452	\$ 106,668	\$268,718	\$4,775,660	\$ 362,986	\$ 2,224,765	\$ 151,090	\$ 236,525	\$ 143,414	\$8,299,278
Additions:										
Property and other County tax	-	113,108	252,162	5,115,785	303,157	2,121,093	172,548	-	1,778	8,079,631
E911 surcharge	-	-	-	-	-	-	-	-	84,091	84,091
State tax credits	-	6,154	14,996	279,104	21,157	177,059	8,545	-	97	507,112
Office fees and collections	197,180	-	-	-	-	-	-	-	-	197,180
Auto licenses, use tax, and postage	-	-	-	-	-	-	-	2,584,571	-	2,584,571
Assessments	-	-	-	-	-	1,151	-	-	-	1,151
Trusts	53,858	-	-	-	-	-	-	-	-	53,858
Miscellaneous	754	-	60,813	-	-	-	-	-	729,200	790,767
Total additions	<u>251,792</u>	<u>119,262</u>	<u>327,971</u>	<u>5,394,889</u>	<u>324,314</u>	<u>2,299,303</u>	<u>181,093</u>	<u>2,584,571</u>	<u>815,166</u>	<u>12,298,361</u>
Deductions:										
Agency remittances:										
To other governments	193,586	110,318	297,628	4,938,354	375,535	2,320,402	157,143	2,597,200	821,391	11,811,557
Trusts paid out	49,935	-	-	-	-	-	-	-	-	49,935
Total deductions	<u>243,521</u>	<u>110,318</u>	<u>297,628</u>	<u>4,938,354</u>	<u>375,535</u>	<u>2,320,402</u>	<u>157,143</u>	<u>2,597,200</u>	<u>821,391</u>	<u>11,861,492</u>
Balances end of year	\$ 37,723	\$ 115,612	\$299,061	\$5,232,195	\$ 311,765	\$ 2,203,666	\$ 175,040	\$ 223,896	\$ 137,189	\$8,736,147

See accompanying independent auditor's report.

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY
FUNCTION - ALL GOVERNMENTAL FUNDS
FOR THE LAST FIVE YEARS

Schedule 5

	Modified Accrual Basis				
	2006	2005	2004	2003	2002
Revenues:					
Property and other County tax	\$ 4,394,827	\$ 4,028,557	\$ 4,504,509	\$ 4,456,391	\$ 4,156,364
Interest and penalty on property tax	28,124	22,861	35,254	29,879	38,004
Intergovernmental	6,076,916	5,860,587	5,682,265	5,410,699	5,349,455
Licenses and permits	8,072	7,828	9,479	7,235	8,242
Charges for service	771,814	683,703	829,273	708,429	774,988
Use of money and property	267,324	165,447	127,201	155,856	179,681
Miscellaneous	446,893	313,523	921,505	511,811	360,928
Total	<u>\$ 11,993,970</u>	<u>\$ 11,082,506</u>	<u>\$ 12,109,486</u>	<u>\$ 11,280,300</u>	<u>\$ 10,867,662</u>
Expenditures:					
Operating:					
Public safety and legal services	\$ 1,150,588	\$ 1,374,782	\$ 1,127,485	\$ 1,108,275	\$ 1,026,952
Physical health and social services	3,199,600	3,287,599	3,442,855	3,359,161	3,335,317
Mental health	1,111,901	1,167,669	1,220,833	1,210,341	1,356,194
County environment and education	711,907	774,224	535,968	418,674	250,742
Roads and transportation	3,422,375	3,168,461	3,258,877	3,143,472	3,208,499
Governmental services to residents	367,729	325,891	303,527	256,362	243,536
Administration	815,228	812,006	823,195	763,239	695,371
Non-program	359,311	240,342	197,328	399,368	392,708
Capital projects	576,827	197,437	410,306	264,945	227,193
Total	<u>\$ 11,715,466</u>	<u>\$ 11,348,411</u>	<u>\$ 11,320,374</u>	<u>\$ 10,923,837</u>	<u>\$ 10,736,512</u>

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

WESLEY E. STILLE, C.P.A.
JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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

To the Officials of Calhoun County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Calhoun County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated October 5, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-06 and I-B-06 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Calhoun 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

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

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

Humphreys, Putzier & Co.

October 5, 2006

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

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

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

Response - Auditor - All employees are trained in various areas. We do alternate employees in performing other tasks.

Treasurer - The opening of incoming mail is a routine that is rotated between employees. Every employee in the office signs checks and handles or records cash, so reconciling the bank accounts is a job that should also be rotated. We will address this and try to rotate this job. In an office where all employees are cross-trained in all jobs in the office, it is difficult to segregate check signing.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Financial Statements: (Continued)

REPORTABLE CONDITIONS: (Continued)

I-A-06 Segregation of Duties - (Continued)

Recorder - When it comes to duties within our office, I have myself and my deputy. We do try to split many duties between us. My deputy needs to know most duties in case of my absence. I feel we do the best we can with only a two person office. I am newly appointed, so I am learning the Recorder duties, yet at the same time, I am training my new deputy. We do have a retired deputy recorder that comes in part-time to help us. She mainly deals with vital records and filing.

Sheriff - The Calhoun County sheriff's office is a small department. While we welcome and appreciate the independent audits and their recommendations, with only one Civil Clerk it is very difficult to implement the recommendations made by the auditors. We try very hard to make sure everything is done properly. Books and financial statements are reviewed at the end of every month, checks and warrants are reviewed and signed by the sheriff or in his absence by the Chief Deputy. To my knowledge, there have never been any financial discrepancies in the sheriff's office identified by the independent auditors hired by Calhoun County. We strive to maintain a high level of integrity in all areas and will continue to do that.

Conclusion - Response accepted.

I-B-06 Mailing of Payments - A warrant for over \$32,000 was held by the Secondary Road Department for several weeks before being remitted to the vendor.

Recommendation - All payments should be mailed immediately by the person preparing the warrants and should not be returned to the departments requesting the payments.

Response - This warrant was placed in a desk drawer late in the day and then the next day we forgot to send it. We will make sure warrants are sent out immediately.

Conclusion - Response acknowledged, however, warrants should be mailed immediately by the person preparing the warrants and should not be returned to the departments requesting the payments.

I-C-06 Accounts Receivable Accrual - There were several large receipts after June 30, 2006 which should have been recorded as a receivable.

Recommendation - All departments should carefully review all receipts and disbursements to determine that they are recorded in the correct accounting period.

Response - The recording of accruals will be handled more responsibly next year. Some were accrued, but incorrectly, due to the new system. All employees have been instructed on giving more attention to this matter.

Conclusion - Response accepted.

CALHOUN COUNTY
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2006

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 in any function.
- II-B-06 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 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 a County official's spouse are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Ray's Machine Shop, owned by the spouse of a County employee	Parts and repairs	\$ 648
Howrey Construction, owned by the spouse of a County employee	Twin Lakes Bike trail	\$ 212,948
Zehr's Auto, owned by the spouse of a County employee	Parts and repairs	\$ 735

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Howrey Construction do not appear to be a conflict of interest since this project was competitively bid, and the other transactions do not appear to be a conflict of interest since the total transactions were less than \$1,500 during the fiscal year.

- II-E-06 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure 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 Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted. However, the County's investment policy states that the policy will be reviewed every two years, or more frequently, if necessary. It appears the policy has not been reviewed since February, 1998.

Recommendation - The investment policy, in addition to all County policies, should be reviewed and approved periodically to ensure that they are in compliance with legal requirements, and the intentions of County officials.

Response - We will review the investment policy and update if necessary.

Conclusion - Response accepted.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

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 amount budgeted.

II-J-06 Financial Condition - The Mental Health Fund had a deficit balance at June 30, 2006, of \$403,766 using the modified accrual basis of accounting.

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

Response - As the CPC of Calhoun County, I am aware of the County's Mental Health budget deficit. I have been working diligently to address this since October of 2004. The accrual deficit has continued to decrease over the last two previous fiscal years. Calhoun County will continue to levy at the maximum allowable dollar amount, and we will continue to lobby legislators in an effort to receive more revenue from the state, and to change the existing law to allow counties the option to increase the levy amount and the ability to generate additional money through local property tax dollars. In the meantime, we will continue to monitor service provision, eligibility, and recipients to look for opportunities to decrease spending.

Conclusion - Response accepted.

II-K-06 Excess Balance - The Conservation Trust fund has a balance at June 30, 2006 in excess of one year's expenditures.

Recommendation - While it appears that this fund may have an excessive balance, this can usually be justified if the County has a specific plan for future expenditures. The County should consider the necessity of maintaining this substantial balance and, where financially feasible, consider reducing the balance in an orderly manner through revenue reductions.

Response - The Conservation Board has ongoing plans for the use of this account. Ongoing maintenance of seven miles of trail, a 50' x 80' year round shelter with parking area in FY 07-08, future sealcoating of campground roads, out park roads and maintenance, and future land purchases. These are some of the items that are on the docket at this time.

Conclusion - Response accepted.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

II-L-06 Public Bidder Property - There are properties in the County which currently owe approximately \$60,000 in delinquent property taxes. These properties are currently in "public bidder" status.

Recommendation - The Treasurer should confer with the County Attorney to determine appropriate remedies to settle these accounts.

County Treasurer - We hired help to research and begin the processes for clearing up the old public bidder property. These properties were given to the County Attorney in a timely manner to serve ninety-day notices. The Attorney's office has worked on a few of the properties, but has not continued to work consistently on the project.

County Attorney - Each of these properties requires an extensive record and property review before the proper notifications can be done; the amount of work necessary increases with the age of the public bidder certificate. I am willing to do the legal work involved with the notifications and will meet with the Treasurer's office to give them guidelines for the information I need before I can send out notices.

Conclusion – Response accepted.