CERRO GORDO COUNTY

IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2006

CERRO GORDO COUNTY, IOWA

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2006

Prepared by: Cerro Gordo County Auditor's Office

CERRO GORDO COUNTY, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2006
TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Officials	1
Organizational Chart	2
Certificate of Achievement for Excellence in Financial Reporting	3
Letter of Transmittal	4-7
FINANCIAL SECTION	
Independent Auditors' Report	8
Management's Discussion and Analysis	9-18
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	19
Statement of Activities	20-21
Governmental Fund Financial Statements:	
Balance Sheet	22-23
Reconciliation of the Balance Sheet – Governmental Funds to The Statement of Net Assets	24
Statement of Revenues, Expenditures and Changes in Fund Balances	25-26
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances - Governmental Funds to the Statement of Activities	27
Proprietary Funds Financial Statements:	
Combined Statement of Net Assets	28
Combined Statement of Revenues, Expenses, and Changes in Fund Net Assets	29
Combined Statement of Cash Flows	30
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	31
Notes to Financial Statements	32-45
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenue, Expenditures and Changes In Balance – Budget and Actual – All Governmental Funds	46-47
Notes to Required Supplementary Information – Budgetary Reporting	48
Other Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund	49-50
Schedule of Expenditures – General Fund	51-53
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	54-57
Combining Schedule of Revenues, Expenditures and Changes In Fund Balances	58-61

(Continued)

Internal Service Funds:
- Combining Balance Sheet 62
- Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets 63
- Combining Schedule of Cash Flows 64

Agency Funds:
- Combining Schedule of Fiduciary Assets and Liabilities – All Agency Funds 65
- Combining Schedule of Fiduciary Assets and Liabilities – Elected Officials 66
- Combining Schedule of Fiduciary Assets and Liabilities – Other Agency Funds 67-70
- Combining Schedule of Changes in Fiduciary Assets and Liabilities – All Agency Funds 71
- Combining Schedule of Changes in Fiduciary Assets and Liabilities – Elected Officials 72
- Combining Schedule of Changes in Fiduciary Assets and Liabilities – Other Agency Funds 73-76

Capital Asset Schedules:
- Schedule of Capital Assets by Funding Source 77
- Schedule of Capital Assets by Function and Activity 78-79
- Schedule of Changes in Capital Assets by Function and Activity 80

STATISTICAL SECTION
- Net Assets by Component 81
- Changes in Net Assets 82-83
- Fund Balances, Governmental Funds 84-85
- Changes in Fund Balances, Governmental Funds 86-87
- Program Revenues by Function/Program 88
- Assessed Value and Actual Value of Taxable Property 89-90
- Direct and Overlapping Property Tax Rates 91-94
- Principal Property Taxpayers 95
- Property Tax Levies and Collections 96
- Ratios of General Bonded Debt Outstanding 97
- Direct and Overlapping Governmental Activities Debt 98
- Legal Debt Margin Information 99-100
- Demographic and Economic Statistics 101
- Principal Employers 102
- Full-time Equivalent County Government Employees by Function/Program 103-104
- Operating Indicators by Function/Program 105-106
- Capital Asset Statistics by Function/Program 107-108

FINANCIAL INFORMATION REQUIRED BY THE STATE AUDITOR:
- Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds 109-110

(Continued)

CERRO GORDO COUNTY, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2006
TABLE OF CONTENTS

SINGLE AUDIT SECTION

Independent Auditors' Report on the Schedule of Expenditures of Federal Awards	111
Schedule of Expenditures of Federal Awards	112-113
Independent Auditors' 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*	114-115
Independent Auditors' Report on Compliance with the Requirements Applicable to Each Major Program and Internal Control Over Compliance In Accordance with OMB Circular A-133	116-117
Schedule of Findings and Questioned Costs	118-121
	(Concluded)

CERRO GORDO COUNTY, IOWA

OFFICIALS
June 30, 2006

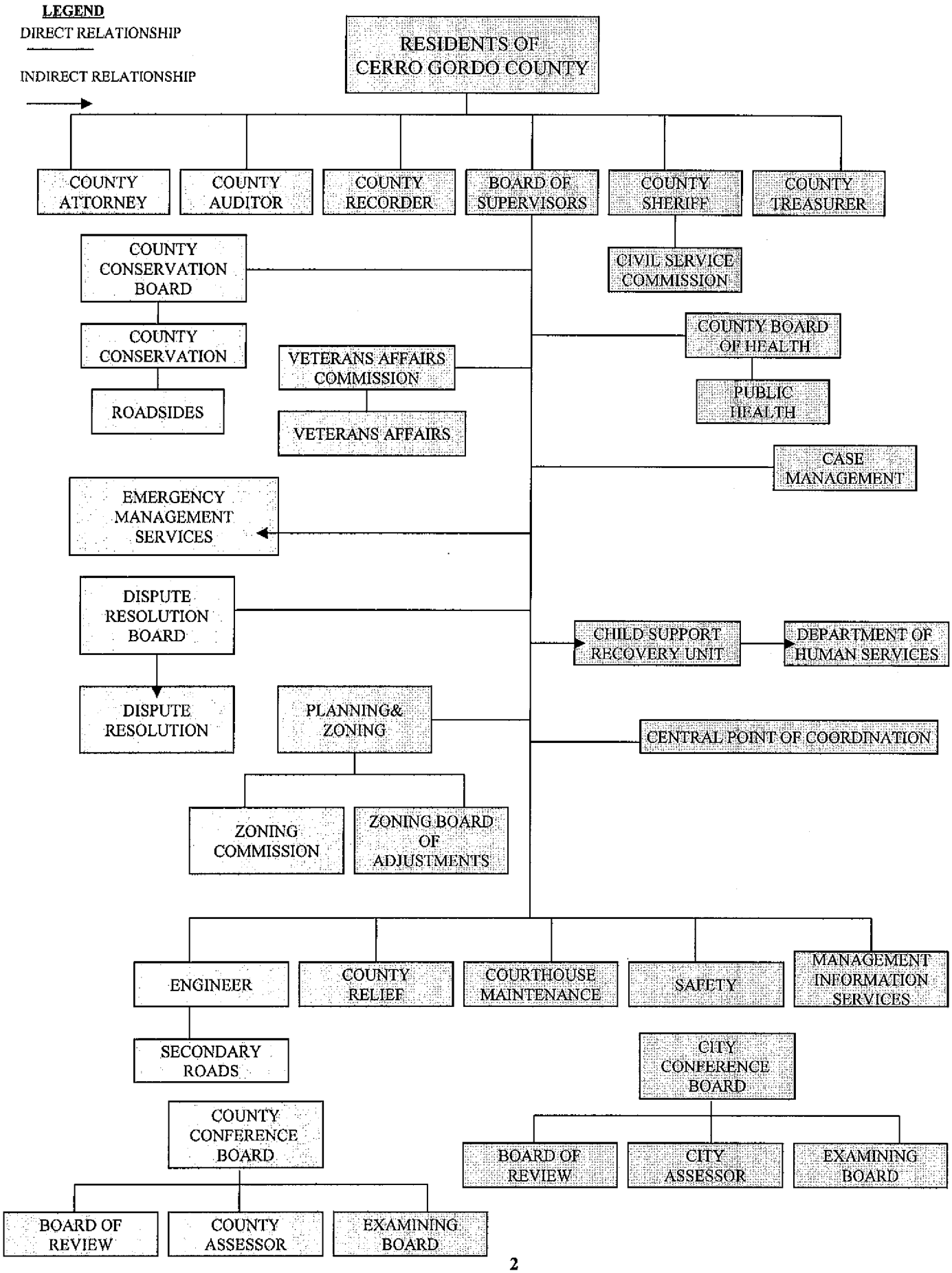
Board of Supervisors

Name	Term Expires	Address
Robert Amosson	January 2007	Rockwell, Iowa
Phillip Dougherty	January 2009	Dougherty, Iowa
Jay Urdahl	January 2009	Mason City, Iowa

Officers

Name	Term Expires	Title
Kenneth Kline	January 2009	Auditor
Michael J. Grandon	January 2007	Treasurer
Colleen Pearce	January 2007	Recorder
Kevin Pals	January 2009	Sheriff
John Boedeker	Appointed	County Assessor
Robert Zinnel	Appointed	City Assessor
Paul Martin	January 2007	County Attorney

CERRO GORDO COUNTY ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

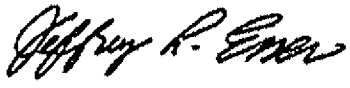
Cerro Gordo County

Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President



Executive Director

County Auditor
Cerro Gordo County
220 North Washington **Mason City, Iowa 50401** **(641) 421-3027**
Ken Kline, County Auditor **FAX (641) 421-3139**

December 21, 2006

County Board of Supervisors and Citizens
Cerro Gordo County, Iowa

The Comprehensive Annual Financial Report (CAFR) for the County of Cerro Gordo, Iowa (the "County") for the fiscal year ended June 30, 2006, is hereby submitted in accordance with the provisions of Section 331.403 of the Code of Iowa.

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by Gardiner Thomsen LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2006 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor issued an unqualified opinion on the County's financial statements for the fiscal year ended June 30, 2006, indicating that they are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the County's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

Profile of Cerro Gordo County

Cerro Gordo County was organized in 1855. The County is governed by a three-member board, each elected by citizens in one of the three districts. Board members serve over-lapping four-year terms, with elections held every two years. The Board is the legislative body of the County, which annually adopts a budget and establishes tax rates to support County programs.

The County provides a full range of services to its citizens. These services include public safety, parks, planning and zoning, service to people with mental disabilities, construction and maintenance of secondary roads, physical health and social services, property assessment and taxation, and general administrative services. The County also provides a management information services department utilized by other governmental entities.

The Board of Supervisors is required to adopt a final budget by no later than March 15th for the fiscal year beginning the following July 1st. This annual budget serves as the foundation for the County's financial planning and control. The State of Iowa requires the adoption of an annual budget with total County operating expenditures listed by major program service area. Activities of the general fund, special revenue funds, capital projects funds, and debt service fund are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the total function/program service area level. In addition, individual County officials' expenditures cannot exceed the amounts appropriated by the Board.

Factors Affecting Financial Condition

Local Economy

Cerro Gordo County, with the Cities of Mason City, Clear Lake, and eight smaller cities, is the twelfth largest of ninety-nine counties in the state, and serves as a regional center for north central Iowa in the areas of commerce, industry, retail shopping, higher education, and health care services. The surrounding area has an economic base that is historically agricultural in nature, but Cerro Gordo County also has several strong industries and commercial enterprises. With a low rate of unemployment and the lack of a single, dominant employer, the economy of the area is dynamic, robust, and broad-based. The City of Mason City is the largest city in Cerro Gordo County, with about two-thirds of the County's 46,000 population.

Tourism is an important industry in Cerro Gordo County, largely due to Clear Lake, which, at 3,865 acres, is the third largest natural lake in Iowa, and is the namesake of the surrounding city.

Although educational systems in the entire north central Iowa area are well known for their quality of education, Cerro Gordo County has become a regional center for higher learning. Drake University of Des Moines offers several programs at the Masters level in coordination with the North Iowa Area Community College (NIACC). This adds to the wide range of baccalaureate programs offered at NIACC by Buena Vista College of Storm Lake, and Hamilton College, which offers AAS and BA degrees.

Cerro Gordo County serves as a regional hub for transportation with an airport, three railroad branch lines, Interstate 35, which runs north-south the length of the County, and the "Avenue of the Saints", the link between Interstates 35 and 80.

The County is a regional center for health care services. The City of Mason City has the third highest number of physicians per capita in the State, trailing only the Cities of Des Moines and Iowa City. Mercy Medical Center - North Iowa is the County's largest employer with two facilities and with affiliated clinics and hospitals in a 14-county region. The 350-bed health center employed more than 2,600 people during the fiscal year and had supporting services from more than 200 physicians, physician assistants, and nurse practitioners. Mercy Health Network – North Iowa consists of a secondary referral medical center, Mercy Medical Center – North

Iowa; Mercy Clinics; a primary and specialty physician network; a home health agency; a hospice; a senior services agency; a regional referral laboratory; regional rehabilitation and diagnostic technology services; an emergency services network; pharmacies, and a variety of other health care services. During the fiscal year Mercy announced and built a 22,500 square-foot $6.8 million ambulatory surgery center. The new center will have four operating rooms and two special procedure rooms, plus private pre-operative rooms.

In general economic news for the fiscal year, Mason City's cost of living for the second quarter of 2005 was 89.7% of the national average, according to the ACCRA Cost of Living Index. The number of persons employed in the county went from 27,140 to 26,820, a decrease of 1.18% from August 2005 to August 2006, according to figures from Iowa Workforce Development. Seasonally adjusted unemployment remained stable at 4.7% for the year. Taxable sales in Cerro Gordo County grew 4.2% from $152.1 million to $158.5 million comparing the second quarters of calendar years 2005 and 2006, according to figures from the Iowa Department of Revenue.

Retail news during the fiscal year included the opening of a 13,500 square-foot Petco Animal Supplies Inc. store on the west end of Mason City.

Industrial economic news during the fiscal year included two major developments in renewable fuels. The first was an announcement by Freedom Fuels LLC of Hampton, Iowa to open a $44 million biodiesel fuel plant in Mason City. The company will build on the west side of Mason City, and is expected to create 30-plus jobs with pay ranging from $11 to $32 per hour. The new plant will process soybeans to produce 30 million gallons of biodiesel fuel each year, with a byproduct of glycerin.

The second development in renewable fuels was the announcement by Golden Grain Energy LLC to double their 40-million gallon per year production. The $46 million expansion will add ten new employees to their current staff of thirty-three, and will double the company's corn processing from 18.5 million to 37 million bushels per year. Golden Grain had opened the plant in November 2004 on a 70-acre site in a newly-annexed area on the south edge of Mason City.

Other industrial news included an expansion of Clear Lake Specialty Products Inc. In the first phase of its plan the company purchased a 40,000 square-foot spec building in the Clear Lake Industrial Park with plans to expand it immediately to 52,000 square feet. Forty new jobs will be added to the company's existing eighteen employees. In the second phase the company expects to add 60,000 square feet and fifty additional employees. Also, LXI Enterprises Storage Inc., an Irving, Texas based technology company announced plans to locate an operations center in downtown Mason City. The company expects to create forty-three jobs over the next three years at $20 per hour plus benefits. LXI develops computer software for storage and easy retrieval for use by banking, health care, manufacturing, entertainment, and other industries.

Major Initiatives

On the issue of overcrowded conditions in the county jail, voters at a special election on September 6, 2005 approved the issuance of $13.5 million in general obligation bonds for construction of a new law enforcement complex on fifteen acres of land owned by the county. The complex will house the jail, sheriff's offices, a courtroom, judicial chamber, attorney's office, and will be equipped with audio/visual for arraignments and initial court appearance hearings. The jail will have a capacity of 140 beds, an increase from the current 63-bed capacity, based on projections of need for the next twenty years. In December 2005 county supervisors hired Koch Hazard Architects of Sioux Falls, South Dakota, as the architectural firm for the project, and in June 2006 they put out bids for a general contractor.

Other major initiatives included the purchase in January 2006 of the former NIACOG building next to the courthouse for $165,000 and the approval of a 28-E agreement with the City of Mason City for a joint dispatch center operated by the County in March 2006.

Cash Management

The County's investment policy is to ensure the safety of public funds by minimizing credit and market risk while maintaining a competitive yield on its portfolio. Idle funds during the year were invested in those investments authorized by law and included certificates of deposit and interest bearing bank accounts. Interest revenue on all governmental fund investments for the fiscal year was $536,652, up $265,294, a 97.8% increase from the prior fiscal year.

Risk Management

Up until June 30, 2006, Cerro Gordo County was self-insured for employee health insurance. As of July 1, 2006, the county migrated to a partially self-insured program. The Safety Department manages other types of insurance, including worker's compensation, general liability, property, fleet, law enforcement professionals, public officials, and tort. The Safety Department has developed a risk management program which includes drug screenings, physicals and return-to-work exams; a case management program administered by the County's insurance carrier; deductibles of $500 on worker's compensation claims, $5,000 on buildings, $500 on inland marine, $5,000 on crime, $10,000 on law enforcement, $10,000 on public officials, $1,000 on employee benefits, and $250 to $500 on motor vehicles; and, the retention of a doctor to deal with occupational medicine and to administer the required drug testing. The County has also developed programs including, but not limited to Bloodborne Pathogens, Tuberculosis, and Right to Know. Periodic training is offered in Defensive Driving and in the use of fire extinguishers. Annual hearing tests are provided for certain required employees. A drug-testing program is in place pursuant to US Department of Transportation rules for county employees who are required to possess a commercial driver's license.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Cerro Gordo County, Iowa for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the tenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report on a timely basis could not have been completed without the cooperation and services of the staffs of the County Auditor's and Treasurer's offices. Gratitude is also expressed to the independent auditors, Gardiner Thomsen, who provided endless support and assistance in preparing this report, and to the Cerro Gordo County Board of Supervisors for their interest and support.

Respectfully submitted,

Heather R Mathre

Heather R. Mathre, CPA
Finance Assistant
Office of the County Auditor
Cerro Gordo County, Iowa

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Gardiner Thomsen
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Officials of Cerro Gordo County
Mason City, Iowa

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Cerro Gordo County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cerro Gordo 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 that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have issued our report dated November 2, 2006 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 9 through 18 and 46 through 48 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 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 Cerro Gordo 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. The combining and non-major fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information for the year ended June 30, 2006 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been compiled from County records by County personnel, has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

November 2, 2006

Gardiner Thomsen, P.C.

P.O. Box 216 •Charles City, IA 50616-0216 •Phone: (641) 228-7096 •Fax: (641) 228-7103 •www.gardinercpa.com

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cerro Gordo 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 the information presented here in conjunction with additional information presented in the transmittal letter beginning on page 4, and the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Cerro Gordo County governmental fund revenues increased 4.0% or $1,080,197 from $26,740,420 in fiscal year 2005 (FY05) to $27,820,617 in fiscal year 2006 (FY06). Property taxes and other county taxes increased $2,056,944 and intergovernmental revenues decreased $1,510,167 from FY05.

- Cerro Gordo County governmental fund expenditures for FY06 were $27,828,692, a decrease of $184,217 from $28,012,909 in FY05. This was contributable to a $1,759,956 decrease in capital projects due to a large number of projects that were completed in FY05.

- The assets of the county exceeded liabilities at the end of the fiscal year ended June 30, 2006 by $29,240,631(net assets). Of this amount, $3,021,410 is unrestricted and may be used to meet the County's ongoing obligations. For fiscal year ended June 30, 2005, assets exceeded liabilities by $20,956,845, of which $3,733,734 was unrestricted

- Cerro Gordo County's net assets increased 39.5% or approximately $8,283,786 at June 30, 2006. Government activities increased $8,350,957 and business-type activities decreased by $67,171. For fiscal year ended June 30, 2005, total net assets increased $1,374,689. Governmental activities increased $1,462,086 and business-type activities decreased $87,397.

- Cerro Gordo County's governmental funds reported combined ending fund balances of $9,475,944, an increase of $1,335,911 in comparison with the FY05 fund balances of $8,140,033. Approximately 83% of the total amount, $7,840,537 is available for spending at the County's discretion (unreserved fund balance).

- Cerro Gordo County's general long-term debt, excluding compensated absences and claims payable, decreased by $457,885 during the fiscal year, from $1,573,583 in FY05 to $1,115,698 in FY06. This change was due to scheduled debt payments of $982,279, a new capital lease purchase agreement for $24,394, and the issuance of $500,000 general obligation capital loan notes in the spring of 2006.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The Government-wide Financial Statements consist of the Statements of Net Assets and the Statement of Activities (on pages 19-21). These provide information about the activities of the County as a whole and present a longer-term view of the County's finances.

The Fund Financial Statements (starting on page 22) tell how government services were financed in the short term as well as what remains for future spending. Fund financial statements report Cerro Gordo

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 Cerro Gordo County acts solely as an agent or custodian for the benefit of those outside of the government.

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

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

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

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about activities in a way the helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus. This 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 fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

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

Fund Financial Statements

The fund financial statements begin on page 22 and provide detailed information about individual, significant funds; not the County as a whole. Some funds are required to be established by Iowa law or by bond covenants. However, the County establishes many other funds to help it control and manage money for particular purposes.

Cerro Gordo County has three kinds of funds:

1) Governmental funds account for most of the County's basic services, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These governmental funds include 1) General Fund, 2) Special Revenue Funds, 3) Debt Service Fund, and 4) Capital Projects Fund. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The government fund statements provide a detailed short-term view of the County's general governmental operations and the basic service it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

2) Cerro Gordo County maintains two types of proprietary funds: internal service funds and enterprise funds.

    a) Cerro Gordo County has two internal service funds: Central Services Fund and Health Insurance Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

    b) Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business. Cerro Gordo County maintains two enterprise funds: Meservey Wastewater Collection & Treatment Facility and Swaledale Wastewater Collection & Treatment Facility.

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

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the government's own programs. These fiduciary funds include agency funds that account for emergency management, county assessor, and city assessor to name a few.

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found beginning on page 32.

Supplemental Information

The supplemental information begins on page 49 and provides detailed information about the non-major governmental funds and the individual fiduciary funds. In addition, the Single Audit Section provides details of the various Federal awards received by the County.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Cerro Gordo County's net assets increased $8,283,786, from $20,956,845 to $29,240,631. The analysis below focuses on the net assets and changes in net assets of our government and business-type activities.

Cerro Gordo County's Net Assets
June 30, 2006

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	$24,800,865	$21,934,787	$94,814	$84,707	$24,895,679	$22,019,494
Capital assets	19,178,528	12,839,394	2,323,681	2,408,968	21,502,209	15,248,362
Total assets	43,979,393	34,774,181	2,418,495	2,493,675	46,397,888	37,267,856
Long-term debt outstanding	1,810,170	2,222,372	603,748	611,267	2,413,918	2,833,639
Other liabilities	14,743,016	13,476,559	323	813	14,743,339	13,477,372
Total liabilities	16,553,186	15,698,931	604,071	612,080	17,157,257	16,311,011
Net assets:						
Invested in capital assets, net of related debt	19,084,939	12,391,004	1,765,188	1,748,701	20,850,127	14,139,705
Restricted	5,369,094	3,083,406	0	0	5,369,094	3,083,406
Unrestricted	2,972,174	3,600,840	49,236	132,894	3,021,410	3,733,734
Total net assets	$27,426,207	$19,075,250	$1,814,424	$1,881,595	$29,240,631	$20,956,845

The largest portion of the County's net assets, 71.3%, is the Invested in Capital Assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The County uses these capital assets to provide services to citizens, therefore, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to cover the liabilities.

A restricted portion of the County's net assets, 18.4% or $5,369,094, represents resources that are subject to external restrictions, constitution provisions, or enabling legislation on how they can be used. The remaining balance of unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – is $3,021,410 or 10.3%.

The County's net assets increased by $8,283,786 during the current fiscal year. The governmental-type activities increased by $8,350,957 and the business-type activities decreased $67,171.

The following table highlights the County's revenues and expenses for the fiscal year ended June 30, 2006 and 2005. These two main components are subtracted to yield the change in net assets. This table utilizes the full accrual method of accounting. Revenue is further divided into two major components: Program Revenue and General Revenue. Program Revenue is defined as charges for services and sales and services, operating grants and contributions and capital grants and contributions. General Revenue includes taxes, investment income and other unrestricted revenue sources.

Cerro Gordo County's Changes in Net Assets
June 30, 2006

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for service and sales	$3,626,525	$3,248,744	$70,251	$160,923	$3,696,776	$3,409,667
Operating grants and contributions	9,019,060	9,275,378	0	0	9,019,060	9,275,378
Capital grants and contributions	5,216,480	2,445,455	0	0	5,216,480	2,445,455
General Revenues				0		
Property taxes	11,701,608	9,818,264	0	0	11,701,608	9,818,264
Penalty & interest on property tax	139,522	126,247	0	0	139,522	126,247
State tax credits	483,123	422,743	0	0	483,123	422,743
Local option sales & service tax	1,411,660	1,228,557	0	0	1,411,660	1,228,557
Grants and contributions not restricted to specific purposes	68,051	45,959	0	0	68,051	45,959
Unrestricted investment earnings	533,762	275,773	0	0	533,762	275,773
Miscellaneous	848,945	302,349	0	0	848,945	302,349
Total revenues	**33,048,736**	**27,189,469**	**70,251**	**160,923**	**33,118,987**	**27,350,392**
Expenses:						
Public safety and legal services	4,827,135	4,590,463	0	0	4,827,135	4,590,463
Physical health and social services	4,274,119	4,104,085	0	0	4,274,119	4,104,085
Mental health	5,617,449	5,225,350	0	0	5,617,449	5,225,350
County environment and education	1,291,161	923,060	0	0	1,291,161	923,060
Roads and transportation	4,996,566	6,928,117	0	0	4,996,566	6,928,117
Government services to residents	892,862	804,185	0	0	892,862	804,185
Administration or general government	2,441,271	2,050,532	0	0	2,441,271	2,050,532
Non-program	319,240	1,063,732	137,422	248,320	456,662	1,312,052
Interest on long-term debt	37,976	37,859	0	0	37,976	37,859
Total expenses	**24,697,779**	**25,727,383**	**137,422**	**248,320**	**24,835,201**	**25,975,703**
Increase (decrease) in net assets	**8,350,957**	**1,462,086**	**(67,171)**	**(87,397)**	**8,283,786**	**1,374,689**
Net assets July 1, (see Note 18)	19,075,250	17,613,164	1,881,595	1,968,992	20,956,845	19,582,156
Net assets June 30,	**27,426,207**	**19,075,250**	**1,814,424**	**1,881,595**	**29,240,631**	**20,956,845**

Governmental Activities

Revenues for governmental activities increased 21.5%, or $5,859,267 over the prior year. Capital grants and contributions increased $2,771,025 due to additional grants received for Roads and Transportation projects. Property tax revenues increased $1,883,344 due to a planned increase in the overall tax rate. Unrestricted investment earnings also increased $257,989 due to higher investment rate of return.

The cost of all governmental activities this year was $24,697,779, a decrease of $1,029,604 over the prior years' $25,727,383. However, as shown in the Statement of Activities on page 20-21, the amount the taxpayers ultimately financed for these activities through County taxes was only $6,835,714 because some of the cost was paid by those that directly benefited from the programs, or by other governments and organizations that subsidized certain programs with grants and contributions.

Roads and transportation expenses were $1,931,551 lower than the prior year due to a large number of projects that were completed in FY05. The non-program function also experienced a decrease in expenses of $744,492. This was due to fewer drainage repairs and a reduction in interfund services for health insurance. Expenses

increased $368,101 for county environment and education due to the increased amount of funding contributed to outside agencies and businesses for economic development.

Cerro Gordo County increased the countywide tax rate from 5.27665 in FY05 to 6.19934 for FY06, and the rural rate from 3.41577 in FY05 to 3.51050 for FY06. The combined increases in tax rates resulted in increased property tax dollars of approximately $1,570,000 for general purposes, $198,000 for debt service, and $124,000 for rural purposes.

Business-Type Activities

Business-type activities decreased the County's net assets by $67,171.

The County's Individual Major Funds

As Cerro Gordo County completed the year, its governmental funds reported a combined fund balance of $9,475,944, which is an increase of $1,335,911 or 16.4% over the combined fund balance for FY05. Of this amount, $7,840,537 represents the unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed. The following are the major reasons for the changes in fund balances from the prior year:

- The General Fund, as the main operating fund for Cerro Gordo County, ended FY06 with a 47% ending fund balance totaling $4,088,421. This is a $1,028,327 increase from the prior year's $3,060,094 fund balance. The key factor for this increase was an additional $1,564,177 in property and other county taxes received due to the increased tax rates for fiscal year 2006. The largest increase for expenditures was the public safety and legal services function with $295,683. After a year of planning, the Cerro Gordo County Sheriff's Department assumed the dispatch duties for the Mason City Police Department and the Mason City Fire Department effective May 1, 2006. Under the agreement, fifteen dispatch personnel from the Mason City Police Department were absorbed into the Cerro Gordo County Sheriff's Department.

- Cerro Gordo County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled $5,611,348, an increase of 7.7% over last year's expenditures of $5,209,344 due to an increase in the number of persons served. Revenues decreased $310,004 due to a cut in State funding that correlated to the Mental Health Fund balance being over 10%. The Mental Health Fund balance decreased from $856,772 to $502,317 in FY06, a 9.0% fund balance. This decrease was planned in order to allow the County to arrive at a fund balance (below 10%) that would maximize the full potential funding available from the State.

- The Rural Services Fund had a fund balance that increased $61,847 to $235,167 from the prior year ending balance of $173,320, a result of the increased tax rates for the fiscal year 2006. Revenues increased $125,333, from $1,635,904 in FY05 to $1,761,237 in FY06.

- The Secondary Roads Fund expenditures drastically decreased by $2,539,615 or 28.6%, from $8,852,700 in FY05 to $6,313,085 in FY06. This was largely due to extensive roadway construction completed in FY05 as the County continued to upgrade the condition of the County roadway system. The Secondary Road Fund balance increased $1,197,345, from $1,683,140 in FY05 to $2,880,485 in FY06.

- The Public Health Fund ended FY06 with a $556,248 fund balance, a $157,824 increase over the prior year's balance of $398,424. Expenditures increased $204,557, or 8.3% over the prior year. Revenues increased 3.1%, or $57,347 due to the additional intergovernmental and miscellaneous revenues. The main factor for the increase in fund balance is the additional $215,718 Other Financing Source – transfer from general fund to be used for operations.

- The Debt Service Fund had a fund balance of $91,890, all of which is reserved for the payment of debt.

- The Capital Projects fund balance was $(588,497) at June 30, 2006. This deficit fund balance is due to construction prior to receipt of General Obligation Bond funds. The deficit was eliminated on August 9, 2006.

Budgetary Highlights

The county budget is based on ten functions/service areas as required by the State, not by fund or fund type. Over the course of the year, Cerro Gordo County amended its budget once. The budgetary comparison schedule on pages 46-47 provide more information. The amendment was made in May 2006 and resulted in the following:

Revenues and Other Financing Sources increased $1,919,112, which included:

- Increase of $200,000 in local option sales and service tax and utility excise tax.

- Approximately $675,000 of additional intergovernmental revenues received by various departments, including $270,000 through secondary roads department and $280,000 through public health department.

- Additional $335,000 earned in interest income due to higher investment rates and balances that originally anticipated

- Other financing sources increased due to issuance of $500,000 general obligation capital loan notes and sale of capital assets of $177,300.

Expenditures and Other Financing Uses increased $2,589,032, which included:

- Increase of $315,000 in physical health and education. This includes $160,000 for the Empowerment program, and $150,000 for the public health department.

- Approximately $360,000 in county environment and education, including $290,000 of county grants given for economic development.

- Additional $300,000 in roads and transportation.

- Approximately $1,650,000 for capital projects function. Included in this is $165,000 for purchase of a building, $760,000 for the beginning construction phase of the Law Enforcement Center, and $570,000 for various county capital projects.

During the year, however, revenues were $563,633 more than budgetary revenues and expenditures were $1,746,953 less than budgetary expenditures. Iowa law requires budget amendments to specific expenditure

functions/service areas, i.e., public safety and legal service, to be enacted by the Board of Supervisors no later than May 31 of each fiscal year. Since the County's fiscal year ends on June 30 and since the County's budget is based on the current financial resources measurement focus and the modified accrual basis of accounting, the Board takes a conservative approach when enacting yearend budget amendments. This means the comparison of actual to budgeted amounts will usually show expenditures to be well below budgeted amounts. This is especially true for the Capital Projects and Roads and Transportation functions when projects may roll over to a subsequent fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Cerro Gordo County's investment in capital assets for its governmental and business-type activities as of June 30, 2006 was $31,163,295, an increase of $5,959,292 or 23.6% compared to FY05. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, vehicles, and infrastructure.

Major capital asset additions during the current fiscal year included infrastructure, election equipment, and vehicles for Sheriff and Secondary Roads.

Cerro Gordo County's Capital Assets
FYE 2006

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	$ 1,646,392	$ 1,666,892	$ 62,300	$ 62,300	$ 1,708,692	$ 1,729,192
Construction-in-Process	759,369	3,944,011	0	0	759,369	3,944,011
Buildings	4,414,089	4,248,474	0	0	4,414,089	4,248,474
Improvements other than Buildings	417,751	417,751	2,706,643	2,706,643	3,124,394	3,124,394
Machinery & Equipment	6,453,846	6,165,639	0	0	6,453,846	6,165,639
Vehicles	3,223,920	3,107,094	0	0	3,223,920	3,107,094
Infrastructure	11,478,985	2,885,199	0	0	11,478,985	2,885,199
Total	28,394,352	22,435,060	2,768,943	2,768,943	31,163,295	25,204,003
Less: Accumulated Depreciation	9,215,824	8,258,812	445,261	359,975	9,661,085	8,618,787
Total	19,178,528	14,176,248	2,323,682	2,408,968	21,502,210	16,585,216

For governmental activities, Cerro Gordo County had depreciation expense of $1,094,633 and total accumulated depreciation of $9,215,824 for the year ended June 30, 2006. For business-type activities, depreciation expense was $85,286 and total accumulated depreciation was $445,261 for the year end.

Additional information on Cerro Gordo County's capital assets can be found in Note 5 of this report.

Debt

As of June 30, 2006, Cerro Gordo County had general obligation bonds outstanding totaling $1,095,000, a decrease of $140,000 compared to FY05. The decrease of debt resulted from debt retirement of $640,000 and an issuance of $500,000 in general obligation capital loan notes. These additional funds will be used to help finance employee health insurance. In the current year, the County paid $425,000 in principal and $37,012 in interest on outstanding debt, compared to $60,000 in principal and $18,738 in interest in FY04.

Sewer revenue capital loan notes (Business-Type Activities) outstanding totaled $603,750. This is a decrease of $7,518 due to debt retirement. Business-Type Activities paid $7,518 in principal and $27,507 in interest on outstanding debt in the current year.

The Code of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the county. Cerro Gordo County's outstanding general obligation debt is significantly below its limit of $141 million.

Cerro Gordo County's Outstanding Debt
June 30, 2006

	2006	2005
Governmental Activities:		
General Obligation Bonds	$ 1,095,000	$ 1,235,000
Capital Lease Purchase Agreements	20,698	165,886
Installment Purchase Agreements	0	172,697
Drainage Warrants	39,802	33,952
Compensated Absences	673,729	631,671
Total	**$ 1,829,229**	**$ 2,239,206**
Business-Type Activities:		
Sewer Revenue Bonds	$ 603,750	$ 611,268

Additional information about the County's long-term liabilities can be found in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEARS'S BUDGETS AND RATES

Cerro Gordo County's elected and appointed officials and citizens considered many factors when setting the 2007 fiscal year budget, tax rates, and the fees that will be charged for the various County services. One of those factors is the economy. Cerro Gordo County's unemployment rate now stands at 4.5% versus 4.7% a year ago. This compares with the State unemployment rate of 3.8% and the national rate of 4.8%.

- For the budget year ending June 30, 2007, Cerro Gordo County increased the countywide tax rate by 6.4% from $6.19934 to $6.59468 per thousand of taxable valuation and maintained the rural county tax rate at $3.51050 per thousand of taxable valuation. This increase in tax rate, estimated to raise an additional $1,150,000 in FY07, is for the debt service fund. In June of 2007, the County will make its first principal payment on a total of $13,500,000 jail bonds that will be issued throughout the fiscal year 2007.

- The tax base for Cerro Gordo County increased 6.3% over the prior year.

- The total expenditures for the FY07 budget are $39,304,672, up $9,856,461 from the final FY06 budget. There are several factors contributing to the increase, mainly the construction of the new law enforcement center, with approximately $10,000,000 budgeted for construction in FY07. In addition, health care costs and personnel costs, which make up a significant portion of the County's operating costs, continue to rise. All four of the County bargaining unit contracts are currently under five year agreements that expire June 30, 2010.

- The County has been working towards a solution for the ongoing problem of overcrowded conditions in the county jail. This problem will be alleviated in December of 2007 when the voter approved Law Enforcement Center is completed.

All these factors were considered in preparing the Cerro Gordo County budget for the June 30, 2007 fiscal year.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to demonstrate the accountability for the public dollars entrusted to us. If you have questions about this report or need additional information, contact the Cerro Gordo County Auditor's Office, 220 North Washington, Mason City, Iowa 50401.

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CERRO GORDO COUNTY, IOWA

GOVERNMENT – WIDE STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Pooled Investments	$8,298,370	$86,936	$8,385,306
Receivables:			
Property Tax:			
Delinquent	28,994	0	28,994
Succeeding year	12,977,633	0	12,977,633
Interest and Penalty on Property Tax	84	0	84
Accounts	838,441	0	838,441
Accrued Interest	74,513	0	74,513
Special Assessments	287,949	0	287,949
Drainage Assessments	30,361	0	30,361
Due From Other Governments	1,046,127	7,878	1,054,005
Inventories	1,218,393	0	1,218,393
Capital Assets:			
Land	1,646,392	62,300	1,708,692
Other Capital Assets	26,747,960	2,706,643	29,454,603
Less Accumulated Depreciation	(9,215,824)	(445,262)	(9,661,086)
Total Assets	$43,979,393	$2,418,495	$46,397,888
Liabilities			
Accounts Payable	$1,013,284	$323	$1,013,607
Accrued Interest Payable	1,651	0	1,651
Salaries and Benefits Payable	171,714	0	171,714
Due to Other Governments	578,734	0	578,734
Unearned Revenue:			
Succeeding Year Property Tax	12,977,633	0	12,977,633
Long-Term Liabilities			
Portion Due or Payable Within One Year:			
Capital Lease Purchase Agreements	5,305	0	5,305
General Obligation Bonds/Revenue Notes	505,000	8,369	513,369
Compensated Absences	654,670	0	654,670
Portion Due or Payable After One Year			
Capital Lease Purchase Agreements	15,393	0	15,393
General Obligation Bonds/Revenue Notes	590,000	595,379	1,185,379
Drainage District Warrants Payable	39,802	0	39,802
Total Liabilities	16,553,186	604,071	17,157,257
Net Assets			
Invested in Capital Assets, Net of Related Debt	19,084,939	1,765,188	20,850,127
Temporarily Restricted For:			
Mental Health Purposes	479,208	0	479,208
Secondary Roads Purposes	2,706,994	0	2,706,994
Debt Service	91,629	0	91,629
Other Purposes	2,091,263	0	2,091,263
Unrestricted	2,972,174	49,236	3,021,410
Total Net Assets	$27,426,207	$1,814,424	$29,240,631

See Notes to Financial Statements.

CERRO GORDO COUNTY, IOWA

GOVERNMENT – WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

		Program Revenues		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
FUNCTIONS/PROGRAMS:				
Governmental Activities:				
Public Safety and Legal Services	$4,827,135	$556,195	$449,177	$0
Physical Health and Social Services	4,274,119	510,549	2,392,293	69,996
Mental Health	5,617,449	514,799	2,447,604	0
County Environment and Education	1,291,161	82,626	50,143	0
Roads and Transportation	4,996,566	547,931	3,593,089	5,106,699
Governmental Services to Residents	892,862	676,740	38,361	39,785
Administrative Services	2,441,271	269,375	48,393	0
Non-Program	319,240	468,310	0	0
Interest on Long Term Debt	37,976	0	0	0
	24,697,779	3,626,525	9,019,060	5,216,480
Business Type Activities				
Wastewater Collection and Treatment	137,422	70,251	0	0
Total	$24,835,201	$3,696,776	$9,019,060	$5,216,480
GENERAL REVENUES:				
Property and Other County Tax Levied For:				
General Purposes				
Debt Service				
Penalty and Interest on Property Tax				
State Tax Credits, Unrestricted				
Local Option Sales and Service Tax				
Grants and Contributions Not Restricted to Specific Purpose				
Unrestricted Investment Earnings				
Miscellaneous				
Total General Revenues				
Change in Net Assets				
Net Assets Beginning of Year, As Restated (Note 18)				
Net Assets End of Year				

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
($3,821,763)	$0	($3,821,763)
(1,301,281)	0	(1,301,281)
(2,655,046)	0	(2,655,046)
(1,158,392)	0	(1,158,392)
4,251,153	0	4,251,153
(137,976)	0	(137,976)
(2,123,503)	0	(2,123,503)
149,070	0	149,070
(37,976)	0	(37,976)
(6,835,714)	0	(6,835,714)
0	(67,171)	(67,171)
($6,835,714)	($67,171)	($6,902,885)
$11,129,894	$0	$11,129,894
571,714	0	571,714
139,522	0	139,522
483,123	0	483,123
1,411,660	0	1,411,660
68,051	0	68,051
533,762	0	533,762
848,945	0	848,945
15,186,671	0	15,186,671
8,350,957	(67,171)	8,283,786
19,075,250	1,881,595	20,956,845
$27,426,207	$1,814,424	$29,240,631

CERRO GORDO COUNTY, IOWA

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2006

		Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads	Public Health
Assets					
Cash and Pooled Investments	$3,976,168	$1,107,252	$248,840	$1,243,020	$409,407
Receivables:					
Property Tax:					
Delinquent	17,856	5,397	4,317	0	0
Succeeding Year	7,673,881	2,186,268	1,663,260	0	0
Interest and Penalty on Property Tax	84	0	0	0	0
Accounts	155,825	28,716	0	988	165,260
Accrued Interest	74,030	0	0	0	0
Special Assessments	145,791	0	0	10,353	0
Drainage Assessments	0	0	0	0	0
Due From Other Funds	4,089	0	0	0	0
Due From Other Governments	166,747	94,499	0	552,357	92,045
Inventories	0	0	0	1,218,393	0
Total Assets	$12,214,471	$3,422,132	$1,916,417	$3,025,111	$666,712
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	$187,031	$147,804	$11,615	$101,417	$78,133
Salaries and Benefits Payable	92,827	8,508	2,115	32,684	30,421
Due To Other Funds	835	1,172	0	172	1,910
Due To Other Governments	8,015	570,719	0	0	0
Deferred Revenue:					
Succeeding Year Property Tax	7,673,881	2,186,268	1,663,260	0	0
Other	163,461	5,344	4,260	10,353	0
Total Liabilities	8,126,050	2,919,815	1,681,250	144,626	110,464
Fund Balances					
Reserved For:					
Inventories	0	0	0	1,218,393	0
Endowment	0	0	0	0	0
Drainage Warrants	0	0	0	0	0
Trust	0	0	0	0	0
Debt Service	0	0	0	0	0
Unreserved, Reported In:					
General Fund	4,088,421	0	0	0	0
Special Revenue Funds	0	502,317	235,167	1,662,092	556,248
Capital Projects Fund	0	0	0	0	0
Total Fund Balances	4,088,421	502,317	235,167	2,880,485	556,248
Total Liabilities and Fund Balances	$12,214,471	$3,422,132	$1,916,417	$3,025,111	$666,712

See Notes To Financial Statements

Debt Service	Capital Projects	Non-Major Special Revenue	Total
$91,856	$(502,051)	$1,366,870	$7,941,362
1,424	0	0	28,994
1,454,224	0	0	12,977,633
0	0	0	84
0	0	295,451	646,240
0	0	483	74,513
131,805	0	0	287,949
0	0	30,361	30,361
0	0	0	4,089
0	48,097	92,354	1,046,099
0	0	0	1,218,393
$1,679,309	$(453,954)	$1,785,519	$24,255,717
$0	$134,543	$70,447	$730,990
0	0	5,159	171,714
0	0	0	4,089
0	0	0	578,734
1,454,224	0	0	12,977,633
133,195	0	0	316,613
1,587,419	134,543	75,606	14,779,773
0	0	0	1,218,393
0	0	116,584	116,584
0	0	148,540	148,540
0	0	60,000	60,000
91,890	0	0	91,890
0	0	0	4,088,421
0	0	1,384,789	4,340,613
0	(588,497)	0	(588,497)
91,890	(588,497)	1,709,913	9,475,944
$1,679,309	$(453,954)	$1,785,519	$24,255,717

CERRO GORDO COUNTY, IOWA

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

Total Governmental Fund Balances (page 23)		$9,475,944
Amounts reported for governmental activities in the statement of net assets that 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 $28,394,352 and the accumulated depreciation is $9,215,824.		19,178,528
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Property Taxes – General Purposes	27,274	
Property Taxes – Debt Service	1,390	
Special Assessments	287,949	316,613
The Internal Service Fund is used by management to charge the costs of 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.		266,943
Long-term liabilities, including bonds payable, accrued interest payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(1,811,821)
Net assets of governmental activities (page 19)		$27,426,207

See Notes to Financial Statements

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CERRO GORDO COUNTY, IOWA

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

	General	Mental Health	Rural Services	Secondary Roads	Public Health
REVENUES:					
Property and Other County Tax	$7,393,567	$2,191,128	$1,691,703	$776,412	$0
Interest and Penalty on Property Tax	139,522	0	0	0	0
Intergovernmental	1,217,832	3,031,669	69,356	4,442,747	1,529,417
Licenses and Permits	13,055	0	0	5,540	16,965
Charges For Service	896,418	2,000	0	0	186,987
Use of Money and Property	586,472	0	0	1,200	0
Miscellaneous	349,230	32,096	178	42,899	173,672
	10,596,096	5,256,893	1,761,237	5,268,798	1,907,041
EXPENDITURES:					
Operating:					
Public Safety and Legal Services	4,659,863	0	4,557	0	0
Physical Health and Social Services	638,443	0	0	0	2,661,149
Mental Health	0	5,611,348	0	0	0
County Environment and Education	528,668	0	41,970	0	0
Roads and Transportation	0	0	199,981	4,911,476	0
Governmental Services to Residents	820,643	0	0	0	0
Administration	1,842,386	0	0	0	0
Non-Program	41,592	0	0	0	0
Debt Service	0	0	0	0	0
Capital Projects	165,615	0	0	1,401,609	0
Total Expenditures	8,697,210	5,611,348	246,508	6,313,085	2,661,149
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,898,886	(354,455)	1,514,729	(1,044,287)	(754,108)
Other Financing Sources (Uses):					
Sale of Capital Assets	11,979	0	0	191,499	0
Proceeds From Drainage Warrants	0	0	0	0	0
Operating Transfers In	5,000	0	1,118	1,454,000	911,932
Operating Transfers Out	(911,932)	0	(1,454,000)	0	0
Proceeds From Capital Lease Purchase Agreements	24,394	0	0	0	0
General Obligation Notes Issued	0	0	0	0	0
Discount on General Obligation Notes	0	0	0	0	0
Total Other Financing Sources (Uses)	(870,559)	0	(1,452,882)	1,645,499	911,932
Net Change in Fund Balances	1,028,327	(354,455)	61,847	(601,212)	157,824
Fund Balances Beginning of Year	3,060,094	856,772	173,320	1,683,140	398,424
Increase in Reserve For:					
Inventories	0	0	0	596,133	0
Fund Balances End of Year	$4,088,421	$502,317	$235,167	$2,880,485	$556,248

See Notes To Financial Statements

Debt Service	Capital Projects	Non-Major Special Revenue	Total
$571,476	$0	$494,081	$13,118,367
0	0	0	139,522
22,860	109,782	767,977	11,191,640
0	0	289,216	324,776
0	0	120,305	1,205,710
0	0	49,384	637,056
119,903	0	485,568	1,203,546
714,239	109,782	2,206,531	27,820,617
0	0	143,636	4,808,056
0	0	952,407	4,251,999
0	0	0	5,611,348
0	0	664,677	1,235,315
0	0	0	5,111,457
0	0	6,790	827,433
0	0	30,190	1,872,576
0	0	127,434	169,026
673,630	0	0	673,630
0	1,700,628	0	3,267,852
673,630	1,700,628	1,925,134	27,828,692
40,609	(1,590,846)	281,397	(8,075)
0	0	900	204,378
0	0	24,554	24,554
0	0	0	2,372,050
(5,000)	0	(1,118)	(2,372,050)
0	0	0	24,394
0	500,000	0	500,000
0	(5,473)	0	(5,473)
(5,000)	494,527	24,336	747,853
35,609	(1,096,319)	305,733	739,778
56,281	507,822	1,404,180	8,140,033
0	0	0	596,133
$91,890	$(588,497)	$1,709,913	$9,475,944

CERRO GORDO COUNTY, IOWA

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

Net change in fund balances - Total governmental funds (page 26)		$1,335,911
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlays exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	$2,727,518	
Capital assets contributed by the Iowa Department of Transportation	4,793,312	
Depreciation expense	(1,094,633)	6,426,197
In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources.		(87,063)
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds as follows:		
Property tax	(5,099)	
Other	212,936	207,837
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond and note principal and other debts is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year debt repayments exceeded issuances as follows:		
Bonds, leases, and loans issued	(548,948)	
Principal payments	640,000	
Lease payments	169,582	
Drainage warrants	18,704	
Installment purchase payments	172,697	452,035
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:		
Compensated absences	(39,833)	
Interest on long-term debt	1,127	(38,706)
The Internal Service Funds are used by management to charge the costs of employee health benefits, telephone service, and property insurance to individual funds. The net revenue of the Internal Service Funds are reported with governmental activities.		54,746
Change in net assets of governmental activities (page 21)		$8,350,957

See Notes to Financial Statements.

CERRO GORDO COUNTY, IOWA

COMBINED STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
June 30, 2006

	Enterprise			
	Meservey Wastewater Collection & Treatment Facility	Swaledale Wastewater Collection & Treatment Facility	Internal Service	Total
ASSETS				
Current Assets				
Cash	$29,905	57,031	463,359	550,295
Receivables:				
Accounts	0	0	193,263	193,263
Due From Other Governments	2,815	5,063	28	7,906
Total Current Assets	32,720	62,094	656,650	751,464
Non-Current Assets				
Capital Assets				
Land	37,300	25,000	0	62,300
Improvements Other Than Buildings	1,542,226	1,164,417	0	2,706,643
Less Accumulated Depreciation	(146,417)	(298,845)	0	(445,262)
Total Non-Current Assets	1,433,109	890,572	0	2,323,681
Total Assets	$1,465,829	952,666	656,650	3,075,145
LIABILITIES				
Current Liabilities				
Warrants Written in Excess of Bank Balance	$0	0	107,413	107,413
Accounts Payable	234	89	282,294	282,617
Note Payable				
Portion Due Within One Year				
Note Payable	4,222	4,147	0	8,369
Total Current Liabilities	4,456	4,236	389,707	398,399
Non-Current Liabilities				
Portion Due After One Year				
Note Payable	346,878	248,501	0	595,379
Total Liabilities	351,334	252,737	389,707	993,778
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	1,127,264	637,924	0	1,765,188
Unrestricted	(12,769)	62,005	266,943	316,179
	$1,114,495	$699,929	$266,943	$2,081,367

See Notes To Financial Statements

CERRO GORDO COUNTY, IOWA

COMBINED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS – PROPRIETARY FUNDS
Year Ended June 30, 2006

	Enterprise			
	Meservey Wastewater Collection & Treatment Facility	Swaledale Wastewater Collection & Treatment Facility	Internal Service	Total
OPERATING REVENUES:				
Interfund Services Provided	$0	$0	$1,869,564	$1,869,564
Employee Payments	0	0	121,242	121,242
Miscellaneous	42,171	28,080	65,186	135,437
Total Operating Revenues	42,171	28,080	2,055,992	2,126,243
OPERATING EXPENSES:				
Waste Water Treatment Facility				
Depreciation	48,805	36,481	0	85,286
Miscellaneous	17,338	7,291	0	24,629
Health Insurance				
Medical Claims	0	0	1,586,521	1,586,521
Insurance Premiums	0	0	69,053	69,053
Administrative Fees	0	0	69,734	69,734
Miscellaneous	0	0	23,271	23,271
Central Services				
Telephone	0	0	25,097	25,097
Insurance	0	0	230,045	230,045
Total Operating Expenses	66,143	43,772	2,003,721	2,113,636
Operating Income (Loss)	(23,972)	(15,692)	52,271	12,607
NON-OPERATING REVENUE (EXPENSES)				
Interest Income	0	0	2,475	2,475
Interest Expense	(15,959)	(11,548)	0	(27,507)
Total Non-Operating Revenues (Expenses)	(15,959)	(11,548)	2,475	(25,032)
Net Income (Loss)	(39,931)	(27,240)	54,746	(12,425)
Net Assets Beginning of Year	1,154,426	727,169	212,197	2,093,792
Net Assets End of Year	$1,114,495	$699,929	$266,943	$2,081,367

See Notes To Financial Statements

CERRO GORDO COUNTY, IOWA

COMBINED STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended June 30, 2006

	Enterprise			
	Meservey Wastewater Collection & Treatment Facility	Swaledale Wastewater Collection & Treatment Facility	Internal Service	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	$39,348	$27,554	$0	$66,902
Cash Received from Grantor Agencies	3,500	0	0	3,500
Cash Received from Operating Funds	0	0	1,676,301	1,676,301
Cash Received from Employees and Other	0	0	187,100	187,100
Cash Paid to Suppliers for Services	(17,846)	(7,274)	(1,832,451)	(1,857,571)
Net Cash Provided by Operating Activities	25,002	20,280	30,950	76,232
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Income	0	0	2,475	2,475
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Warrants Written in Excess of Bank Balance	0	0	107,413	107,413
Interest Expense	(15,959)	(11,548)	0	(27,507)
Note Payments	(3,551)	(3,968)	0	(7,519)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(19,510)	(15,516)	107,413	72,387
Net Increase in Cash	5,492	4,764	140,838	151,094
Cash – Beginning of Year	24,413	52,267	322,521	399,201
Cash – End of Year	$29,905	$57,031	$463,359	$550,295
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	$(23,972)	$(15,692)	$52,271	$12,607
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities				
Depreciation	48,805	36,481	0	85,286
(Increase) Decrease in Receivables	676	(527)	(192,591)	(192,441)
(Decrease) in Payables	(507)	18	171,270	170,780
Net Cash Provided by Operating Activities	$25,002	$20,280	$30,950	$76,232

See Notes To Financial Statements.

CERRO GORDO COUNTY, IOWA

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

ASSETS	
Cash and Pooled Investments	
County Treasurer	$2,784,109
Other County Officials	148,465
Receivables:	
Property Tax	
Delinquent	826
Succeeding Year	42,029,501
Accounts	37,393
Accrued Interest	0
Assessments	1,085,805
Due From Other Governments	62,182
Total Assets	$46,148,281
LIABILITIES	
Accounts Payable	$86,638
Salaries and Benefits Payable	8,933
Due To Other Governments	45,852,429
Trusts Payable	181,220
Compensated Absences	19,061
Total Liabilities	$46,148,281

See Notes To Financial Statements

Note 1: Summary of Significant Accounting Policies

Cerro Gordo 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 described by the Governmental Accounting Standards Board.

A. REPORTING ENTITY

For financial reporting purposes, Cerro Gordo 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 Cerro Gordo 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.

One hundred and fifty-one 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 Cerro Gordo 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 Cerro Gordo 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: Cerro Gordo County and City Assessor's Conference Board, Cerro Gordo County Emergency Management Commission, Cerro Gordo County Joint E911 Service Board, and Advanced Law Enforcement Investigative and Administrative System Users. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. BASIS OF PRESENTATION

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of the 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 that are attributed to the acquisition, construction, or improvement of those assets.

Note 1: Summary of Significant Accounting Policies (Continued)

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Public Health Fund is utilized to account for Federal and State grants and fees collected by the County to provide and maintain the County Public Health Department.

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

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 proprietary funds:

The Internal Service Funds account for the financing of goods and services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The Central Services Fund accounts for the costs of the centralized service operation for the telephone service and property insurance. The Health Insurance Fund accounts for the County's self insurance for health insurance benefits provided by governmental funds to employees. Costs are billed to governmental funds and employees based on historical claims experience.

The Enterprise Funds account for operations that are financed and operated in a manner to private business enterprises, where the intent of the government's council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes. The Enterprise Funds account for the activities of the Meservey Wastewater Collection and Treatment Facility and the Swaledale Wastewater Collection and Treatment Facility

Fiduciary fund types are used to account for net assets and changes in net assets. The fiduciary funds of the County are considered agency 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 fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's Agency Funds consist of the following:

Elected Officials - To account for the activity of various cash accounts maintained by elected officials and other County departments which have not been remitted to the County Treasurer, who acts as trustee for all pooled cash and investments of the County, or to other individuals, private entities or governments.

Board of Supervisors – Conservators – To account for the funds of individuals incapable of managing their own affairs.

Veterans Affairs – To account for the funds used to maintain the veterans plaque.

Auditor – To account for revenues received from the sale of GIS maps, plat books, and copies.

Recorder – To account for the recording of deeds and mortgages, writing fees for DNR licenses, passport issuance fees, and the sale of various licenses (hunting, fishing, ATV, boat and snowmobile).

Sheriff – To account for fees associated with the serving of papers and the sale of gun permits.

Other Agency Funds – Clearing accounts that account for funds collected by the County on behalf of individuals and other governmental entities:

Agricultural Extension Education
County Assessor
County Special Appraisal
City Assessor
City Special Appraisal
Schools
Community College
Corporations
Townships
City Special Assessment
Auto License and Use Tax
Brucellosis and Tuberculosis Eradication
Joint Disaster Services
Clear Lake Sanitary District
County EMS Association
Advance Tax
Cash Long/Short
Tax Sale Redemption
Dispute Resolution
E-911 Operations
Advance Law Enforcement Investigative and Administration System
Recorder's Transfer Fee
Pass-through Projects
Employees Benefits

Note 1: Summary of Significant Accounting Policies (Continued)

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 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 sixty 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 judgements 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.

The proprietary funds of the County apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless pronouncements conflict 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 funds are from 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.

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, consisting of non-negotiable certificates of deposit, are stated at cost.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

E. ASSETS, LIABILITIES AND FUND EQUITY (Continued)

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

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

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

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

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

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories 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. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual coats in excess of the following thresholds and estimated useful lives in excess of two years.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

Asset Class	Estimated Useful lives (In Years)
Buildings	40-50
Building improvements	20-50
Infrastructure	30-50
Equipment	2-20
Vehicles	3-10

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

E. ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Unearned 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. Unearned 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. Unearned revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Unearned revenue on 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.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use payable to employees. A liability is recorded when incurred in the government-wide, proprietary and fiduciary fund financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Road Funds.

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

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

Fund 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.

F. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the Mental Health, County Environment and Education, Debt Service, and Capital Projects functions and several departments exceeded appropriated amounts. Disbursements were in excess of the amounts budgeted at the end of the year in the Mental Health function.

Note 2: Cash and Pooled Investments

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

The County is authorized by 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; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Note 3: Due from and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
General	General Supplemental	835
	Special Revenue:	
	MH/DD Services	1,172
	Secondary Road	172
	Public Health	1,910
Total		$4,089

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

Note 4: Interfund Transfers

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

Transfer To	Transfer From	Amount
General Fund	Debt Service	$5,000
Special Revenue:	Special Revenue:	
Rural Services	Drainage	1,118
Secondary Roads	Rural Services	1,454,000
Public Health	General Basic	911,932
Agency:	Agency:	
County Assessor	Special Appraiser	30,000
Total		$ 2,402,050

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

Note 5: Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,666,892	0	20,500	1,646,392
Construction in progress	2,607,157	940,311	2,788,099	759,369
Total capital assets not being depreciated	4,274,049	940,311	2,808,599	2,405,761
Capital assets being depreciated:				
Buildings	4,248,474	165,615	0	4,414,089
Improvements other than buildings	417,751	0	0	417,571
Machinery and equipment	6,165,639	363,484	75,277	6,453,846
Vehicles	3,107,094	245,733	128,907	3,223,920
Infrastructure	2,885,199	8,593,786	0	11,478,985
Total capital assets being depreciated	16,824,157	9,368,618	204,184	25,988,591
Less accumulated depreciation for:				
Buildings	1,938,807	86,306	0	2,025,113
Improvements other than buildings	405,198	5,494	0	410,692
Machinery and equipment	3,757,855	433,289	44,632	4,146,512
Vehicles	1,984,405	266,178	92,989	2,157,594
Infrastructure, road network	172,547	303,366	0	475,913
Total accumulated depreciation	8,258,812	1,094,633	137,621	9,215,824
Total capital assets being depreciated, net	8,565,345	8,273,985	66,563	16,772,767
Governmental activities capital assets, net	$ 12,839,394	9,214,296	2,875,162	19,178,528

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
Public safety and legal services	$ 122,155
Physical health and social services	23,755
Mental health	4,090
County environment and education	41,174
Roads and transportation	766,415
Governmental services to residents	58,758
Administrative services	78,286
Total depreciation expense – governmental activities	$ 1,094,633

Capital asset activity of the Enterprise Funds for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	$ 62,300	0	0	62,300
Capital Assets being depreciated:				
Infrastructure	2,706,643	0	0	2,706,643
Less accumulated depreciation for:				
Infrastructure	359,975	85,286	0	445,261
Total capital assets being depreciated, net	2,346,668	(85,286)	0	2,261,382
Business type activities capital assets, net	$ 2,408,968	(85,286)	0	2,323,682

Note 6: Due to Other Governments

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

Fund	Description	Amount
General	Services	$8,015
Special Revenue		
Mental Health		570,719
Total Governmental Funds		578,734
Agency	Collections	
County Special Appraisal		293,323
Schools		22,922,780
City Assessor		214,444
Corporations		16,885,376
Auto License & Use Tax		789,866
City Special Appraisal		139,593
County Assessor		398,684
E911 Operations		734,085
City Special Assessments		1,049,732
All Others		2,424,546
Total for Agency Funds		$45,852,429

Note 7: Changes in Long-Term Liabilities

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

Governmental Activities	Capital Loan Notes & General Obligation Bonds	Lease Obligations	Compensated Absences
Balance – Beginning of Year	$1,235,000	$165,886	$631,671
Additions	500,000	24,394	673,729
Reductions	640,000	169,582	631,671
Balance – End of Year	$1,095,000	$20,698	$673,729
Due within one year	$505,000	$5,305	$673,729

	Drainage Warrants	Installment Purchase	Total
Balance – Beginning of Year	$33,952	$172,697	$2,239,206
Additions	24,554	0	1,222,677
Reductions	18,704	172,697	1,632,654
Balance – End of Year	$39,802	$0	$1,829,229
Due within one year	$0	$0	$1,184,034

Business Type Activities	Sewer Revenue Capital Loan Notes
Balance – Beginning of Year	$611,268
Additions	0
Reductions	7,518
Balance – End of Year	$603,750
Due within one year	$8,368

Note 8: Capital Lease Purchase Agreements / Installment Purchase

The County has entered into a capital lease purchase agreement for the Administration's postage machine. The following is a schedule of the future minimum lease payments, including interest at 8.508% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2006 for Equipment:

Year Ending June 30,	Postage Machine
2007	$6,900
2008	6,900
2009	6,900
2010	3,450
Total Minimum Lease Payments	24,150
Less: Amount Representing Interest	3,452
Present Value of Net Minimum Lease Payments	$20,698

Payments under capital lease purchase agreements for year ended June 30, 2006, totaled to $169,579. Three of the leases from prior years were paid in full.

In September of 2003, the County entered into an installment purchase agreement for four motor graders. Payments of $181,322 were required annually from September 1, 2003 through September 1, 2005. During the year ended June 30, 2006, the installment agreement was paid in full.

Note 9: General Obligation Capital Loan Bonds and Notes

The County has issued $ 620,000 in general obligation bonds to fund the costs of construction of a sanitary sewer project. During the fiscal year 2004, the County issued $ 1,120,000 in General Obligation Capital Loan Notes to fund the costs of election equipment, health insurance, computer equipment and several maintenance projects. During the fiscal year 2005, the County issued $200,000 in General Obligation Capital Loan Notes to fund the costs of computer and server upgrades in the Courthouse, and Conservation upgrades and equipment purchases. During the year ended June 30, 2006, the County issued $500,000 in General Obligation Capital Loan Notes to fund the costs of the health insurance program for County employees and officials. The notes are payable from a continuing annual levy of taxes on all of the taxable property in the County. Details of the outstanding bonds and notes are as follows:

	1999 $620,000 Issue			2005 $1,120,000 Issue		
Year Ending June 30,	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2007	4.65%	70,000	10,107	1.90%	380,000	7,220
2008	4.70%	70,000	6,853		0	0
2009	4.75%	75,000	3,563		0	0
		$215,000	$20,523		$380,000	$7,220

	2006 $500,000 Issue		
Year Ending June 30,	Interest Rate	Principal	Interest
2007	2.70%	$55,000	$19,816
2008	2.70%	445,000	16,910
		$500,000	$36,726

During the year ended June 30, 2006, the 2005 General Obligation Loan Notes were paid in full.

Note 10: Drainage Warrants/Drainage Improvement Certificates Payable

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 special assessments against benefited properties.

Note 11: Sewer Revenue Capital Loan Notes

The County has issued $280,000 in sewer revenue capital loan notes to fund the costs of improvement and extensions to the County's Sanitary Sewer Utility including construction of a sanitary sewer collection and treatment facility for users in the City of Swaledale. The notes and interest are payable solely from the net earnings of the system and not from general funds of the County. Payments on the capital loan notes began on July 1, 1999. The capital loan notes have an interest rate of 4.50% with the final payment due July 1, 2036. Details of the sewer revenue capital loan notes are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	$4,147	$11,396	$15,516
2008	4,333	11,183	15,516
2009	4,528	10,988	15,516
2010	4,732	10,784	15,516
2011	4,945	10,571	15,516
2012-2016	28,271	49,309	77,580
2017-2021	35,231	42,349	77,580
2022-2026	43,904	33,676	77,580
2027-2031	54,713	22,867	77,580
2032-2036	67,843	9,398	77,241
	$252,647	$212,493	$465,141

The County has also issued $ 59,100, $ 253,200 and $49,000 in sewer revenue capital loan notes to fund the costs of improvements and extensions to the County's Sanitary Sewer Utility including construction of a sanitary sewer collection and treatment facility for users in the City of Meservey. The notes and interest are payable solely from the net earnings of the system and do not represent general obligations of the County. Interest payments on the capital loan notes begin on July 1, 2003. The capital loan notes have an interest rate of 4.5% with final payment due by July 1, 2044. Details of the sewer revenue capital loan notes are as follows:

Year Ending	$59,100 Note		$253,200 Note		$49,000 Note		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	702	2,573	3,008	11,022	511	2,205	4,221	15,800
2008	734	2,541	3,143	10,887	534	2,182	4,411	15,610
2009	767	2,508	3,285	10,745	558	2,158	4,610	15,411
2010	802	2,473	3,433	10,597	583	2,133	4,818	15,203
2011	838	2,437	3,587	10,443	609	2,107	5,034	14,987
2012-2016	4,789	11,586	20,508	49,642	3,484	10,096	28,781	71,324
2017-2021	5,968	10,407	25,556	44,594	4,341	9,238	35,865	64,239
2022-2026	7,436	8,939	31,848	38,301	5,410	8,170	44,694	55,410
2027-2031	9,267	7,108	39,688	30,462	6,742	6,838	55,697	44,408
2032-2036	11,549	4,826	49,459	20,691	8,402	5,178	69,410	30,695
2037-2041	14,318	1,983	61,416	8,515	10,470	3,110	86,204	13,608
2042-2044	0	0	0	0	7,356	666	7,356	666
	$57,170	$57,381	$244,931	$245,899	$49,000	$54,081	$351,101	$357,361

Note 12: 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 statue 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 3.7% 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 contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were $546,455, $515,125 and $473,834 respectively, equal to the required contributions for each year.

Note 13: Risk Management

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

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

The Pool also provides property coverage. Members who elect 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 $185,594.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $350,000 per claim. Claims exceeding $350,000 are reinsured in an amount not to exceed $2,650,000 per claim and $5,000,000 in the aggregate per year. For members requiring specific coverage from $2,000,000 to $10,000,000, such excess coverage is also required. 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 claimed 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 losses 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 contribution.

Note 13: Risk Management (Continued)

If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

Note 14: Employee Health Insurance Plan

The Cerro Gordo County Health Insurance Fund was established to account for the 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 Blue Cross and Blue Shield of Iowa. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of $125,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Cerro Gordo County Health 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 Blue Cross and Blue Shield of Iowa from the Cerro Gordo County Health Insurance Fund. The County records the plan assets and related liabilities of the Cerro Gordo County Health Insurance Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2006 was $1,650,667.

Amounts payable from the Health Insurance Fund at June 30, 2006 total $282,294 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims, and to establish a reserve for catastrophic losses. That reserve was $188,290 at June 30, 2006 and is reported as a designation of the Health Insurance Fund Net Assets. A liability has been established based on the requirements of Government Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. Information on the reconciliation of changes in the aggregate liabilities for claims for the current year and prior year is as follows:

	Balance as of July 1	Current Year Claims	Claim Payments	Balance as of June 30
2004-2005	$103,647	1,258,118	1,252,784	$108,981
2005-2006	$108,981	1,759,833	1,586,520	$282,294

Note 15: Closure and Postclosure Care Costs

Cerro Gordo County is a member of the Landfill of North Iowa. The Landfill of North Iowa is an inter-governmental agency established in accordance with the provisions of Chapter 28E of the State Code of Iowa (Inter-governmental Cooperation Agreement). The purpose of the agency is to provide for the economic disposal or collection and disposal of all solid waste produced or generated within each member city, town, and the unincorporated portion of Cerro Gordo County, comprising the municipalities. In performing its duties, the agency may contract with and expend funds from federal, state, and local agencies and private individuals and corporations.

State and federal laws and regulations require the agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, state laws require the agency to submit a closure and postclosure plan detailing the schedule for and the methods by which the operator will meet the conditions for proper closure and postclosure. The agency is in compliance with this requirement. On June 30, 2006, the County did not anticipate any additional assessments for closure and postclosure care costs.

Note 16: Related Party Transactions

Business transactions between the County and County officials or employees were noted. The transactions appear to be authorized in accordance with Chapter 331.342 of the Code of Iowa because the contracts were made upon competitive bid in writing, publicly invited and opened.

Note 17: Commitments and Contingencies

The County participates in a number of federally assisted grant programs. The programs are subject to financial and compliance audits. The amount of expenditures, if any, which may be disallowed by the granting agency is not determinable at this time; however, County officials do not believe that such amounts would be significant.

Note 18: Restatement of Beginning Net Assets

The beginning balance in Capital Assets, Construction in Progress has been restated to correct amounts incorrectly reported in fiscal years 2004 and 2005. Included in the restatement are $1,609,681 of infrastructure that should not have been recorded in fiscal 2005, and $272,827 of infrastructure that should have been recorded in fiscal 2004. The effect on the beginning balance reduces Beginning Net Assets by $1,336,854.

In addition, the beginning fund balance in the Agency Fund, Clear Lake Sanitary, has been restated to include Special Assessments Receivable, not previously reported. The effect on the beginning fund balance increases the beginning fund balance by $127,653.

Note 19: Subsequent Events

The County issued $9,000,000 of General Obligation Capital Loan Notes Series 2006B in August of 2006. The notes were issued for the purpose of providing funds to pay costs of constructing and equipping the Cerro Gordo County Law Enforcement Complex.

On August 16, 2006 the County began construction on the Cerro Gordo County Law Enforcement Complex. The project is expected to be completed in December 2007 at an approximate cost of $13,500,000.

Required Supplementary Information

CERRO GORDO COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	Actual	Less Funds Not Required To Be Budgeted	Net
REVENUES:			
Property and Other County Tax	$13,118,367	$0	$13,118,367
Interest and Penalty on Property Tax	139,522	0	139,522
Intergovernmental	11,191,640	0	11,191,640
Licenses and Permits	324,776	0	324,776
Charges for Service	1,205,710	49,906	1,155,804
Use of Money and Property	637,056	1,633	635,423
Miscellaneous	1,203,546	52,754	1,150,792
Total Revenues	27,820,617	104,293	27,716,324
EXPENDITURES:			
Public Safety and Legal Services	4,808,056	0	4,808,056
Physical Health and Social Services	4,251,999	0	4,251,999
Mental Health	5,611,348	0	5,611,348
County Environment and Education	1,235,315	0	1,235,315
Roads and Transportation	5,111,457	0	5,111,457
Governmental Services to Residents	827,433	0	827,433
Administrative Services	1,872,576	0	1,872,576
Non-Program	169,026	127,434	41,592
Debt Service	673,630	0	673,581
Capital Projects	3,267,852	0	3,267,852
Total Expenditures	27,828,692	127,434	27,701,258
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,075)	(23,141)	15,066
Other Financing Sources, Net	747,853	23,436	724,417
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	739,778	295	739,483
Balance – Beginning of Year	8,140,033	148,245	7,991,302
Balance - End of Year	$8,879,811	$148,540	$8,731,271

See Accompanying Independent Auditors' Report.

Budgeted Amounts		Final to Net Variance - Positive (Negative)
Original	Final	
$12,978,768	$13,187,236	($68,869)
120,000	120,000	19,522
10,229,249	10,902,965	288,675
257,470	296,220	28,220
1,284,767	1,240,225	(84,421)
318,476	687,948	(52,525)
727,149	718,097	432,695
25,915,879	27,152,691	563,633
5,240,076	5,161,157	353,101
4,188,140	4,502,260	250,261
5,429,403	5,499,403	(111,945)
994,409	1,355,516	120,201
5,459,027	5,759,027	647,750
842,986	841,486	14,053
2,051,057	2,017,057	144,481
50,500	50,500	8,908
673,581	673,631	1
1,935,000	3,588,174	320,322
26,864,179	29,448,211	1,746,953
(948,300)	(2,295,520)	2,310,586
10,000	687,300	37,117
(938,300)	(1,608,220)	2,347,703
7,961,302	7,961,302	30,486
$7,023,002	$6,353,082	$2,378,189

CERRO GORDO COUNTY, IOWA

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the modified accrual basis following required public notice and hearing for all funds, except blended component units, drainage districts, 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 budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administrative services, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund and capital projects funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted revenues and disbursements by $1,919,112 and $2,589,032, respectively. This budget amendment is reflected in the final budgeted amounts.

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

Other Supplementary Information

CERRO GORDO COUNTY, IOWA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GENERAL FUND
Year Ended June 30, 2006

REVENUES:		
Property and Other County Tax		
Property Tax	$6,938,155	
Local Option Sales Tax	141,166	
Utility Tax Replacement Excise Tax	305,955	
Other County Tax	8,291	$7,393,567
Interest and Penalty on Property Tax		139,522
Intergovernmental		
State Shared Revenues		
Franchise Tax		12,160
State Tax Credits		300,172
State and Federal Pass-Thru Revenues		
Human Services Administration Reimbursement	185,604	
Other	383,305	568,909
Contributions From Other Intergovernmental Units		213,539
State Grants and Entitlements		123,052
Licenses and Permits		13,055
Charges for Service		
Office Fees and Collections		
County Auditor	3,372	
County Recorder	378,744	
County Sheriff	99,908	
Auto License, Use Tax and Postage	310,013	
Miscellaneous	104,381	896,418
Use of Money and Property		
Interest on Investments	526,014	
Miscellaneous	60,458	586,472
Miscellaneous		
Reimbursements	297,768	
Assessments	14,845	
Miscellaneous	36,617	349,230
Total Revenues		10,596,096

(Continued)

CERRO GORDO COUNTY, IOWA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GENERAL FUND
Year Ended June 30, 2006

EXPENDITURES:		
Operating		
Public Safety and Legal Services		$4,659,863
Physical Health and Social Services		638,443
County Environment and Education		528,668
Governmental Services to Residents		820,643
Administration		1,842,386
Non-Program		41,592
Capital Projects		165,615
Total Expenditures		8,697,210
Excess of Revenues Over Expenditures		1,898,886
Other Financing Sources (Uses)		
Sale of Capital Assets	11,979	
Transfers In		
Debt Service	5,000	
Transfers Out		
Public Health	(911,932)	
Proceeds from Capital Lease Purchase Agreement	24,394	(870,559)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses		1,028,327
Fund Balance - Beginning of Year		3,060,094
Fund Balance - End of Year		$4,088,421

See Accompanying Independent Auditors' Report.

CERRO GORDO COUNTY, IOWA

SCHEDULE OF EXPENDITURES – GENERAL FUND
Year Ended June 30, 2006

Public Safety and Legal Services		
Law Enforcement		
Uniformed Patrol Services	$1,007,670	
Law Enforcement Communications	166,484	
Adult Correctional Services	1,780,160	
Administration	337,674	
	3,291,988	
Legal Services		
Criminal Prosecution	665,641	
Medical Examinations	81,887	
Child Support Recovery	341,445	
	1,088,973	
Emergency Services		
Emergency Management	49,994	
Assistance to District Court System		
Physical Operations	1,872	
Research and Other Assistance	5,000	
	6,872	
Court Proceeding Program		
Juries and Witnesses	18,315	
Detention Services	21,636	
Court Costs	754	
Service of Civil Papers	139,792	
	180,497	
Juvenile Justice Administration		
Juvenile Victim Restitution	29,762	
Juvenile Representation Services	2,040	
Court-Appointed Attorneys and Court Costs for Juveniles	9,737	
	41,539	
Total Public Safety and Legal Services		$4,659,863

(Continued)

CERRO GORDO COUNTY, IOWA

SCHEDULE OF EXPENDITURES – GENERAL FUND
Year Ended June 30, 2006

Physical Health and Social Services		
Services to the Poor		
Administration	$253,854	
General Welfare Services	30,048	
	283,902	
Services to Military Veterans		
Administration	89,294	
General Services to Veterans	16,184	
	105,478	
Children's and Family Services		
Youth Guidance	181,895	
Chemical Dependency		
Treatment Services	26,968	
Preventive Services	40,200	
	67,168	
Total Physical Health and Social Services		$638,443
County Environment and Education		
Conservation and Recreation Services		
Administration	325,133	
Maintenance and Operations	106,601	
	431,734	
Animal Control		
Animal Shelter	7,950	
Animal Bounties and State Apiarist Expense	119	
	8,069	
County Development		
Land Use and Building Controls	51,409	
Economic Development	37,456	
	88,865	
Total County Environment and Education		$528,668

(Continued)

CERRO GORDO COUNTY, IOWA

SCHEDULE OF EXPENDITURES – GENERAL FUND
Year Ended June 30, 2006

Governmental Services to Residents		
Representation Services		
Elections Administration	$238,842	
Local Elections	35,440	
Township Officials	2,461	
	276,743	
State Administrative Services		
Motor Vehicle Registrations and Licensing	303,959	
Recording of Public Documents	239,941	
	543,900	
Total Governmental Services to Residents		$820,643
Administration		
Policy and Administration		
General County Management	273,768	
Administrative Management Services	330,100	
Treasury Management Services	156,116	
Other Policy and Administration	32,442	
	792,426	
Central Services		
General Services	412,268	
Data Processing	509,018	
	921,286	
Risk Management Services		
Safety of Workplace	117,144	
Fidelity of Public Officers	3,304	
Unemployment Compensation	8,226	
	128,674	
Total Administration		$1,842,386
Non-Program		
Other Non-Program Current		$41,592
Capital Projects		
Other Capital Projects		$165,615
Total Expenditures		$8,697,210

(Concluded)

See Accompanying Independent Auditors' Report.

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CERRO GORDO COUNTY, IOWA

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2006

	Resource Enhancement and Protection	Recorder's Records Management	General County Betterment	Nature Center	Conservation Parks
ASSETS					
Cash and Pooled Investments	$41,997	$71,188	$13,541	$349,990	$46,553
Receivables:					
Accounts	0	2,929	0	7,995	19,621
Accrued Interest	0	73	0	271	0
Drainage Assessments	0	0	0	0	0
Due From Other Governments	0	0	11,985	0	0
Total Assets	$41,997	$74,190	$25,526	$358,256	$66,174
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	$0	$0	$0	$310	$2,238
Salaries and Benefits Payable	0	0	0	363	758
Total Liabilities	0	0	0	673	2,996
Fund Balances					
Reserved for Endowment	0	0	0	116,584	0
Reserved for Drainage Warrants	0	0	0	0	0
Reserved for Trust	0	0	0	0	0
Unreserved	41,997	74,190	25,526	240,999	63,178
Total Fund Equity	41,997	74,190	25,526	357,583	63,178
Total Liabilities and Fund Balances	$41,997	$74,190	$25,526	$358,256	$66,174

See Accompanying Independent Auditors' Report.

Rural County Betterment	Economic Development	Drainage	Public Health Inspections	Empowerment
$3,415	$115,693	$122,702	$55,457	$243,370
0	250,000	0	12,368	0
0	0	0	0	0
0	0	30,361	0	0
47,939	23,970	0	8,360	0
$51,354	$389,663	$153,063	$76,185	$243,370
$684	$0	$4,523	$2,287	$59,801
0	0	0	4,038	0
684	0	4,523	6,325	58,801
0	0	0	0	0
0	0	148,540	0	0
0	0	0	0	0
50,670	389,663	0	69,860	183,569
50,670	389,663	148,540	69,860	183,569
$51,354	$389,663	$153,063	$76,185	$243,370

(Continued)

CERRO GORDO COUNTY, IOWA

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2006

	Recorder's Electronic Transfer	Jail Commissary Profits	Sheriff Forfeiture	Sheriff Tobacco	Sheriff Abandoned Vehicle
ASSETS					
Cash and Pooled Investments	$29	$11,293	$134,949	$2,975	$1,092
Receivables:					
Accounts	0	1,021	0	0	0
Accrued Interest	0	0	0	0	0
Drainage Assessments	0	0	0	0	0
Due From Other Governments	0	0	0	100	0
Total Assets	$29	$12,314	$134,949	$3,075	$1,092
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	$0	$0	$0	$0	$7
Salaries and Benefits Payable	0	0	0	0	0
Total Liabilities	0	0	0	0	7
Fund Balances					
Reserved for Endowment	0	0	0	0	0
Reserved for Drainage Warrants	0	0	0	0	0
Reserved for Trust	0	0	0	0	0
Unreserved	29	12,314	134,949	3,075	1,085
Total Fund Equity	29	12,314	134,949	3,075	1,085
Total Liabilities and Fund Balances	$29	$12,314	$134,949	$3,075	$1,092

See Accompanying Independent Auditors' Report.

Sheriff DARE	Jail Phone Profits	Attorney Forfeiture	Strand Estate Trust	Conservation Land Acquisition Trust	Total
$3,423	$22,769	$13,257	$77,667	$35,510	$1,366,870
0	1,517	0	0	0	295,451
0	0	0	139	0	483
0	0	0	0	0	30,361
0	0	0	0	0	92,354
$3,423	$24,286	$13,257	$77,806	$35,510	$1785,519
$0	$306	$0	$291	$0	$70,447
0	0	0	0	0	5,159
0	306	0	291	0	75,606
0	0	0	0	0	116,584
0	0	0	0	0	148,540
0	0	0	60,000	0	60,000
3,423	23,980	13,257	17,515	35,510	1,384,789
3,423	23,980	13,257	77,515	35,510	1,709,913
$3,423	$24,286	$13,257	$77,806	$35,510	$1,785,519

(Concluded)

CERRO GORDO COUNTY, IOWA

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

	Resource Enhancement and Protection	Recorder's Records Management	General County Betterment	Nature Center	Conservation Parks
REVENUES:					
Property and Other County Tax	$0	$0	$70,583	$0	$0
Intergovernmental	23,752	0	0	0	0
Licenses and Permits	0	0	0	0	0
Charges For Service	0	10,999	0	0	52,440
Use of Money and Property	619	729	0	2,355	0
Fines, Forfeitures and Defaults	0	0	0	0	0
Miscellaneous	0	0	0	107,305	0
Total Revenues	24,371	11,728	70,583	109,660	52,440
EXPENDITURES:					
Current:					
Public Safety and Legal Services	0	0	7,507	0	0
Physical Health and Social Services	0	0	42,366	0	0
County Environment and Education	19,779	0	5,151	44,129	30,859
Governmental Services to Residents	0	6,790	0	0	0
Administration	0	0	26,337	0	0
Non-Program	0	0	0	0	0
Total Expenditures	19,779	6,790	81,361	44,129	30,859
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,592	4,938	(10,778)	65,531	21,581
Other Financing Sources:					
Proceeds From Sale of Capital Assets	0	0	0	0	0
Proceeds From Drainage Warrants	0	0	0	0	0
Transfers Out	0	0	0	0	0
Total Other Financing Sources	0	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	4,592	4,938	(10,778)	65,531	21,581
Fund Balances Beginning of Year	37,405	69,252	36,304	292,052	41,597
Fund Balances End of Year	$41,997	$74,190	$25,526	$357,583	$63,178

See Accompanying Independent Auditors' Report.

Rural County Betterment	Economic Development	Drainage	Public Health Inspections	Empowerment
$282,332	$141,166	$0	$0	$0
0	0	0	50,704	668,570
0	0	0	289,216	0
0	0	49,906	6,960	0
0	0	1,633	0	5,091
0	0	0	0	0
0	250,000	52,754	7,920	977
282,332	391,166	104,293	354,800	674,638
101,490	0	0	0	0
4,000	0	0	335,618	570,423
162,501	368,818	0	0	0
0	00	0	0	0
3,853	0	0	0	0
0	0	127,434	0	0
271,844	368,818	127,434	335,618	570,423
10,488	22,348	(23,141)	19,182	104,215
0	0	0	900	0
0	0	24,554	0	0
0	0	(1,118)	0	0
0	0	23,436	900	0
10,488	22,348	295	20,082	104,215
40,182	367,315	148,245	49,778	79,354
$50,670	$389,663	$148,540	$69,860	$183,569

(Continued)

CERRO GORDO COUNTY, IOWA

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

	Recorder's Electronic Transfer	Jail Commissary Profits	Sheriff Forfeiture	Sheriff Tobacco	Sheriff Abandoned Vehicle
REVENUES:					
Property and Other County Tax	$0	$0	$0	$0	$0
Intergovernmental	0	0	0	750	253
Licenses and Permits	0	0	0	0	0
Charges For Service	0	0	0	0	0
Use of Money and Property	2	9,132	0	0	0
Fines, Forfeitures and Defaults	0	0	61,183	0	0
Miscellaneous	0	0	0	0	0
Total Revenues	2	9,132	61,183	750	253
EXPENDITURES:					
Current:					
Public Safety and Legal Services	0	3,429	4,355	185	252
Physical Health and Social Services	0	0	0	0	0
County Environment and Education	0	0	0	0	0
Governmental Services to Residents	0	0	0	0	0
Administration	0	0	0	0	0
Non-Program	0	0	0	0	0
Total Expenditures	0	3,429	4,355	185	252
Excess (Deficiency) of Revenues Over (Under) Expenditures	2	5,703	56,828	565	1
Other Financing Sources:					
Proceeds From Sale of Capital Assets	0	0	0	0	0
Proceeds From Drainage Warrants	0	0	0	0	0
Transfers Out	0	0	0	0	0
Total Other Financing Sources	0	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2	5,703	56,828	565	1
Fund Balances Beginning of Year	27	6,611	78,121	2,510	1,084
Fund Balances End of Year	$29	$12,314	$134,949	$3,075	$1,085

See Accompanying Independent Auditors' Report.

Sheriff DARE	Jail Phone Profits	Attorney Forfeiture	Strand Estate Grant	Conservation Land Acquisition Trust	Total
$0	$0	$0	$0	$0	$494,081
18	0	0	0	23,930	767,977
0	0	0	0	0	289,216
0	0	0	0	0	120,305
0	22,879	0	1,842	5,102	49,384
0	0	429	0	0	61,612
0	0	0	0	5,0000	423,956
18	22,879	429	1,842	34,032	2,206,531
0	26,418	0	0	0	143,636
0	0	0	0	0	952,407
0	0	0	1,532	31,908	664,677
0	0	0	0	0	6,790
0	0	0	0	0	30,190
0	0	0	0	0	127,434
0	26,418	0	1,532	31,908	1,925,134
18	(3,539)	429	310	2,124	281,397
0	0	0	0	0	900
0	0	0	0	0	24,554
0	0	0	0	0	(1,118)
0	0	0	0	0	24,336
18	(3,539)	429	310	2,124	305,733
3,405	27,519	12,828	77,205	33,386	1,404,180
$3,423	$23,980	$13,257	$77,515	$35,510	$1,709,913

(Concluded)

CERRO GORDO COUNTY, IOWA

COMBINING BALANCE SHEET – INTERNAL SERVICE FUNDS
June 30, 2006

	Central Services	Health Insurance	Total
ASSETS			
Cash and Pooled Investments	$0	$463,359	$463,359
Receivables:			
Accounts	187,313	5,950	193,263
Due From other Governments	28	0	28
Total Assets	187,341	469,309	656,650
LIABILITIES			
Liabilities			
Warrants Written in Excess of Bank Balance	107,413	0	107,413
Accounts Payable	0	282,294	282,294
Total Liabilities	107,413	282,294	389,707
Net Assets			
Unrestricted	$79,928	$187,015	$266,943

See Accompanying Independent Auditors' Report.

CERRO GORDO COUNTY, IOWA

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

	Central Services	Health Insurance	Total
OPERATING REVENUES:			
Interfund Services Provided	$220,172	$1,649,392	$1,869,564
Payments from Employees	0	121,242	121,242
Miscellaneous	48,801	16,385	65,186
Total Operating Revenues	268,973	1,787,019	2,055,992
OPERATING EXPENSES:			
Health Insurance			
Medical Claims Paid	0	1,586,521	1,586,521
Insurance Premiums	0	69,053	69,053
Administrative Fees	0	69,734	69,734
Miscellaneous	0	23,271	23,271
Central Services			
Telephone	25,097	0	25,097
Insurance	230,045	0	230,045
Total Operating Expenses	255,142	1,748,579	2,003,721
Operating Income	13,831	38,440	52,271
NON-OPERATING REVENUES:			
Interest	0	2,475	2,475
Change in Net Assets	13,831	40,915	54,746
Net Assets - Beginning of Year	66,097	146,100	212,197
Net Assets - End of Year	$79,928	$187,015	$266,943

See Accompanying Independent Auditors' Report.

CERRO GORDO COUNTY, IOWA

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

	Central Services	Health Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Other Funds	$32,859	$1,643,442	$1,676,301
Cash Received from Employees & Others	49,473	137,627	187,100
Cash Payments to Suppliers for Services	(257,184)	(1,575,267)	(1,832,451)
Net Cash Provided by (Used in) Operating Activities	(174,852)	205,802	30,950
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	0	2,475	2,475
CASH FLOWS FROM FINANCING ACTIVITIES			
Warrants Written in Excess of Bank Balance	107,413	0	107,413
Net Increase (Decrease) in Cash	(67,439)	208,277	140,838
Cash - Beginning of Year	67,439	255,082	322,521
Cash - End of Year	$0	$463,359	$463,359
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating Income	$13,831	$38,440	$52,271
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities			
Increase in Receivables	(186,641)	(5,950)	(192,591)
Increase in Payables	(2,042)	173,312	171,270
Net Cash Provided By (Used in) Operating Activities	($174,852)	$205,802	$30,950

See Accompanying Independent Auditors' Report.

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CERRO GORDO COUNTY, IOWA

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

	Elected Officials	Other	Total
ASSETS			
Cash and Pooled Investments			
County Treasurer	$0	$2,784,109	$2,784,109
Other County Officials	148,465	0	146,465
Receivables:			
Property Tax			
Delinquent	0	826	826
Succeeding Year	0	42,029,501	42,029,501
Accounts	570	36,823	37,393
Assessments	0	1,085,805	1,085,805
Due From Other Governments	0	62,182	62,182
Total Assets	$149,035	$45,999,246	$46,148,281
LIABILITIES			
Accounts Payable	$0	$86,638	$86,638
Salaries and Benefits Payable	0	8,933	8,933
Due to Other Governments	52	45,852,377	45,852,429
Trusts Payable	148,983	32,237	181,220
Compensated Absences	0	19,061	19,061
Total Liabilities	$149,035	$45,999,246	$46,148,281

See Accompanying Independent Auditors' Report.

CERRO GORDO COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES – ELECTED OFFICIALS
June 30, 2006

	Board of Supervisors Conservators	Veterans Affairs	Recorder	Sheriff	Total
ASSETS					
Cash and Pooled Investments					
Other County Officials	$56,462	$993	($518)	$91,528	$148,465
Receivables:					
Accounts	0	0	570	0	570
Total Assets	$56,462	$993	$52	$91,528	$149,035
LIABILITIES					
Due to Other Governments	$0	$0	$52	$0	$52
Trusts Payable	56,462	993	0	91,528	148,983
Total Liabilities	$56,462	$993	$52	$91,528	$149,035

See Accompanying Independent Auditors' Report.

CERRO GORDO COUNTY, IOWA

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

	Agricultural Extension Education	County Assessor	County Special Appraisal	City Assessor
ASSETS				
Cash and Pooled Investments				
County Treasurer	$2,537	$137,543	$200,864	$54,067
Receivables:				
Property Tax				
Delinquent	5	11	4	1
Succeeding Year	193,286	259,550	92,455	160,328
Accounts	0	1,580	0	48
Assessments	0	0	0	0
Due From Other Governments	0	0	0	0
Total Assets	$195,828	$398,684	$293,323	$214,444
LIABILITIES				
Accounts Payable	$0	$1,152	$2,740	$191
Salaries and Benefits Payable	0	4,391	0	2,501
Due to Other Governments	195,828	383,139	290,583	206,288
Trusts Payable	0	0	0	0
Compensated Absences	0	10,002	0	5,464
Total Liabilities	$195,828	$398,684	$293,323	$214,444

See Accompanying Independent Auditors' Report.

City Special Appraisal	Schools	Community Colleges	Corporations	Townships	City Special Assessments
$130,299	$304,295	$13,621	$161,977	$3,383	$31,655
0	513	26	224	7	0
9,917	22,617,972	1,063,737	16,723,175	194,374	0
0	0	0	0	0	0
0	0	0	0	0	1,018,077
0	0	0	0	0	0
$140,216	$22,922,780	$1,077,384	$16,885,376	$197,764	$1,049,732
$623	$0	$0	$0	$0	$0
0	0	0	0	0	0
139,593	22,922,780	1,077,384	16,885,376	197,764	1,049,732
0	0	0	0	0	0
0	0	0	0	0	0
$140,216	$22,922,780	$1,077,384	$16,885,376	$197,764	$1,049,732

(Continued)

CERRO GORDO COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES – OTHER AGENCY FUNDS (Continued)
June 30, 2006

	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication	Joint Disaster Services	Clear Lake Sanitary	County EMS Association
ASSETS					
Cash and Pooled Investments					
County Treasurer	$789,866	$87	$123,393	$15,882	$12,663
Receivables:					
Property Tax					
Delinquent	0	0	0	35	0
Succeeding Year	0	6,816	0	707,891	0
Accounts	0	0	0	0	0
Assessments	0	0	0	67,728	0
Due From Other Governments	0	0	60,550	0	0
Total Assets	$789,866	$6,903	$183,943	$791,536	$12,663
LIABILITIES					
Accounts Payable	$0	$0	$74,551	$0	$5,664
Salaries and Benefits Payable	0	0	1,168	0	0
Due to Other Governments	789,866	6,903	108,224	791,536	6,999
Trusts Payable	0	0	0	0	0
Compensated Absences	0	0	0	0	0
Total Liabilities	$789,866	$6,903	$183,943	$791,536	$12,663

Advance Tax	Cash Long/Short	Dispute Resolution	E911 Operations	Advanced Law Enforcement Investigative and Administrative System	Recorder's Transfer Fee	Pass-Through Projects	Employee Benefits	Total
$34,761	$791	$41,747	$702,655	$23,502	$1,045	$0	($2,524)	$2,784,109
0	0	0	0	0	0	0	0	826
0	0	0	0	0	0	0	0	42,029,501
0	0	2,769	31,430	0	996	0	0	36,823
0	0	0	0	0	0	0	0	1,085,805
0	0	0	0	0	0	1,632	0	62,182
$34,761	$791	$44,516	$734,085	$23,502	$2,041	$1,632	($2,524)	$45,999,246
$0	$0	$85	$0	$0	$0	$1,632	$0	$86,638
0	0	873	0	0	0	0	0	8,933
0	791	39,963	734,085	23,502	2,041	0	0	45,852,377
34,761	0	0	0	0	0	0	(2,524)	32,237
0	0	3,595	0	0	0	0	0	19,061
$34,761	$791	$44,516	$734,085	$23,502	$2,041	$1,632	($2,524)	$45,999,246

(Concluded)

CERRO GORDO COUNTY, IOWA

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

	Elected Officials			
	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
ASSETS				
Cash and Pooled Investments				
Other County Officials	$98,396	$2,466,492	$2,416,423	$148,465
Receivables				
Accounts	370	570	370	570
Total Assets	$98,766	$2,467,062	$2,416,793	$149,035
LIABILITIES				
Due to County Funds				
Due to Other Governments	$43,084	$2,318,079	$2,361,111	$52
Trusts Payable	55,682	148,983	55,682	148,983
Total Liabilities	$98,766	$2,467,062	$2,416,793	$149,035

	Other Agency Funds			
	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
ASSETS				
Cash and Pooled Investments				
County Treasurer	$2,749,685	$11,377,381	$11,342,957	$2,784,109
Receivables				
Property Tax				
Delinquent	2,654	826	2,654	826
Succeeding Year	39,546,798	42,029,501	39,546,798	42,029,501
Accounts	26,375	36,823	26,375	36,823
Interest	81	0	81	0
Due From Other Governments	1,003,529	1,085,805	1,003,529	1,085,805
Assessments	12,014	62,182	12,014	62,182
Total Assets	$43,341,136	$54,592,518	$51,934,408	$45,999,246
LIABILITIES				
Accounts Payable	$10,778	$86,638	$10,778	$86,638
Salaries and Benefits Payable	26,128	8,933	26,128	8,933
Due to County Funds				
Due to Other Governments	43,256,396	54,445,649	51,849,668	45,852,377
Trusts Payable	31,000	32,237	31,000	32,237
Compensated Absences	16,834	19,061	16,834	19,061
Total Liabilities	$43,341,136	$54,592,518	$41,934,408	$45,999,246

See Accompanying Independent Auditors' Report.

CERRO GORDO COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES – ELECTED OFFICIALS
Year Ended June 30, 2006

	Board of Supervisors Conservators	Veterans Affairs	Auditor	Recorder	Sheriff	Total
ASSETS AND LIABILITIES						
Balance - Beginning of Year	$39,392	$992	$0	$43,084	$15,298	$98,766
Additions:						
Office Fees and Collections	0	0	3,372	801,538	1,053,174	1,858,084
Trusts	343,572	1	0	0	265,405	608,978
Total Additions	343,572	1	3,372	801,538	1,318,579	2,467,062
Deductions:						
Agency Remittances:						
To County Funds	0	0	3,372	378,744	99,908	482,024
To Other Governments	0	0	0	464,893	684	465,577
Trusts Paid Out	326,502	0	0	933	1,141,757	1,469,192
Total Deductions	326,502	0	3,372	844,570	1,242,349	2,416,793
Balance - End of Year	$56,462	$993	$0	$52	$91,528	$149,035

See Accompanying Independent Auditors' Report.

CERRO GORDO COUNTY, IOWA

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

	Agricultural Extension Education	County Assessor	County Special Appraisal	City Assessor
ASSETS AND LIABILITIES				
Balance - Beginning of Year	$188,683	$389,686	$274,559	$212,037
Additions:				
Property and Other County Tax	194,045	265,108	94,234	158,040
E911 Surcharge	0	0	0	0
State Tax Credits	7,744	10,126	3,242	6,579
Auto Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	0	0	0	0
Miscellaneous	0	8,072	0	5,286
From Other Funds	0	30,000	0	0
Total Additions	201,789	313,306	97,476	169,905
Deductions:				
Agency Remittances:				
To Other Funds	0	0	30,000	0
To Other Governments	194,644	304,308	48,712	167,498
Trusts Paid Out	0	0	0	0
Total Deductions	194,644	304,308	78,712	167,498
Balance - End of Year	$195,828	$398,684	$293,323	$214,444

See Accompanying Independent Auditors' Report.

City Special Appraisal	Schools	Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax
$150,246	$22,630,388	$1,013,237	$14,813,876	$224,532	$1,028,296	$837,300
9,693	22,693,297	1,067,814	16,508,490	201,340	0	0
0	0	0	0	0	0	0
642	938,009	41,577	531,048	9,073	0	0
0	0	0	0	0	0	8,917,209
0	0	0	0	0	392,691	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
10,335	23,631,306	1,109,391	17,039,538	210,413	392,691	8,917,209
0	0	0	0	0	0	0
20,365	23,338,914	1,045,244	14,968,038	237,181	371,255	8,964,643
0	0	0	0	0	0	0
20,365	23,338,914	1,045,244	14,968,038	237,181	371,255	8,964,643
0	0	0	0	0	0	0
$140,216	$22,922,780	$1,077,384	$16,885,376	$197,764	$1,049,732	$789,866

(Continued)

CERRO GORDO COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES – OTHER AGENCY FUNDS (Continued)
Year Ended June 30, 2006

	Brucellosis and Tuberculosis Eradication	Joint Disaster Services	Clear Lake Sanitary	County EMS Association	Advance Tax
ASSETS AND LIABILITIES					
Balance - Beginning of Year	$9,031	$37,324	$810,554	7,975	$30,712
Additions:					
Property and Other County Tax	13,346	0	699,160	0	0
E911 Surcharge	0	0	0	0	0
State Tax Credits	267	0	18,408	0	0
Auto Licenses, Use Tax and Postage	0	0	0	0	0
Assessments	0	0	3,057	0	0
Trusts	0	0	0	0	4,049
Miscellaneous	0	630,035	0	13,225	0
From Other Funds	0	0	0	0	0
Total Additions	13,613	630,035	720,625	13,225	4,049
Deductions:					
Agency Remittances:					
To Other Funds	0	0	0	0	0
To Other Governments	15,741	483,416	739,643	8,537	0
Trusts Paid Out	0	0	0	0	0
Total Deductions	15,741	483,416	739,643	8,537	0
Other Financing Sources (Uses):					
Transfers In (Out)	0	0	0	0	0
Balance - End of Year	$6,903	$183,943	$791,536	$12,663	$34,761

Cash Long/Short	Tax Sale Redemption	Dispute Resolution	E911 Operations	Advanced Law Enforcement Investigative and Administrative System	Recorder's Transfer Fee	Pass-Through Projects	Employee Benefits	Total
$790	$0	$42,395	$609,950	$23,200	$1,970	$4,107	$288	$43,341,136
0	0	0	0	0	0	0	0	41,904,567
0	0	0	195,521	0	0	0	0	195,521
0	0	0	0	0	0	0	0	1,566,715
0	0	0	0	0	0	0	0	8,917,209
0	0	0	0	0	0	0	0	395,748
0	487,895	0	0	0	0	158,985	161,672	812,601
1	0	54,906	30,510	47,100	11,022	0	0	800,157
0	0	0	0	0	0	0	0	30,000
1	487,895	54,906	226,031	47,100	11,022	158,985	161,672	54,622,518
0	0	0	0	0	0	0	0	30,000
0	0	52,785	101,896	46,798	10,951	0	0	51,120,569
0	487,895	0	0	0	0	161,460	164,484	813,839
0	487,895	52,785	101,896	46,798	10,951	161,460	164,484	51,964,408
0	0	0	0	0	0	0	0	0
$791	$0	$44,516	$734,085	$23,502	$2,041	$1,632	($2,524)	$45,999,246

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CERRO GORDO COUNTY, IOWA

SCHEDULE OF CAPITAL ASSETS BY FUNDING SOURCE
Year Ended June 30, 2006

	Balance June 30, 2005	Additions	Deletions	**Balance June 30, 2006**
ASSETS				
Land	$ 1,666,892	$ -	$ 20,500	$ **1,646,392**
Construction in Process	2,607,157	940,311	2,788,099	**759,369**
Buildings and Structures	4,248,474	165,615	-	**4,414,089**
Improvements other than Buildings	417,751	-	-	**417,751**
Machinery and Equipment	6,165,639	363,484	75,277	**6,453,846**
Licensed Vehicles	3,107,094	245,733	128,907	**3,223,920**
Infrastructure	2,885,199	8,593,786	-	**11,478,985**
	$ 21,098,206	$ 10,308,929	$ 3,012,783	$ **28,394,352**
FUNDING SOURCE				
General Fund	$ 5,848,655	$ 231,440	$ 88,237	$ **5,991,858**
Special Revenue Funds	14,094,937	9,023,930	2,924,546	**20,194,321**
Capital Project Fund	1,154,614	1,053,559	-	**2,208,173**
	$ 21,098,206	$ 10,308,929	$ 3,012,783	$ **28,394,352**

CERRO GORDO COUNTY, IOWA

SCHEDULE OF CAPITAL ASSETS
BY FUNCTION AND ACTIVITY
AS OF JUNE 30, 2006

	Land	Construction in Process	Buildings and Structures
Public Safety and Legal Services			
Law Enforcement	$ -	759,369	610,931
Legal Services	-	-	-
Total Public Safety and Legal Services	-	759,369	610,931
Physical Health and Social Services:			
Physical Health Services	-	-	-
Services to Poor	-	-	-
Services to Military Veterans	-	-	-
Total Physical Health and Social Services	-	-	-
Mental Health:			
Persons with Chronic Mental Illness	-	-	-
Total Mental Health	-	-	-
County Environment and Education:			
Environmental Quality Program	-	-	-
Conservation and Recreation Services	150,798	-	490,292
County Development	-	-	-
Total County Environment and Education	150,798	-	490,292
Roads and Transportation:			
Secondary Roads Administration and Engineering	-	-	325,259
Roadway Maintenance	-	-	-
General Roadway Expenditures	-	-	229,970
Total Roads and Transportation	-	-	555,229
State and Local Government Services:			
Representation Services	-	-	
State Administration Services		-	
Total State and Local Government Services	-	-	-
Interprogram Services:			
Policy and Administration		-	439,330
Central Services	1,495,594	-	2,318,307
Total Interprogram Services	1,495,594	-	2,757,637
Total Capital Assets	**$ 1,646,392**	**759,369**	**$ 4,414,089**

Improvements other than Buildings	Machinery and Equipment	Licensed Vehicles	Infrastructure	Total
-	413,435	509,921	-	$ **2,293,656**
-	34,237	-	-	**34,237**
-	447,672	509,921	-	**2,327,893**
-	225,889	80,754	-	**306,643**
-	6,371	-	-	**6,371**
-	-	-	-	-
-	232,260	80,754	-	**313,014**
-	23,260	21,271	-	**44,531**
-	23,260	21,271	-	**44,531**
-	-	-	-	-
44,974	237,402	231,785	-	**1,155,251**
-	5,157	-	-	**5,157**
44,974	242,559	231,785	-	**1,160,408**
31,151	85,295	51,827	-	**493,532**
-	76,025	107,837	11,478,985	**11,662,847**
-	4,354,079	2,209,375	-	**6,793,424**
31,151	4,515,399	2,369,039	11,478,985	**18,949,803**
-	380,299		-	**380,299**
	48,907		-	**48,907**
-	429,206	-	-	**429,206**
	55,248	-	-	**494,578**
341,626	508,242	11,150	-	**4,674,919**
341,626	563,490	11,150	-	**5,169,497**
417,751	**$ 6,453,846**	**$ 3,223,920**	**$ 11,478,985**	**28,394,352**

CERRO GORDO COUNTY, IOWA

SCHEDULE OF CHANGES IN CAPITAL ASSETS
BY FUNCTION AND ACTIVITY
Year Ended June 30, 2006

	Balance June 30, 2005	Additions	Deletions	**Balance June 30, 2006**
Public Safety and Legal Services				
Law Enforcement	$ 1,474,978	$ 903,217	$ 84,539	$ **2,293,656**
Legal Services	34,237	-	-	**34,237**
Total Public Safety and Legal Services	1,509,215	903,217	84,539	**2,327,893**
Physical Health and Social Services:				
Physical Health Services	306,643	-	-	**306,643**
Services to Poor	6,371	-	-	**6,371**
Services to Military Veterans	-	-	-	-
Total Physical Health and Social Services	313,014	-	-	**313,014**
Mental Health:				
Persons with Chronic Mental Illness	44,531	-	-	**44,531**
Total Mental Health	44,531	-	-	**44,531**
County Environment and Education:				
Environmental Quality Program	-	-	-	-
Conservation and Recreation Services	1,142,975	51,482	39,206	**1,155,251**
County Development	5,157	-	-	**5,157**
Total County Environment and Education	1,148,132	51,482	39,206	**1,160,408**
Roads and Transportation:				
Secondary Roads Administration and Engineering	466,462	38,455	11,385	**493,532**
Roadway Maintenance	5,640,212	8,810,734	2,788,099	**11,662,847**
General Roadway Expenditures	6,730,549	103,398	40,523	**6,793,424**
Total Roads and Transportation	12,837,223	8,952,587	2,840,007	**18,949,803**
Government Services to Residents:				
Representation Services	236,699	143,600	-	**380,299**
State Administration Services	48,907	-	-	**48,907**
Total Government Services to Residents	285,606	143,600	-	**429,206**
Administration:				
Policy and Administration	315,991	178,587	-	**494,578**
Central Services	4,644,494	79,456	49,031	**4,674,919**
Total Administration	4,960,485	258,043	49,031	**5,169,497**
Total Capital Assets	**$ 21,098,206**	**$ 10,308,929**	**$ 3,012,783**	**28,394,352**

CERRO GORDO COUNTY, IOWA

STATISTICAL SECTION
June 30, 2006

This part of Cerro Gordo County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

Contents	Pages
Financial Trends These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	81-87
Revenue Capacity These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.	88-96
Debt Capacity These schedules present information to help the readers assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.	97-100
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.	101-102
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	103-108

CERRO GORDO COUNTY, IOWA

NET ASSETS BY COMPONENT
Last Four Fiscal Years*
(Accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Government activities:				
Invested in capital assets, net of related debt	$ 8,363,575	$ 9,761,714	$ 13,727,858	$ 19,084,939
Restricted	4,630,537	3,241,336	3,083,406	5,369,094
Unrestricted	4,357,591	4,610,114	3,600,840	2,972,174
Total Government activities net assets	$ 17,351,703	$ 17,613,164	$ 20,412,104	$ 27,426,207
Business-type activities:				
Invested in capital assets, net of related debt	$ 460,966	$ 1,924,793	$ 1,748,701	$ 1,765,188
Restricted	-	-	-	-
Unrestricted	1,483,044	44,199	132,894	49,236
Total Business-type activities net assets	$ 1,944,010	$ 1,968,992	$ 1,881,595	$ 1,814,424
Primary Government:				
Invested in capital assets, net of related debt	$ 8,824,541	$ 11,686,507	$ 15,476,559	$ 20,850,127
Restricted	4,630,537	3,241,336	3,083,406	5,369,094
Unrestricted	5,840,635	4,654,313	3,733,734	3,021,410
Total Business-type activities net assets	$ 19,295,713	$ 19,582,156	$ 22,293,699	$ 29,240,631

*Cerro Gordo County, Iowa implemented GASB 34 in FY2003.

Source: County Records

CERRO GORDO COUNTY, IOWA

CHANGES IN NET ASSETS
Last Four Fiscal Years*
(Accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Expenses:				
Government activities:				
Public safety and legal services	$ 4,308,699	$ 4,431,064	$ 4,590,463	$ 4,827,135
Physical health and social services	3,683,099	4,107,546	4,104,085	4,274,119
Mental health	5,003,380	5,221,710	5,225,350	5,617,449
County environment and education	888,743	1,296,647	923,060	1,291,161
Roads and transportation	3,633,925	4,704,427	5,591,263	4,996,566
Government services to residents	751,404	674,627	804,185	892,862
Administration or general government	1,970,255	2,671,926	2,050,532	2,441,271
Non-program	341,615	146,647	1,063,732	319,240
Interest on long-term debt	29,262	22,388	37,859	37,976
Capital projects	398,312	-	-	-
Total governmental activities expenses	21,008,694	23,276,982	24,390,529	24,697,779
Business-type activities:				
Wastewater collection and treatment	71,877	126,426	248,320	137,422
Total government expenses	$ 21,080,571	$ 23,403,408	$ 24,638,849	$ 24,835,201
Program Revenues:				
Government activities:				
Charges for services:				
Public safety and legal services	$ 432,584	$ 399,983	$ 544,358	$ 556,195
Physical health and social services	691,980	726,481	698,391	510,549
Mental health	410,470	37,978	56,119	514,799
County environment and education	75,748	169,280	161,248	82,626
Roads and Transportation	90,634	450,070	661,816	547,931
Government services to residents	753,603	782,932	687,499	676,740
Administration or general government	94,347	170,474	107,919	269,375
Non-program	559,631	81,831	331,394	468,310
Capital Projects	480,535	49,799	-	-
Operating grants and contributions	6,266,218	8,903,694	9,275,378	9,019,060
Capital grants and contributions	792,603	-	2,445,455	5,216,480
Total governmental activities program revenues	10,648,353	11,772,522	14,969,577	17,862,065
Business-type activities:				
Charges for services:				
Wastewater collection and treatment	368,340	151,408	160,923	70,251
Total business-type activities program revenues	368,340	151,408	160,923	70,251
Total government program revenues	$ 11,016,693	$ 11,923,930	$ 15,130,500	$ 17,932,316

CERRO GORDO COUNTY, IOWA

CHANGES IN NET ASSETS (Continued)
Last Four Fiscal Years*
(Accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Net (Expense)/Revenue:				
Governmental activities	$ (10,360,341)	$ (11,504,460)	$ (9,420,952)	$ (6,835,714)
Business-type activities	296,463	24,982	(87,397)	(67,171)
Total government net expense	$ (10,063,878)	$ (11,479,478)	$ (9,508,349)	$ (6,902,885)
General Revenues and Other Changes in Net Assets:				
Governmental activities				
Property and other county tax levied for:				
General purposes	$ 8,551,715	$ 8,788,746	$ 9,443,597	$ 11,129,894
Debt service	170,744	-	374,667	571,714
Penalty and interest on property tax	117,361	106,704	126,247	139,522
State tax credits, unrestricted	965,074	399,747	422,743	483,123
Local option sales and service tax	1,454,813	1,769,845	1,228,557	1,411,660
Unrestricted grants and contributions	23,202	198,621	45,959	68,051
Unrestricted investment earnings	278,751	142,318	275,773	533,762
Miscellaneous	283,284	298,337	302,349	848,945
Total governmental activities	11,844,944	11,704,318	12,219,892	15,186,671
Business-type activities:				
Wastewater collection and treatment	12,353	-	-	-
Total business-type activities	$ 12,353	$ -	$ -	$ -
Total government	$ 11,857,297	$ 11,704,318	$ 12,219,892	$ 15,186,671
Changes in Net Assets:				
Governmental activities	$ 1,484,603	$ 199,858	$ 2,798,940	$ 8,350,957
Business-type activities	308,816	24,982	(87,397)	(67,171)
Total government program revenues	$ 1,793,419	$ 224,840	$ 2,711,543	$ 8,283,786

*Cerro Gordo County, Iowa implemented GASB 34 in FY2003.

Source: County Records

CERRO GORDO COUNTY, IOWA

FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified accrual accounting)
(Unaudited)

	Fiscal Year			
	1997	1998	1999	2000
General Fund				
Reserved	$ -	$ 450,000	$ 429,937	$ 397,769
Unreserved	3,137,247	3,026,637	3,391,500	3,952,844
Total General Fund	$ 3,137,247	$ 3,476,637	$ 3,821,437	$ 4,350,613
All Other Governmental Funds				
Reserved for:				
Debt Service	$ 38,999	$ 9,750	$ 6,593	$ 64,037
Inventories, endowment & other	945,286	863,542	993,870	1,069,904
Unreserved, reported in:				
Special revenue funds	3,201,749	2,794,983	2,472,055	2,662,857
Capital Project funds	586,744	348,413	797,142	554,879
Total all other governmental funds	$ 4,772,778	$ 4,016,688	$ 4,269,660	$ 4,351,677

Source: County Records

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
	$ 362,931	$ -	$ -	$ -	$ -	$ -
	4,177,714	4,752,314	4,035,231	3,298,960	3,060,094	4,088,421
	$ 4,540,645	$ 4,752,314	$ 4,035,231	$ 3,298,960	$ 3,060,094	$ 4,088,421
	$ 58,733	$ 93,479	$ 78,070	$ 75,186	$ 56,281	$ 91,890
	1,074,354	1,225,885	1,228,790	1,217,766	890,990	1,543,517
	2,513,650	2,876,136	3,786,949	3,908,195	3,624,846	4,340,613
	74,047	32,138	35,713	884,846	507,822	(588,497)
	$ 3,720,784	$ 4,227,638	$ 5,129,522	$ 6,085,993	$ 5,079,939	$ 5,387,523

CERRO GORDO COUNTY, IOWA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified accrual accounting)
(Unaudited)

	Fiscal Year			
	1997	1998	1999	2000
Revenues:				
Property and Other County Tax	$ 8,808,411	$ 8,534,454	$ 9,085,059	$ 9,681,668
Interest and Penalty on Property Tax	98,128	114,008	150,527	109,952
Intergovernmental	6,528,872	6,483,887	6,898,244	7,531,032
Licenses and Permits	20,745	20,378	23,438	16,856
Charges for Services	997,916	1,155,324	1,193,928	1,168,535
Use of Money and Property	560,949	595,154	526,936	681,312
Miscellaneous	524,842	476,020	861,608	647,514
Total Revenues	17,539,863	17,379,225	18,739,740	19,836,869
Expenditures:				
Public safety and legal services	2,381,446	2,734,446	2,939,989	3,278,743
Physical health and social services	2,144,118	2,422,147	2,699,479	2,843,920
Mental health	4,480,179	4,556,624	5,016,103	5,007,406
County environment and education	402,008	511,200	655,901	534,156
Roads and transportation	3,799,441	3,675,686	3,630,491	3,546,455
Government services to residents	460,082	520,785	577,648	589,493
Administration	1,810,102	1,673,415	1,620,502	1,625,355
Non-program	36,543	47,556	69,611	88,137
Debt service				
Interest	50,900	47,505	23,655	70,583
Principal	455,000	510,000	115,000	465,000
Capital projects	1,400,491	1,524,879	2,161,535	1,966,240
Total Expenditures	17,420,310	18,224,243	19,509,914	20,015,488
Excess of revenues over (under) expenditures	119,553	(845,018)	(770,174)	(178,619)
Other Financing Sources (Uses)				
Proceeds from the sale of capital assets	21,692	29,437	9,360	56,937
Transfers in	1,763,116	364,075	1,830,061	1,743,499
Transfers out	(1,763,116)	(364,075)	(1,830,061)	(1,743,499)
Proceeds from drainage warrants	14,701	23,691	13,459	91,619
Preceeds from capital lease purchase agreement	-	-	-	-
General obligation notes issued	680,000	-	1,217,951	505,067
Capital lease purchase agreement	-	-	-	-
Discount on general obligation notes	(824)	-	-	-
Total other financing sources (uses)	715,569	53,128	1,240,770	653,623
Net change in fund balances	$ 835,122	$ (791,890)	$ 470,596	$ 475,004
Debt service as % of noncapital expenditures	3.16%	3.34%	0.80%	2.97%

Source: County Records

Fiscal Year					
2001	2002	2003	2004	2005	2006
$ 9,963,952	$ 9,928,084	$ 10,152,625	$ 10,570,374	$ 11,061,423	$ 13,118,367
113,886	128,449	110,045	118,295	126,247	139,522
7,642,241	8,150,270	9,214,984	9,722,154	12,701,807	11,191,640
25,682	17,870	255,666	270,476	297,721	324,776
1,232,560	1,607,381	1,537,166	1,292,565	1,228,309	1,205,710
713,248	411,350	274,923	228,181	374,870	637,056
786,479	681,393	863,485	1,215,451	950,043	1,203,546
20,478,048	20,924,797	22,408,894	23,417,496	26,740,420	27,820,617
3,644,249	3,838,927	4,222,779	4,251,143	4,541,026	4,808,056
3,038,370	3,494,239	3,615,357	3,913,976	4,006,819	4,251,999
5,263,698	4,790,348	5,003,304	5,198,915	5,209,344	5611348
580,585	592,431	855,482	921,991	880,494	1,235,315
4,328,377	4,577,949	4,496,519	4,551,633	4,885,745	5,111,457
612,996	754,305	729,694	742,415	803,724	827,433
1,652,354	1,626,570	1,719,801	1,902,524	1,841,707	1,872,576
34,299	31,871	296,741	207,694	354,230	169,026
72,871	44,763	30,192	18,738	37,012	640,000
590,000	295,000	235,000	60,000	425,000	33,630
1,230,675	611,437	1,605,101	2,281,067	5,027,808	3,267,852
21,048,474	20,657,840	22,809,970	24,050,096	28,012,909	27,828,692
(570,426)	266,957	(401,076)	(632,600)	(1,272,489)	(8,075)
106,699	126,375	150	8,000	11,400	204,378
2,345,026	2,334,764	1,953,484	2,158,917	2,095,971	2,372,050
(2,345,026)	(2,227,594)	(2,140,837)	(2,241,321)	(2,001,214)	(2,372,050)
25,007	33,964	1,659	16,543	10,340	24,554
-	21,483	-	-	-	24,394
-	-	-	1,109,907	200,000	500,000
-	-	600,986	-	-	-
-	-	-	-	(1,320)	(5,473)
131,706	288,992	415,442	1,052,046	315,177	747,853
$ (438,720)	$ 555,949	$ 14,366	$ 419,446	$ (957,312)	$ 739,778
3.34%	1.69%	1.25%	0.36%	2.01%	2.74%

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CERRO GORDO COUNTY, IOWA

PROGRAM REVENUES BY FUNCTION/PROGRAM
Last Four Fiscal Years*
(Accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Government activities:				
Charges for services:				
Public safety and legal services	$ 859,858	$ 871,914	$ 993,783	$ 1,005,372
Physical health and social services	2,296,479	2,541,021	2,713,092	2,972,838
Mental health	2,689,083	3,073,718	3,303,908	2,962,403
County environment and education	167,089	246,775	212,211	132,769
Roads and Transportation	2,561,946	3,815,417	6,342,834	9,247,719
Government services to residents	778,594	782,932	916,099	754,886
Administration or general government	135,347	171,105	107,919	317,768
Non-program	679,422	91,847	379,731	468,310
Capital Projects	480,535	177,793	-	-
Total governmental activities program revenues	10,648,353	11,772,522	14,969,577	17,862,065
Business-type activities:				
Charges for services:				
Wastewater collection and treatment	368,340	151,408	160,923	70,251
Total business-type activities program revenues	368,340	151,408	160,923	70,251
Total government program revenues	$ 11,016,693	$ 11,923,930	$ 15,130,500	$ 17,932,316

*Cerro Gordo County, Iowa implemented GASB 34 in FY2003.

Source: County Records

CERRO GORDO COUNTY, IOWA

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY (1)
Last Ten Fiscal Years
(Unaudited)

	Assessed Value and Actual Value of Taxable Property			
Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Agricultural Property
1997	$ 877,021,212	$ 229,338,126	$ 73,316,685	$ 248,847,371
1998	962,629,411	232,744,407	91,772,181	231,612,515
1999	1,135,541,943	255,651,531	98,659,687	256,668,664
2000	1,175,861,095	256,647,793	87,096,328	251,185,732
2001	1,285,141,613	273,058,047	92,477,845	279,884,960
2002	1,378,362,141	278,148,059	94,723,846	276,298,362
2003	1,446,224,242	330,952,120	103,694,495	277,587,342
2004	1,497,415,171	352,973,493	104,854,672	281,099,208
2005	1,611,741,386	377,229,604	107,330,489	244,175,206
2006	1,669,700,033	387,968,624	108,897,495	243,226,460

	Taxable Value of Property			
Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Agricultural Property
1997	$ 556,748,051	$ 223,103,769	$ 73,316,685	$ 231,334,762
1998	566,299,420	232,744,407	91,772,181	231,612,515
1999	623,212,570	230,131,680	93,408,796	247,481,495
2000	663,364,554	256,647,793	87,096,328	251,183,880
2001	703,980,195	269,078,877	92,477,845	269,635,865
2002	774,485,219	278,148,059	94,723,846	276,298,362
2003	746,690,164	322,364,729	103,694,495	277,587,342
2004	768,799,470	352,973,493	104,854,672	281,099,208
2005	778,583,429	373,980,577	107,330,489	244,175,206
2006	796,987,659	387,968,624	108,897,495	243,226,460

Source: Cerro Gordo County Auditor's Office

(1) Net Taxable Value is the value on which real estate taxes are calculated and on which budgets of the various Levy Authorities are based. For property valued by local assessors, taxable value of property is the actual value of property multiplied by the statewide rollback rate that is determined annually by the Iowa Department of Management.
(2) Other Property includes utility property, railroad property, and gas and electric utility property, all of which are valued by the Iowa Department of Management. All other property classes are valued by the local assessor.
(3) Per $1,000 of value

Assessed Value and Actual Value of Taxable Property

TIF Increment	(2) Other Property	Total Assessed Taxable Property	Less: Military Tax-Exempt Property	Net Assessed Taxable Property
$ 66,888,074	$ 184,524,164	$ 1,679,935,632	$ 7,904,002	$ 1,672,031,630
65,430,581	188,739,458	1,772,928,553	7,770,229	1,765,158,324
37,527,231	184,024,929	1,968,073,985	7,612,384	1,960,461,601
64,944,208	177,120,383	2,012,855,539	7,474,493	2,005,381,046
63,173,024	171,880,167	2,165,615,656	7,359,848	2,158,255,808
66,247,060	166,587,656	2,260,367,124	7,231,164	2,253,135,960
63,909,159	159,002,012	2,381,369,370	7,108,709	2,374,260,661
63,650,574	155,758,848	2,455,751,966	6,968,150	2,448,783,816
71,183,983	152,267,639	2,563,928,307	6,860,915	2,557,067,392
75,170,736	355,470,345	2,840,433,693	6,721,097	2,833,712,596

Taxable Value of Property

TIF Increment	(2) Other Property	Total Taxable Property	Less: Military Tax-Exempt Property	Net Taxable Property	(3) Total Direct Tax Rate Urban
$ 65,528,984	$ 184,021,314	$ 1,334,053,565	$ 7,904,002	$ 1,326,149,563	5.13
64,613,275	188,739,458	1,375,781,256	7,770,229	1,368,011,027	4.94
65,462,038	178,241,777	1,437,938,356	7,612,384	1,430,325,972	4.94
64,944,208	177,120,383	1,500,357,146	7,472,641	1,492,884,505	5.16
63,173,024	171,708,214	1,570,054,020	7,359,848	1,562,694,172	5.14
66,247,060	166,587,656	1,656,490,202	7,231,164	1,649,259,038	4.70
63,909,159	158,644,547	1,672,890,436	7,108,709	1,665,781,727	4.70
63,650,574	155,758,848	1,727,136,265	6,968,150	1,720,168,115	4.59
71,183,983	137,128,009	1,712,381,693	6,860,915	1,705,520,778	5.28
75,170,736	149,339,489	1,761,590,463	6,721,097	1,754,869,366	6.20

CERRO GORDO COUNTY, IOWA

DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(rate per $1,000 of assessed value)
(Unaudited)

	Fiscal Year Taxes are Payable			
	1997	1998	1999	2000
County Direct Rates:				
General Basic	2.81	2.84	3.22	3.30
General Supplemental	-	-	-	-
MH/DD Service	1.99	1.77	1.67	1.60
Debt Service	0.33	0.33	0.04	0.26
Total Urban County Rate	5.13	4.94	4.94	5.16
Rural Basic	3.41	3.46	3.58	3.49
Total Rural County Rate	8.53	8.40	8.52	8.64
City and Town Rates:				
Mason City	9.74	10.18	10.43	10.08
Clear Lake	9.49	9.49	8.33	8.11
Dougherty	16.75	14.28	13.87	14.25
Meservey	8.10	8.10	7.89	7.99
Plymouth	2.17	1.67	1.51	1.93
Rock Falls	5.63	6.13	6.63	6.57
Rockwell	12.24	8.10	8.10	8.10
Swaledale	13.77	23.15	26.34	25.08
Thornton	10.65	10.67	10.40	10.26
Ventura	9.57	8.74	8.22	8.68
Nora Springs	14.87	14.29	14.79	14.43
Township Rates:				
Bath	0.53	0.54	0.50	0.50
Clear Lake	0.43	0.41	0.36	0.32
Dougherty	0.34	0.34	0.31	0.31
Falls	0.52	0.54	0.54	0.54
Geneseo	0.47	0.48	0.45	0.45
Grant	0.43	0.43	0.40	0.45
Gimes	0.60	0.60	0.76	0.71
Lake	0.27	0.26	0.25	0.24
Lime Creek	0.41	0.41	0.41	0.41
Lincoln	0.36	0.35	0.33	0.33
Mason	0.61	0.61	0.61	0.41
Mount Vernon	0.28	0.32	0.30	0.30
Owen	0.58	0.57	0.53	0.53
Pleasant Valley	0.48	0.49	0.46	0.45
Portland	0.36	0.37	0.35	0.34
Union	0.30	0.30	0.30	0.31

Source: Cerro Gordo County Auditors Office

Fiscal Year Taxes are Payable					
2001	2002	2003	2004	2005	2006
3.30	3.15	3.17	3.21	3.50	3.50
-	-	-	-	0.15	1.00
1.52	1.44	1.43	1.38	1.40	1.36
0.32	0.11	0.11	-	0.23	0.34
5.14	4.70	4.70	4.59	5.28	6.20
3.32	3.13	3.13	3.13	3.42	3.51
8.46	7.83	7.83	7.73	8.69	9.71
10.12	10.10	10.25	10.47	10.55	11.64
8.11	7.83	8.23	8.41	8.98	9.36
13.64	14.78	14.86	14.53	16.65	17.24
8.10	8.10	9.75	9.79	9.86	9.83
2.43	2.97	3.15	3.40	1.22	5.34
6.55	6.55	6.74	6.74	6.84	6.84
8.10	8.10	8.10	8.10	8.10	8.10
20.31	20.92	19.52	17.95	16.64	16.64
10.36	10.39	10.47	10.46	12.83	12.71
7.40	6.22	6.52	7.34	7.41	7.26
13.19	11.92	11.14	13.26	12.16	12.12
0.47	0.47	0.47	0.47	0.54	0.54
0.31	0.28	0.28	0.26	0.33	0.29
0.29	0.31	0.31	0.31	0.35	0.35
0.54	0.54	0.54	0.53	0.59	0.62
0.44	0.42	0.42	0.41	0.47	0.47
0.43	0.42	0.42	0.41	0.50	0.50
0.71	0.81	0.79	0.73	0.82	0.82
0.23	0.23	0.22	0.20	0.27	0.18
0.41	0.41	0.40	0.41	0.42	0.42
0.31	0.31	0.31	0.30	0.38	0.39
0.41	0.41	0.41	0.41	0.41	0.41
0.24	0.24	0.23	0.42	0.49	0.47
0.52	0.50	0.50	0.50	0.63	0.63
0.43	0.40	0.40	0.47	0.51	0.51
0.33	0.32	0.32	0.31	0.34	0.38
0.31	0.31	0.28	0.24	0.28	0.28

(Continued)

CERRO GORDO COUNTY, IOWA

DIRECT AND OVERLAPPING PROPERTY TAX RATES (Continued)
Last Ten Fiscal Years
(rate per $1,000 of assessed value)
(Unaudited)

	Fiscal Year Taxes are Payable			
	1997	1998	1999	2000
School District Rates:				
Clear Lake	11.99	14.42	13.84	13.22
Forest City	14.69	15.76	16.76	16.07
Mason City	13.83	14.42	15.88	14.94
Meservey-Thornton	9.91	9.75	9.93	9.74
Nora Springs-Rock Falls	14.06	15.00	15.21	14.53
North Central	10.73	13.69	13.44	13.99
Rockwell-Swaledale	10.21	10.78	10.58	11.09
Rudd-Rockford-Marble Rock	13.55	13.39	13.16	12.98
Sheffield-Chapin	11.28	11.25	13.76	13.37
Ventura	9.48	11.33	11.29	11.60
Township Rates:				
County Assessor	0.44	0.44	0.43	0.42
City Assessor	0.20	0.24	0.25	0.28
North Iowa Area Community College	0.49	0.50	0.51	0.54
Ag. Extension	0.10	0.11	0.11	0.11
State	0.01	0.01	0.01	0.01
Clear Lake Sanitary Sewer	1.73	1.81	1.82	1.82
Falls - Rock Falls Cemetery	0.07	0.07	0.07	0.07
Benefited Lighting District	0.26	0.23	0.23	0.23

Source: Cerro Gordo County Auditors Office

Fiscal Year Taxes are Payable					
2001	2002	2003	2004	2005	2006
13.34	12.86	12.94	12.83	13.45	12.64
15.92	15.87	15.73	14.77	14.97	15.36
14.50	14.39	15.11	13.65	14.12	14.72
10.77	10.19	9.83	9.02	10.85	11.63
14.68	14.73	16.16	16.27	16.86	16.74
13.44	13.03	14.34	13.97	14.82	14.37
10.81	10.76	11.68	11.90	13.80	13.55
13.03	12.90	13.17	13.17	15.19	15.96
13.10	12.79	12.94	12.90	14.50	14.23
11.62	11.56	11.58	11.72	10.97	10.99
0.48	0.47	0.40	0.40	0.41	0.40
0.31	0.29	0.24	0.23	0.21	0.22
0.53	0.52	0.60	0.61	0.63	0.62
0.11	0.11	0.11	0.11	0.12	0.12
0.01	0.05	0.00	0.00	0.00	0.00
1.81	1.81	1.76	1.70	1.67	1.67
0.07	0.07	0.07	0.07	0.07	0.07
0.23	-	-	-	-	-

(Concluded)

CERRO GORDO COUNTY, IOWA

PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago
(Unaudited)

	Fiscal Year 2006			Fiscal Year 1997		
	Net Taxable Value	Rank	Percent of Total Taxable Value	Net Taxable Value	Rank	Percent of Total Taxable Value
Interstate Power Company	$ 59,662,182	1	3.40%	$ 55,199,263	1	3.24%
Lehigh Portland Cement Company	19,497,363	2	1.11%	28,811,194	2	1.69%
Union Pacific	17,416,084	3	0.99%	16,445,653	-	0.96%
Holnam Inc/Nothwestern States Portland Cement Co.	15,645,316	4	0.89%	25,481,503	3	1.49%
Curries Company	14,870,817	5	0.85%	6,217,627	10	0.36%
QWEST Corporation	13,548,489	6	0.77%	13,013,003	-	0.76%
Mall Associates LLC	12,082,830	7	0.69%	-	-	0.00%
Northern Border Pipeline	11,792,252	8	0.67%	-	-	0.00%
Mason City Shopping Center	10,454,660	9	0.60%	-	-	0.00%
Mills Properties Inc	10,017,262	10	0.57%	-	-	0.00%
General Foods Corporation	-	-	-	19,226,919	4	1.13%
US West/Northwestern Bell	-	-	-	12,022,395	5	0.70%
CAG Subsidary (Con Agra)	-	-	-	12,004,726	6	0.70%
Principal Mutual Life	-	-	-	8,000,000	7	0.47%
Union Pacific/North Line Council Bluffs	-	-	-	7,136,970	8	0.42%
Clear Lake Independent Telephone Company	-	-	-	6,488,000	9	0.38%
	$ 184,987,255		10.54%	$ 210,047,253		12.32%

Net Taxable Value is the value on which real estate taxes are calculated and on which the budgets of the various Levy Authorities are based.

Source: Cerro Gordo County Auditor's Office

CERRO GORDO COUNTY, IOWA

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30	Property Taxes Levied for the Fiscal Year	Property Taxes Collected Within the Fiscal Year of the Levy		Property Tax Collections in Subsequent Years	Property Taxes Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	$ 33,653,254	$ 33,029,933	98.15%	$ 47,140	$ 33,077,073	98.29%
1998	35,904,786	35,763,919	99.61%	24,056	35,787,975	99.67%
1999	38,974,766	38,912,357	99.84%	69,769	38,982,126	100.02%
2000	39,957,583	39,870,744	99.78%	7,310	39,878,054	99.80%
2001	39,666,372	39,603,479	99.84%	8,684	39,612,163	99.86%
2002	42,976,436	42,543,086	98.99%	18,382	42,561,468	99.03%
2003	44,383,926	44,169,153	99.52%	8,059	44,177,212	99.53%
2004	44,544,314	42,566,151	95.56%	144,700	42,710,851	95.88%
2005	47,203,216	45,252,976	95.87%	24,111	45,277,087	95.92%
2006	51,164,802	49,185,934	96.13%	-3,149	49,182,785	96.13%

Total tax collections solely for Cerro Gordo County were:

Fiscal Year	Amount
1997	$7,246,784
1998	$7,319,823
1999	$7,830,349
2000	$8,433,188
2001	$8,311,186
2002	$9,016,960
2003	$9,175,330
2004	$9,194,534
2005	$10,259,896
2006	$11,607,154

Source: Cerro Gordo County Treasurer's Office

CERRO GORDO COUNTY, IOWA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	General Bonded Debt Outstanding: General Obligation Bonds	General Bonded Debt Outstanding: Total	Percentage Net Taxable Value of Property (1)	Per Capita (2)
1997	$ 885,000	$ 885,000	0.07%	$ 19.07
1998	375,000	375,000	0.03%	8.12
1999	1,480,000	1,480,000	0.10%	32.41
2000	1,520,000	1,520,000	0.10%	32.73
2001	930,000	930,000	0.06%	20.38
2002	635,000	635,000	0.04%	14.01
2003	400,000	400,000	0.02%	8.87
2004	1,460,000	1,460,000	0.08%	32.42
2005	1,235,000	1,235,000	0.07%	27.54
2006	1,095,000	1,095,000	0.06%	24.42

1. See Assessed Value and Actual Value of Taxable Property Schedule for property value data.
2. Calculated using population figure from Demographics and Economic Statistics Table.

Source: Cerro Gordo County Auditor's Office

CERRO GORDO COUNTY, IOWA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2006
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
County direct debt	$ 1,235,000	100.00%	$ 1,235,000
City debt:			
Clear Lake	4,405,000	100.00%	4,405,000
Mason City	13,007,596	100.00%	13,007,596
Nora Springs	455,000	7.21%	32,826
Thornton	335,000	100.00%	335,000
Ventura	267,000	100.00%	267,000
Total City debt			$ 18,047,422
School Districts:			
Clear Lake	4,865,000	100.00%	$ 4,865,000
Forest City	2,910,000	3.47%	100,987
Mason City	5,175,000	100.00%	5,175,000
Meservey-Thornton	125,000	68.63%	85,790
Nora Springs-Rock Falls	685,000	46.90%	321,240
North Central	3,313,000	30.32%	1,004,417
Rockwell-Swaledale	1,950,000	100.00%	1,950,000
Rudd-Rockford-Marble Rock	675,000	7.45%	50,267
Sheffield-Chapin	1,870,000	22.77%	425,767
Ventura	615,000	74.86%	460,387
Total School District debt			$ 14,438,855
Other Districts:			
Clear Lake Sanitary District	8,953,000	100.00%	$ 8,953,000
Subtotal, overlapping debt			$ 41,439,277
Total direct and overlapping debt			$ 42,674,277

Source: Cities and school districts within Cerro Gordo County

CERRO GORDO COUNTY, IOWA

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(Unaudited)

	1997	1998	1999	2000
Debt Limit, 5% of Assessed Value	83,601,582	88,257,916	98,023,080	100,269,052
Total net debt applicable to limit	1,165,000	375,000	1,480,000	1,520,000
Legal Debt Margin	$ 82,436,582	$ 87,882,916	$ 96,543,080	$ 98,749,052
Total net debt applicable to the limit as a percentage of debt limit	1.39%	0.42%	1.51%	1.52%

Source: County records

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed Value	$	2,833,712,596
Debt Limit (5% of assessed value)		141,685,630
Debt applicable to limit:		
General obligation bonds		215,000
General obligation capital loan notes		880,000
Capital leases		20,698
Total net debt applicable to limit		1,115,698
Legal debt margin	$	140,569,932

2001	2002	2003	2004	2005	2006
107,912,790	112,656,798	118,713,033	122,439,191	127,853,370	141,685,630
930,000	635,000	400,000	1,460,000	1,235,000	1,115,698
106,982,790 $	112,021,798 $	118,313,033 $	120,979,191 $	126,618,370 $	140,569,932
0.86%	0.56%	0.34%	1.19%	0.97%	0.79%

CERRO GORDO COUNTY, IOWA

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years
(Unaudited)

Year	Population [1]	Personal Income [2]	Per Capita Personal Income [2]	Farm Proprietors [2]	School Emrollment [3]	Unemployment Rate [4]
1996	46,584	$ 1,041,586	$ 22,124	820	7,521	3.35%
1997	46,408	1,089,210	23,130	819	7,970	2.83%
1998	46,159	1,139,081	24,262	823	7,886	2.70%
1999	45,669	1,156,285	24,793	810	7,894	2.59%
2000	46,447	1,216,807	26,261	804	7,769	3.10%
2001	45,638	1,226,329	26,816	775	7,764	3.40%
2002	45,339	1,265,315	27,910	776	7,475	4.10%
2003	45,118	1,301,560	28,749	752	7,444	4.20%
2004	45,029	1,412,977	31,514	749	7,183	4.60%
2005	44,836	*	31,879	*	6,962	4.70%

(1) U.S. Census Bureau.
(2) Bureau of Economic Analysis, U.S. Department of Commerce.
(3) School districts in Cerro Gordo County.
(4) Iowa Workforce Development
* Information not yet available.

CERRO GORDO COUNTY, IOWA

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(Unaudited)

	2006			1997		
	Employees	Rank	Percent of Total County Employment	Employees	Rank	Percent of Total County Employment
Mercy Medical Center North Iowa	1,900	1	7.34%	500-999	1	2.86%
Curries Graham	1,141	2	4.41%	500-999	2	2.86%
Mason City Community School District	600	3	2.32%	-	-	-
Woodharbor Molding & Millwork Inc.	480	4	1.85%	-	-	-
Principal Life Insurance Co.	450	5	1.74%	500-999	3	2.86%
Hy-Vee Food Stores	323	6	1.25%	250-499	5	1.43%
Larson Manufacturing Co. of South Dakota	320	7	1.24%	-	-	-
City of Mason City	255	8	0.98%	-	-	-
Oscar Meyer Foods Corp Svc Co.	250	9	0.97%	-	-	-
I C Systems Inc.	236	10	0.91%	-	-	-
Mason City Clinic	-	-	-	250-499	4	1.43%
Opportunity Village	-	-	-	250-499	6	1.43%
Alexander Manufacturing Co.	-	-	-	250-499	7	1.43%
Target Stores	-	-	-	250-499	8	1.43%
IMI Cornelius	-	-	-	250-499	9	1.43%
Armour Food Co.	-	-	-	250-499	10	1.43%
	$ 5,955		23.00%	$ 3,250 - 6,490		18.61%

Source: Number of Employees provided by Mason City Economic Development Corporation. Total Cerro Gordo County labor force provided by Iowa Workforce Development.

Note: Only actual number of employees for the current year is available. For prior years, only range of employees is available.

CERRO GORDO COUNTY, IOWA

FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year			
Function/Program	1997	1998	1999	2000
Public Safety and Legal Services:				
Sheriff	32.00	32.00	35.00	44.00
Attorney	8.00	11.00	11.00	11.00
Child Support Recovery	6.00	7.00	5.00	6.00
Physical Health and Social Services:				
Health Department	45.00	46.00	49.00	46.00
General Relief	1.25	1.25	1.25	1.25
Veteran Affairs	1.75	1.75	1.75	1.75
Mental Health:				
CPC	1.00	1.00	1.00	1.00
Case Management	8.00	6.00	6.00	6.00
County Environment and Education:				
Conservation	6.50	6.00	6.00	6.00
Planning and Zoning:	0.50	0.50	0.50	0.50
Roads and Transportation:				
Engineer	42.00	42.00	42.00	41.00
Roadsides	3.00	3.00	3.00	3.00
Governmental Services to Residents:				
Treasurer, motor vehicles	5.20	5.20	4.55	4.20
Recorder	4.00	5.00	5.00	5.00
Auditor, elections	2.00	1.50	1.50	2.50
Administration:				
Board of Supervisors	3.00	3.00	3.00	3.00
Auditor	7.50	7.50	7.50	5.50
Treasurer, tax	3.80	3.80	3.45	3.80
MIS	5.00	6.00	6.00	6.00
Courthouse Maintenance	2.50	2.50	2.50	2.50
Safety	0.50	0.50	0.50	0.50
Personnel	0.50	0.50	0.50	0.50
Total	189	193	196	201

Source: County Records

Fiscal Year					
2001	2002	2003	2004	2005	2006
50.00	50.00	54.00	53.00	53.00	51.00
11.00	11.00	11.00	11.00	11.00	10.00
6.00	7.00	7.00	7.00	7.00	7.00
44.00	46.00	51.00	49.00	49.00	49.00
1.25	1.25	1.25	1.25	1.35	1.35
1.75	1.75	1.75	1.75	1.65	1.65
1.00	1.00	1.00	1.50	1.50	1.50
5.00	6.00	7.00	7.00	9.00	10.00
6.50	6.50	6.50	6.50	6.50	6.00
0.50	0.50	0.50	1.00	1.00	1.00
39.00	41.00	42.00	43.00	43.00	43.00
3.00	3.00	3.00	3.00	3.00	3.00
5.20	6.60	6.60	6.60	6.60	6.60
5.00	5.00	5.00	5.00	5.00	5.00
2.50	3.00	2.50	3.00	3.00	3.00
3.00	3.00	3.00	3.50	3.50	3.50
5.50	5.50	5.50	5.50	5.50	5.50
3.80	2.40	2.40	2.40	2.40	2.40
7.00	7.00	7.00	6.00	7.00	7.00
2.50	2.50	2.50	2.50	2.50	2.50
0.50	0.50	0.50	0.50	0.50	0.50
0.50	0.50	0.50	0.50	0.50	0.50
205	211	222	221	224	221

CERRO GORDO COUNTY, IOWA

OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year			
Function/Program	1997	1998	1999	2000
Public Safety and Legal Services:				
Sheriff:				
Weapon permits issued	302	267	263	281
Number of Jail bookings	1,699	2,139	2,141	2,270
Civil Papers Served	5,203	5,490	5,213	5,311
Service Calls	5,046	4,962	5,422	6,142
Number of Arrests	198	261	262	361
Citations and Warnings issued	1,210	1,061	1,805	2,463
Attorney:				
Number cases filed:				
Felony	246	294	267	270
Indictable Misdemeanor	1,394	1,574	1,628	1,327
Juvenile	158	159	172	199
Physical Health and Social Services:				
Health Department:				
Number of immunizations	6,482	6,309	7,437	6,247
Number nursing clients	462	369	436	544
Number nursing visits	7,821	8,083	7,502	6,020
Number Home care aide clients	221	277	246	231
Number Home care aide service hours	16,676	15,172	13,973	13,889
Number of food inspections	3,387	3,581	2,527	3,422
Mental Health:				
CPC: Persons served	298	380	797	817
County Environment and Education:				
Conservation:				
Number of camper nights	3,709	4,080	3,396	3,057
Conservation programs presented	187	210	186	184
People attending programs	11,711	9,064	9,838	9,145
Planning and Zoning:				
Zoning Permits issued	111	101	123	133
Board of Adjustment cases	61	63	38	55
Roads and Transportation:				
Engineer: Miles maintained	953	953	953	948
Governmental Services to Residents:				
Treasurer: Titles issued	15,237	16,459	16,955	15,990
Recorder: Documents recorded	11,528	10,268	13,144	12,385
Auditor:				
Registered voters	30,338	30,395	30,910	30,401
Absentee ballots requested	4,599	1,457	5,277	2,323

Source: County Records

Fiscal Year					
2001	2002	2003	2004	2005	2006
275	328	291	285	304	320
2,504	2,767	3,015	3,111	2,864	3,361
5,483	5,457	5,541	5,593	4,972	4,304
5,786	6,543	6,667	7,098	5,419	5,568
389	551	521	530	412	434
2,211	2,558	3,549	4,272	4,742	4,008
374	450	432	455	432	412
1,249	1,258	1,339	1,252	1,347	1,294
180	212	219	233	229	265
6,738	5,685	5,393	6,578	3,834	5,036
541	411	435	370	352	372
5,677	5,714	5,503	5,864	5,844	5,854
261	247	341	259	238	222
13,984	14,133	16,431	13,858	14,573	13,879
3,147	3,105	2,815	2,469	2,572	2,305
884	934	1,003	1,019	1,055	1,300
2,973	3,306	4,753	4,285	4,715	3,800
272	257	213	271	218	252
11,336	9,023	10,819	11,225	9,102	9,156
105	130	135	145	126	122
42	54	51	32	39	37
948	946	945	965	970	970
16,270	17,726	17,071	17,012	17,186	17,142
10,294	12,739	14,054	16,437	12,807	11,664
31,574	30,783	31,350	31,290	33,239	32,171
6,506	6,113	7,032	3,064	9,505	1,992

CERRO GORDO COUNTY, IOWA

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year			
Function/Program	1997	1998	1999	2000
Public Safety and Legal Services:				
Sheriff:				
Number of vehicles	16	16	16	17
Physical Health and Social Services:				
Health Department:				
Number of vehicles	4	4	5	5
County Environment and Education:				
Conservation:				
Number of park areas	26	28	28	28
Total acres managed	2,857	2,892	2,892	2,892
Number of vehicles	15	15	15	15
Roads and Transportation:				
Engineer:				
Number of vehicles	20	21	22	20
Number of buildings	6	6	6	6
Governmental Services to Residents:				
Auditor, elections:				
Number of voting machines	1	1	1	1

Source: Various County Departments.

Fiscal Year					
2001	2002	2003	2004	2005	2006
18	20	21	22	21	22
6	6	7	7	8	9
29	29	30	30	30	30
2,962	2,962	3,024	3,024	3,024	3,024
15	15	15	15	15	15
21	20	21	21	22	23
6	6	6	6	6	6
2	2	2	32	29	59

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CERRO GORDO COUNTY, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
Years Ended June 30,

		Modified Accrual Basis		
		2006	2005	2004
Revenues:				
Property and other County Tax	$	13,118,367	11,061,423	10,570,374
Interest and Penalty on property tax		139,522	126,247	118,275
Intergovernmental		11,191,640	12,701,807	9,722,154
Licenses and permits		324,776	297,721	270,476
Charges for services		1,205,710	1,228,309	1,292,565
Use of money and property		637,056	374,870	228,181
Fines, forfeitures, and defaults		61,612	-	-
Miscellaneous		1,141,934	950,043	1,215,451
Total	$	27,820,617	26,740,420	23,417,476
Expenditures:				
Current:				
Public safety and legal services	$	4,808,056	4,541,026	4,251,143
Physical health and social services		4,251,999	4,006,819	3,913,976
Mental Health		5,611,348	5,209,344	5,198,915
County environment and education		1,203,407	880,494	921,991
Roads and transportation		5,111,457	4,885,745	4,551,633
Governmental services to residents		827,433	803,724	742,415
Administrative services		1,872,576	1,841,707	1,902,524
Non-program		169,026	354,230	207,694
Debt service		673,630	462,012	78,738
Capital projects		3,299,760	5,027,808	2,281,067
Total	$	27,828,692	28,012,909	24,050,096

See Accompanying Independent Auditors' Report.

Modified Accrual Basis			
2003	2002	2001	2000
10,152,625	9,928,084	9,963,952	9,681,668
110,045	128,449	113,886	109,952
9,214,984	8,150,270	7,642,241	7,531,032
255,666	17,870	25,682	16,856
1,537,166	1,607,381	1,232,500	1,168,535
274,923	405,278	705,077	676,919
-	2,369	1,928	2,721
863,485	679,024	784,551	644,793
22,408,894	20,918,725	20,469,817	19,832,476
4,222,779	3,838,927	3,644,249	3,278,743
3,615,357	3,494,239	3,038,370	2,843,920
5,003,304	4,790,348	5,263,698	5,007,406
855,482	591,227	578,945	531,926
4,496,519	4,577,949	4,328,377	3,546,455
729,694	754,305	612,996	589,493
1,719,801	1,626,570	1,652,354	1,625,355
296,741	31,871	34,299	88,137
265,192	339,763	662,871	535,583
1,605,101	611,437	1,230,675	1,966,240
22,809,970	20,656,636	21,046,834	20,013,258

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Gardiner Thomsen
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Officials of Cerro Gordo County
Mason City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities,each major fund and the aggregate remaining fund information of Cerro Gordo 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 November 2, 2006. These financial statements are the responsibility of Cerro Gordo 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 that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming opinions on the financial statements of the County taken as a whole. The accompanying Schedule of Expenditures of Federal Awards, which is also the responsibility of the County's management, is presented for purposes of additional analysis and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

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

November 2, 2006

Gardiner Thomsen, P.C.

P.O. Box 216 •Charles City, IA 50616-0216 •Phone: (641) 228-7096 •Fax: (641) 228-7103 •www.gardinercpa.com

CERRO GORDO COUNTY, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture			
Rural Development	10.760		3,500
U.S. Environmental Protection Agency			
Surveys, Studies, Investigations, and Special Purpose	66.202		114,260
Surveys, Studies and Investigations - Grants and Cooperative Agreements	66.436		44,726
Total Direct			162,486
Indirect:			
U.S. Department of Agriculture			
Iowa Department of Human Services			
Human Services Administrative Reimbursements			
State Administrative Matching Grants for Food Stamp Program	10.561		24,440
U.S. Department of Justice			
Iowa Office of Drug Control Policy			
Edward Byrne Memorial State and Local Law Enforcement Grant	16.579	05JAG-E12	69,997
Iowa Department of Justice			
STOP Violence Against Women	16.588	VW-06-57	33,600
U.S. Department of Transportation			
Iowa Department of Transportation			
Highway Planning and Construction	20.205	2-01-HBRRS-034	168,795
National Highway Traffic Safety Administration			
Iowa Department of Public Safety			
Traffic Safety Bureau			
State and Community Highway Safety Program	20.600		12,571
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons Program	20.605		1,081
U.S. General Services Administration			
Iowa Secretary of State			
Election Reform Payments	39.011	06-HAVA-17-100	39,785
U.S. Department of Health and Human Services			
Iowa Department of Elder Affairs			
Retired Area Agency on Aging			
Special Programs for the Aging - Title III			
Part B - Medication Management	93.044		1,226
Part B - Homemaker	93.044		19,412
			20,638
Special Programs for the Aging - Title III			
Part D - Grants for Supportive Services & Senior Centers	93.052		14,500

CERRO GORDO COUNTY, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Program Expenditures
Indirect (Continued):			
Iowa Department of Public Health			
Bioterrorism Hospital Preparedness Program	93.003	5885BPH27	100,000
Immunization Action Plan	93.268	5886I410	35,439
Breast & Cervical Cancer Prevention	93.283	5885NB07	71,265
Harkin Wellness Grants	93.283	5886HWG05	42,358
Public Health Preparedness and Response for Bioterrorism	93.283	5885BT22	68,147
Wisewoman Cardiovascular Study	93.283	5885WW05	15,246
			197,016
HIV Counseling, Testing & Referral	93.940	5886AP16	27,575
Iowa Department of Human Services			
Human Services Administrative Reimbursement			
Temporary Assistance to Needy Families	93.558		29,505
Child Care Mandatory & Matching Funds of the Child Care & Development Fund	93.596		6,972
Foster Care Title IV-E	93.658		15,249
Adoption Assistance	93.659		3,648
Medical Assistance Program	93.778		39,633
Social Services Block Grant	93.667		20,741
Social Services Block Grant	93.667		187,360
			208,101
U.S. Department of Homeland Security			
Iowa Homeland Security & Emergency Management Division			
Emergency Management Performance Grant	97.042		20,487
Citizen Corps Program	97.067		11,125
Hazardous Materials Waste Management	97.067		131,031
State Homeland Security Grant Program	97.067		252,203
Homeland Security Grant Program	97.067		46,860
			441,219
Total Indirect			1,510,251
Total			1,672,737

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

See Accompanying Independent Auditor's Report.

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Gardiner Thomsen
Certified Public Accountants

INDEPENDENT AUDITORS' 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 Cerro Gordo County
Mason City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Cerro Gordo County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents and have issued our report thereon dated November 2, 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 Cerro Gordo 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 judgement, could adversely affect Cerro Gordo County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

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

Compliance and Other Matters

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

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

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audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statues.

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

November 2, 2006

Gardiner Thomsen, P.C.

Gardiner Thomsen
Certified Public Accountants

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

To the Officials of Cerro Gordo County
Mason City, Iowa

Compliance

We have audited the compliance of Cerro Gordo County, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Cerro Gordo County's major federal programs are identified in Part 1 of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Cerro Gordo County's management. Our responsibility is to express an opinion on Cerro Gordo County's compliance based on our audit.

We conducted our audit of compliance 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 and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cerro Gordo County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Cerro Gordo County's compliance with those requirements.

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

Internal Control Over Compliance

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

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

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A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

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

November 2, 2006

Gardiner Thomsen, P.C.

CERRO GORDO COUNTY, IOWA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Part I: Summary of the Independent Auditors' Results

a. An unqualified opinion was issued on the financial statements.

b. Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.

c. The audit did not disclose any non-compliance which is material to the financial statements.

d. An unqualified opinion was issued on compliance with requirements applicable to each major program.

e. The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

f. Major programs were as follows:

- CFDA Number 20.205 – Highway Planning and Construction
- CFDA Number 66.202 – Surveys, Studies, Investigations and Special Purpose
- CFDA Number 93.003 – Bioterrorism Hospital Preparedness Program
- CFDA Number 93.667 – Social Services Block Grant – Local Purchases
- CFDA Number 97.067 – State Homeland Security Grant Program

g. The dollar threshold used to distinguish between Type A and Type B programs was $300,000.
h. Cerro Gordo County did not qualify as a low-risk auditee.

CERRO GORDO COUNTY, IOWA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Part II: Findings Related to the Financial Statements

REPORTABLE CONDITIONS

II-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.

Recommendation—We realize that with a limited number of office employees, segregation of duties is difficult. However, each county official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances.

Response—We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the custody, record-keeping and reconciling functions currently performed by the Deputy will be separated and spread among the County Official, Deputy and Clerks. We plan to implement these changes as soon as possible.

Conclusion—Responses accepted.

INSTANCES OF NON-COMPLIANCE

No matters were reported.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE

No matters were reported.

REPORTABLE CONDITIONS

No matters were reported.

CERRO GORDO COUNTY, IOWA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-06 **Certified Budget** – Disbursements during the year ended June 30, 2006, exceeded the amount budgeted in the Mental Health, County Environment & Education, Debt Service and Capital Projects Functions. Disbursements in certain departments exceeded the amounts appropriated. Appropriations were not awarded before expenditures were made.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.
Chapter 331.436(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriations. Appropriations should be made before expenditures are made.

Response – We will amend the budget when required and appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

IV-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

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

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

Name & Title	Transaction	Amount
John Bakehouse, spouse of Penny Bakehouse	Janitorial Service	$17,736

The transactions with John Bakehouse may not be authorized in accordance with Chapter 331.342 of the Code of Iowa.

Response – John Bakehouse: The Cerro Gordo County Department of Public Health seeks annual bids from at least three (3) cleaning companies. Bid requests including cleaning specifications are mailed out around March/April time period. The contract is from July (fiscal year beginning) to June (fiscal year ending). Each year the health department's attorney reviews the contract procedures and awarding.

Conclusion – Response accepted.

IV-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 ensure that the coverage is adequate for current operations.

IV-F-06 **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the Board went into closed session on July 5, 2005 and January 11, 2006, to discuss matters relating to the County. The minutes do not document the procedures for closed sessions required by Chapter 21.5 of the Code of Iowa.

Recommendation – Chapter 21.5 of the Code of Iowa requires documentation of a roll call vote to enter into closed session, the specific exemption allowed under the Code, a roll call vote to come out of closed session, and the final action taken by the County.

Response – We will comply with Chapter 21.5 of the Code of Iowa in the future.

Conclusion – Response accepted.

IV-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.

IV-H-06 **Resource Enhancement and Protection Certification** – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-06 **Economic Development** – During the year ended June 30, 2006, the County paid $368,818 for Economic Development, which appears to be an appropriate expenditure of public funds since the public benefits to be derived have been clearly documented.

IV-J-06 **Grant Activity** – The County complied with grant regulations; no violations were noted.

IV-K-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. Disbursements for the County Extension Office during the year ended June 30, 2005, did not exceed the amount budgeted.

IV-L-06 **Capital Lease Purchase Agreement** – During the year ended June 30, 2006, the County entered into a capital lease purchase agreement for the purchase of a postage machine. However, a public hearing was not held prior to the authorization of this lease agreement as required by Chapters 331.301(10)(e) and 331.443 of the Code of Iowa.

Recommendation – The County should consult legal counsel for the disposition of this matter. In the future, the County should hold a public hearing prior to the authorization of a lease purchase agreement in accordance with Chapters 331.301(10)(e) and 331.443 of the Code of Iowa.

Response – We will consult legal counsel and this will be complied with in the future.

Conclusion – Response accepted.

IV-M-06 **Financial Condition** – We noted deficit fund balances in the Governmental Fund, Capital Projects of $588,497 and the Agency Fund, Employee Benefits of $2,524.

Recommendation – The County should investigate alternatives to eliminate the deficits.

Response – The deficit in the Capital Projects Fund is due to construction prior to receipt of General Obligation Bond funds. The deficit was eliminated on August 9, 2006. The deficit in the Employee Benefits Fund was due to an expenditure made that should have been reimbursed, but was not. It will be corrected.

Conclusion – Response accepted.