CHICKASAW COUNTY
NEW HAMPTON, IOWA

FINANCIAL REPORT

JUNE 30, 2006

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CHICKASAW COUNTY

OFFICIALS

Name	Title	Term Expires
Arnie Boge	Board of Supervisors	January 2007
Sherry Mattke	Board of Supervisors	January 2007
John Huegel	Board of Supervisors	January 2008
James Schueth	Board of Supervisors	January 2008
Virgil Pickar, Jr.	Board of Supervisors	January 2008
Judy Babcock	County Auditor	January 2008
Sue Breitbach	County Treasurer	January 2007
Cindy Messersmith	County Recorder	January 2007
Martin Larsen	County Sheriff	January 2008
W. Patrick Wegman	County Attorney	January 2007
Douglas Welton	County Assessor	

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INDEPENDENT AUDITOR'S REPORT ON THE THE FINANCIAL STATEMENTS

To the Board of Supervisors
Chickasaw County
New Hampton, 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 Chickasaw County 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 Chickasaw 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, the business-type activities, each major fund, and the aggregate remaining fund information of Chickasaw County as of June 30, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2006, on our consideration of Chickasaw County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on page 4 and pages 29 through 31, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
October 6, 2006

CHICKASAW COUNTY
NEW HAMPTON, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2006

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

FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 5.38%, or approximately $508,000, from fiscal 2005 to fiscal 2006. Operating grants and contributions increased approximately $136,000, capital grants and contributions increased approximately $90,000, and earning on investments increased approximately $92,000.

- Program expenses were 3.32%, or approximately $293,000, more in fiscal 2006 than in fiscal 2005. County environment and education expense increased approximately $152,000 and roads and transportation expenses increased approximately $565,000.

- The County's net assets increased 3.83%, or approximately $ 813,000, from June 30, 2005 to June 30, 2006.

USING THE BASIC FINANCIAL STATEMENTS

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Chickasaw County as a financial whole, or as an entire operating entity.

The government-wide financial statements consist of a statement of net assets and a statement of activities. These provide information about the activities of Chickasaw County as a whole and present an overall view of the County's finances and a longer-term view of those finances.

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Chickasaw County's operations in more detail than the government-wide statements by providing information about the most significant funds with all other non-major funds presented in total in a single column. For Chickasaw County, the general fund, MH/DD-special revenue fund, rural services-special revenue fund, and secondary roads-special revenue fund are the most significant funds. The remaining statements provide financial information about activities for which Chickasaw County acts solely as an agent or custodian for the benefit of those outside of the government.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's budget for the year.

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

Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

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

In the statement of net assets and statement of activities, the County is divided into two distinct kinds of activities:

Governmental Activities: Most of the County's programs and services are reported here, including public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, interest on long-term debt and other non-program activities. Property tax, state tax credits and state and federal grants finance most of these activities.

Business-Type Activities: The County records their health insurance as an internal service fund.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial reports provide detailed information about the County's major funds. The County uses different funds in accordance with the Uniform Financial Accounting for Iowa County Governments to record its financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the general fund, MH/DD-special revenue fund, rural services-special revenue fund, and secondary roads-special revenue fund.

Governmental Funds

Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds includes: 1) the general fund, 2) the special revenue funds such as mental health, rural service, and secondary roads, and 3) the capital projects fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

Proprietary Fund

Proprietary fund accounts for the employee group health insurance-internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

Fiduciary Funds

Fiduciary funds are used to report assets held in an agency capacity for others and cannot be used to support the government's own programs. The County has agency funds that account for emergency management services, the county assessor, E911 service board are some examples.

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

A summary reconciliation between the government-wide financial statements and the fund financial statements follows the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets.

Condensed Statement of Net Assets
(Expressed in Thousands)

	2006	2005	Percent Change
Current and other assets	$ 11,321	$ 12,772	-11.36%
Capital assets	16,397	14,461	13.39%
Total assets	27,718	27,233	1.78%
Long-term debt outstanding	548	575	-4.70%
Other liabilities	5,120	5,421	-5.55%
Total liabilities	5,668	5,996	-5.47%
Net assets			
Invested in capital assets	16,397	15,982	2.60%
Restricted	2,447	2,502	-2.20%
Unrestricted	3,206	2,753	16.45%
Total net assets	$ 22,050	$ 21,237	3.83%

Chickasaw County's net assets for the governmental activities increased moderately from fiscal 2005 to fiscal 2006, due to the recording of more capital assets and increase in revenues. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment). Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets-the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements-increased for the governmental activities approximately $453,000 or 16.45%.

The following analysis shows the change in net assets for the year ending June 30, 2006:

	Changes in Net Assets of Governmental Activities (Expressed in Thousands)		
	2006	2005	Percent Change
Revenues:			
Program revenue			
Charges for service	$ 987	$ 1,095	-9.86%
Operating grants	3,363	3,499	-3.89%
Capital grants	446	356	25.28%
General revenue			
Property taxes	3,979	3,679	8.15%
Local option sales tax	491	496	-1.01%
Penalty and interest on property taxes	25	26	-3.85%
State tax credits	256	259	-1.16%
Rents	70	-	100.00%
Grants and contributions	32	22	45.45%
Unrestricted investment earnings	244	152	60.53%
Gain (loss) on sale of capital assets	48	(154)	-131.17%
Other	1	4	-75.00%
Total revenues	9,942	9,434	5.38%
Program expenses:			
Public safety and legal services	1,146	1,102	3.99%
Physical health and social services	1,081	1,141	-5.26%
Mental health	994	986	0.81%
County environment and education	628	476	31.93%
Roads and transportation	3,876	3,311	17.06%
Government services to residents	362	368	-1.63%
Administration or general government	889	843	5.46%
Non-program	153	609	-74.88%
Total expenses	9,129	8,836	3.32%
Increase in net assets	813	598	35.95%
Net assets beginning of year	21,237	20,639	2.90%
Net assets end of year	$ 22,050	$ 21,237	3.83%

As the County completed the year, its governmental funds reported a combined fund balance of $6,394,193, approximately $398,881 increase of the 2005 fiscal year end balance of $5,995,312.

- The general fund revenues increase 10% from prior year, whereas, the expenditures only increased by 5% from prior year. The ending fund balance showed an increase of 23.01% from the prior year of $2,344,810 to $2,884,251.

- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, the revenues and expenditures were consistent from the prior year. The mental health fund balance at year end increased by $725 over the prior year.

- Secondary roads fund revenues decreased approximately $17,000 over the prior year. For the year, expenditures totaled $3,981,289, an increase of $88,000. This increase in expenditures results in a decrease in the secondary roads fund ending balance of approximately $114,000, or 7.3%.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its budget twice. The amendments were made in March and May and resulted in an increase in general fund disbursements. However, this did not require an increase in taxes as the County received more intergovernmental revenues than originally projected.

The amendments made during the 2006 fiscal year should have no impact on the 2007 fiscal year's budget.

The following chart shows the original and amended budget for fiscal 2006 as well as the actual revenue and expenditures for the year:

Budgetary Comparison Schedule
(Expressed in Thousands)

	Budget Basis	Budget Amounts Original	Budget Amounts Final	Variance
REVENUES				
Property and other County tax	$ 4,461	$ 4,349	$ 4,349	$ 112
Interest and penalty on property tax	25	25	25	-
Intergovernmental	4,136	4,068	4,327	(191)
Licenses and permits	15	7	7	8
Charges for service	634	537	537	97
Use of money and property	215	73	73	142
Miscellaneous	149	53	53	96
Total revenues	9,635	9,112	9,371	264
EXPENDITURES				
Public safety and legal services	1,162	1,169	1,201	39
Physical health and social services	1,060	1,312	1,324	264
Mental health	984	1,101	1,101	117
County environment and education services	620	494	667	47
Roads and transportation	3,365	3,387	3,387	22
Governmental services to residents	485	457	499	14
Administrative services	893	1,018	1,026	133
Capital project	719	508	848	129
Total expenditures	$ 9,288	$ 9,446	$ 10,053	$ 765

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2006, Chickasaw County had $16,396,861 invested in a broad range of capital assets, including large road equipment, infrastructure and construction in progress for the governmental activities.

The County had depreciation expense of $790,509 for fiscal year 2006 and total accumulated depreciation of $9,562,469 as of June 30, 2006 for the governmental activities. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Liabilities

At June 30, 2006 Chickasaw County has approximately $548,458 in estimated postclosure costs for the landfill. As postclosure expenses are incurred, such as engineering costs, or the cost of leachate disposal, the estimated costs are reduced. For fiscal year 2005, the estimate was $575,212. The County is required to demonstrate financial assurance for the estimated costs at a minimum. At June 30, 2006, the balance restricted for postclosure costs was $615,017.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Chickasaw County's elected and appointed officials and citizens always considered many factors while setting the fiscal year 2007 budget, tax rates, and the fees that will be charged for various County activities, with one of the largest considerations, the economy. The County's economy remains heavily dependent on the agriculture industry.

Within the last two years, local economic development has been on an upswing. Several projects have been completed and attained employment within the recent past. New Hampton has grown to include Croell Headquarters, Progress Casting LTD, as well as other various expansions to local industry; Fredericksburg now includes Kerry Inc. at the site of vacant Con Agra site, the new Fredericksburg Clinic, Nashua includes GMT Corp at the vacant Featherlite site, GMT, Iowa Base Inc. and the Welcome Center along the Avenue of the Saints. Over 300 jobs have been brought to the area-wide community with the new plant openings. In fact, recent economic development funding requests have superseded local option sales taxes revenue specifically intended for that purpose. The Board has designated $300,000.00 from the general basic fund to fund the present deficit as well as the anticipated industry growth. The County is anticipating construction of new ethanol plant industry to begin during the construction season of 2007 with a value of $160M, and a subsequent coal gasification plant with a value of $60M anticipated to follow. The Board granted a 20-year tax abatement on new valuation infrastructure to the area as an economic development enticement.

Along with the growth in area industry, the County has seen a substantial increase in the number of housing subdivisions. To attain planned and uniform development, the County is near to completion and adoption of a Comprehensive Land Plan under the auspices of INRCOG. After the adoption of the Comprehensive Land Plan, County officials expect to adopt subdivision only zoning.

The tax levy for the operating budget has decreased to 8.0725 for FY 2006-07; compared to 8.99751 for FY 2005-06; 8.615, the FY 2003-04; 7.14, decreasing the tax asking to $3,847,642 for FYE 2007, from the $4,151,424 over the final 2006 budget. The County has added no major new programs or initiatives to the 2007 budget, with the exception of mandated Homeland Security and Bioterrorism.

The County has a Capital Projects Fund for purposes of large building maintenance and capital expenditure projects. In FYE 2007 the Capital Projects funding replaced the boiler at the Heritage Residence and is acquiring real estate located at 302 E. Prospect Street in New Hampton for locating offices of Mental Health and Case Management Services and storage of emergency management and disaster equipment. The County has been sharing Case Management services with Mitchell County and CPC for coordination of mental health case management services, on July 1, 2005. The mental health budget has remained consistent, with fiscal year 2006-07 at $490,910.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Chickasaw County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Chickasaw County, 8 E. Prospect Avenue, P.O. Box 311, New Hampton, IA 50659.

EXHIBIT A

CHICKASAW COUNTY

STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities
ASSETS	
Cash and pooled investments	$ 6,431,233
Receivables	
Property tax	
Delinquent	10,584
Succeeding year	3,847,642
Accounts	50,148
Accrued interest	85,890
Due from other governments	218,113
Inventories	627,225
Prepaid expenses	50,250
Nondepreciable assets	1,858,812
Capital assets, net of accumulated depreciation	14,538,049
Total assets	$ 27,717,946
LIABILITIES AND NET ASSETS	
Accounts payable	$ 1,001,051
Salaries and benefits payable	82,468
Due to other governments	21,039
Deferred revenue	
Succeeding year property tax	3,847,642
Long-term liabilities	
Portion due within one year	
Compensated absences	167,795
Portion due after one year	
Postclosure costs	548,458
Total liabilities	5,668,453
NET ASSETS	
Invested in capital assets	16,396,861
Restricted for	
Mental health	408,323
Rural service	612,361
Secondary roads	799,165
Other purposes	627,225
Unrestricted	3,205,558
Total net assets	22,049,493
Total liabilities and net assets	$ 27,717,946

See Notes to Financial Statements.

EXHIBIT B

CHICKASAW COUNTY

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Functions and Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Program Revenues: Capital Grants	Net (Expense) Revenue and Change in Net Assets
Governmental activities					
Public safety and legal services	$ 1,145,676	$ 59,257	$ 133,946		$ (952,473)
Physical health and social services	1,080,663	174,927	597,479	$ -	(308,257)
Mental health	994,267	16,476	478,169		(499,622)
County environment and education	628,142	15,212	15,351	-	(597,579)
Roads and transportation	3,875,621	46,912	2,130,337	315,453	(1,382,919)
Government services to residents	362,251	207,936	-	130,729	(23,586)
Administration or general government	889,048	152,441	7,490		(729,117)
Nonprogram	153,811	313,957			160,146
Total governmental activities	9,129,479	987,118	3,362,772	446,182	(4,333,407)
General revenues					
Property taxes levied for					3,978,786
General purposes					490,913
Local option sales tax					24,732
Penalty and interest on property taxes					256,218
State tax credits					69,914
Rents					32,409
Grants and contributions					244,400
Unrestricted investment earnings					47,681
Gain on sale of capital assets					865
Miscellaneous					
Total general revenues					5,145,918
Change in net assets					812,511
Net assets, beginning of year					21,236,982
Net assets, end of year					$ 22,049,493

See Notes to Financial Statements.

EXHIBIT C

CHICKASAW COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General	Special Revenue: Mental Health	Special Revenue: Rural Services	Special Revenue: Secondary Roads	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and pooled investments	$ 2,734,461	$ 543,730	$ 588,363	$ 1,211,654	$ 1,049,932	$ 6,128,140
Receivables						
Property tax						
Delinquent	7,101	1,353	2,130	-		10,584
Succeeding year	2,211,914	490,910	1,144,818	-		3,847,642
Accounts	37,334	1,694	-	10,629	491	50,148
Accrued interest	83,432	-	-	-	1,624	85,056
Due from other governments	100,803	991	21,873	72,573	21,873	218,113
Inventories	-	-		627,225		627,225
Prepaid insurance	32,679			17,571		50,250
Total assets	$ 5,207,724	$ 1,038,678	$ 1,757,184	$ 1,939,652	$ 1,073,920	$ 11,017,158
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 55,148	$ 138,633	$ 5	$ 442,360	$ 25,086	$ 661,232
Salaries and benefits payable	41,812	812	-	39,790	54	82,468
Due to other governments	7,498	-	-	13,541		21,039
Deferred revenue						
Succeeding year property tax	2,211,914	490,910	1,144,818	-		3,847,642
Other	7,101	1,353	2,130	-		10,584
Total liabilities	2,323,473	631,708	1,146,953	495,691	25,140	4,622,965
Fund balances						
Reserved for						
Inventories				627,225		627,225
Prepaid expenditures	32,679			17,571		50,250
Other					636,853	636,853
Unreserved						
General fund	2,851,572					2,851,572
Special revenue funds		406,970	610,231	799,165	411,927	2,228,293
Total fund balances	2,884,251	406,970	610,231	1,443,961	1,048,780	6,394,193
Total liabilities and fund balances	$ 5,207,724	$ 1,038,678	$ 1,757,184	$ 1,939,652	$ 1,073,920	$ 11,017,158

See Notes to Financial Statements.

CHICKASAW COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

Reconciliation of governmental fund balances to net assets	
Total governmental fund balances	$ 6,394,193
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds, net of accumulated depreciation of $ 9,562,469	16,396,861
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	10,584
Internal service funds are 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.	(35,892)
Other liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the funds	
Postclosure costs	(548,458)
Compensated absences	(167,795)
Net assets of governmental activities	$ 22,049,493

See Notes to Financial Statements.

EXHIBIT D

CHICKASAW COUNTY

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

	General	Special Revenue: Mental Health	Special Revenue: Rural Services	Special Revenue: Secondary Roads	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property and other County tax	$ 2,464,877	$ 469,762	$ 1,165,500	$ 245,457	$ 122,728	$ 4,468,324
Interest and penalty on property tax	24,732					24,732
Intergovernmental	1,034,609	508,754	68,906	2,445,790	7,115	4,065,174
Licenses and permits	14,401		-	800		15,201
Charges for service	586,574	16,476	-	45,366	5,210	653,626
Use of money and property	225,993				18,143	244,136
Miscellaneous	96,053	-	-	51,224	800	148,077
Total revenues	4,447,239	994,992	1,234,406	2,788,637	153,996	9,619,270
EXPENDITURES						
Current						
Public safety and legal services	1,116,046		6,548		33,269	1,155,863
Physical health and social services	1,078,649					1,078,649
Mental health		994,267				994,267
County environment and education services	253,221		72,152		303,619	628,992
Roads and transportation				3,337,844		3,337,844
Governmental services to residents	489,156				8,697	497,853
Administrative services	859,831				2,000	861,831
Nonprogram	-	-	-	-	-	-
Capital project				643,445	28,050	671,495
Total expenditures	3,796,903	994,267	78,700	3,981,289	375,635	9,226,794
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	650,336	725	1,155,706	(1,192,652)	(221,639)	392,476
OTHER FINANCING SOURCES (USES)						
Transfers in				1,073,928	117,836	1,191,764
Proceeds from disposal of capital assets	1,605			4,800		6,405
Transfers out	(112,500)		(1,079,264)			(1,191,764)
	(110,895)	-	(1,079,264)	1,078,728	117,836	6,405
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	539,441	725	76,442	(113,924)	(103,803)	398,881
FUND BALANCES, beginning of year	2,344,810	406,245	533,789	1,557,885	1,152,583	5,995,312
FUND BALANCES, end of year	$ 2,884,251	$ 406,970	$ 610,231	$ 1,443,961	$ 1,048,780	$ 6,394,193

See Notes to Financial Statements.

CHICKASAW COUNTY

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of governmental funds to the Statement of Activities		
Net change in fund balances - total governmental funds		$ 398,881
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.		
Capital outlays	$ 1,214,094	
Depreciation	(790,509)	423,585
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		
Property tax	1,373	
Other	-	1,373
The net effect of disposal of capital assets.		(9,263)
The internal service fund is used by management to charge the costs of employee health benefits to individual funds. The net revenue of the internal service fund is reported with governmental activities.		(29,021)
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.		
Compensated absences	202	
Postclosure costs	26,754	26,956
Change in net assets of governmental activities		$ 812,511

See Notes to Financial Statements.

EXHIBIT E

CHICKASAW COUNTY

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2006

	Internal Service
ASSETS	
Cash and pooled investments	$ 303,093
Accrued interest receivable	834
Total assets	$ 303,927
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	$ 269,481
Deferred revenue	70,338
Total liabilities	339,819
Net assets	
Unrestricted	(35,892)
Total liabilities and net assets	$ 303,927

See Notes to Financial Statements.

EXHIBIT F

CHICKASAW COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
For the Year Ended June 30, 2006

	Internal Service
OPERATING REVENUES	
Charges for service	$ 959,364
OPERATING EXPENSES	
Insurance claims paid	835,120
Administrative fees	163,513
Total operating expenses	998,633
Operating loss	(39,269)
NONOPERATING REVENUES (EXPENSES)	
Interest income	10,248
Change in net assets	(29,021)
NET ASSETS, beginning of year	(6,871)
NET ASSETS, end of year	$ (35,892)

See Notes to Financial Statements.

EXHIBIT G

CHICKASAW COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2006

	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from interfund services provided	$ 959,794
Cash payments to suppliers for services	(930,716)
Net cash provided by operating activities	29,078
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	9,789
Net increase in cash and cash equivalents	38,867
CASH and CASH EQUIVALENTS, beginning of year	264,226
CASH and CASH EQUIVALENTS, end of year	$ 303,093
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	$ (39,269)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Increase in salaries and benefits payable	67,919
Increase in deferred revenue	428
Net cash provided by operating activities	$ 29,078

See Notes to Financial Statements.

EXHIBIT H

CHICKASAW COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2006

ASSETS	
Cash and pooled investments	
County Treasurer	$ 985,128
Other County officials	31,608
Receivables	
Property tax	
Delinquent	29,136
Succeeding year	10,793,269
Accounts	50,323
Accrued interest	783
Prepaid insurance	5,169
Total assets	$ 11,895,416
LIABILITIES	
Accounts payable	$ 5,049
Salaries and benefits payable	9,096
Due to other governments	11,836,440
Trusts payable	44,831
TOTAL LIABILITIES	11,895,416
NET ASSETS	$ -0-

See Notes to Financial Statements.

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

Chickasaw 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.

b. Significant Accounting Policies

Scope of Reporting Entity

For financial reporting purposes, Chickasaw County has included all funds, organizations, account groups, 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; or the organization is fiscally dependent on the primary government. Also, any other organizations that due to the nature of significance of their relationship with the County should be included in the financial statements as component units. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Chickasaw County Assessor's Conference Board, Chickasaw County Emergency Management Commission, and Chickasaw County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in agency funds of the County.

Government-wide Financial Statements

The statement of net assets and the statement of activities report information on all of the non-fiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other non-exchange transactions.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Government-wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. The internal service fund is presented in a single column on the face of the proprietary fund statements.

The funds of the financial reporting entity are described below:

Governmental

General Fund

The general fund accounts for all the financial resources of the County, except for those required to be accounted for by other funds. The revenues of the general fund are primarily derived from general property taxes, charges for services, licenses and permits, and certain revenues from state and federal sources. The expenditures of the general fund primarily relate to general administration, public safety and legal services, physical health and social services, county environment and education services, governmental services to residents and administrative services.

Special Revenue Funds

The special revenue funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds. The funds in this category are rural services, secondary roads, and Mental Health/Development Disabilities (MH/DD) Services.

Proprietary Fund Types

Internal Service Fund

Internal service fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost-reimbursement basis.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Fiduciary Fund Types

Agency Funds

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

Measurement Focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements.

On the government-wide statement of net assets and the statement of activities, governmental activities are presented using the "economic resources" measurement focus as defined below in item b.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

a. All governmental fund financial statements are accounted for on current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available spendable resources." Governmental fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in fund balances. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

b. The proprietary funds statements are accounted for on economic resources measurement focus. This means that all assets and all liabilities, whether current or non-current, associated with their activity are included on their statements of net assets. In reporting the financial activity on the proprietary fund statements, the County applies all applicable GASB pronouncements. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the County has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

The government-wide and proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized as earned, and expenses are recognized when incurred. Property tax is recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Revenues susceptible to accrual under the modified accrual basis of accounting are property tax, intergovernmental revenue (shared revenues, grants and reimbursements from other governments), and charges for service and interest revenue. Revenues from licenses and permits, fines and forfeitures, refunds and reimbursements and other miscellaneous sources are generally recognized when received in cash as they are generally not measurable until actually received.

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

Assets, Liabilities and Fund Equity

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

Cash Management, Cash Equivalents and Investments

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

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

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Property Tax Receivable

Property taxes in the governmental funds are 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.

Interfund Transactions

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 fund financial statements. Most of the interfund transactions have been eliminated on the government-wide 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. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Prepaid Expenditures

Payments made for insurance for a future period beyond June 30, 2006 are recorded as prepaid insurance. The fund balances in the governmental fund types have been reserved for the prepaid expenditures recorded in those funds. This reflects the amount of net assets not currently available for expenditure.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Capital Assets

Capital assets, which include property, equipment and vehicles and infrastructure assets, are reported in the governmental column in the government-wide statement of net assets. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Buildings	20-50
Infrastructure	30-50
Equipment	2-20

Due to Other Governments

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

Trusts Payable

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

Deferred Revenue

In the fund financial statements certain revenues are measurable, however they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable as well as delinquent property tax receivables. Deferred revenue on the statement of net assets consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Compensated Absences

County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absence liability attributable to the governmental activities will be paid primarily by the general and secondary road funds.

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities of net assets.

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

Fund Balance

In the governmental fund financial statements, reservation of fund balances are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Reserved fund balances are used first when an expenditure is incurred for purposes for both reserved and unreserved fund balances.

Net Assets

Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consists of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted net assets are used first when an expense is incurred for purposes for both restricted and unrestricted net assets.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Revenues, Expenditures and Expenses

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

Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable, but has not been collected.

Federal and state grants, primarily capital grants, are recorded as revenue when the expenditures for the purpose of the grant have been incurred. Substantially all other shared revenues are recorded during the period when received from the collecting authority, the State of Iowa.

Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Deposits and Investments

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

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

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of $37,606, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest Rate Risk

The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with the needs and use of the County.

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2006:

Governmental	
General fund	
Medicaid	$ 8,156
Medicare	45,425
Contract Law Enforcement	34,613
Other	12,609
	100,803
Special Revenue	
Mental health fund	
Other	991
Rural Services fund	
Local option sales tax	21,873
Secondary roads fund	
Local option sales tax	43,748
Road use tax	2,765
Bridge replacement	26,060
	72,573
Nonmajor governmental	21,873
Total governmental	$ 218,113

4. Capital Assets

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

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Governmental activities				
Land	$ 1,286,650			$ 1,286,650
Infrastructure in progress	234,397	$ 572,162	$ 234,397	572,162
	1,521,047	572,162	234,397	1,858,812
Capital assets being depreciated				
Buildings	3,244,365			3,244,365
Equipment	2,990,308	163,247	125,185	3,028,370
Vehicles	1,692,446	191,207	132,237	1,751,416
Infrastructure	15,554,492	521,875		16,076,367
Total capital assets being depreciated	23,481,611	876,329	257,422	24,100,518
Less accumulated depreciation				
Buildings	651,641	48,743		700,384
Equipment	1,487,981	116,814	125,185	1,479,610
Vehicles	926,667	98,278	122,974	901,971
Infrastructure	5,953,830	526,674		6,480,504
Total accumulated depreciation	9,020,119	790,509	248,159	9,562,469
Total capital assets being depreciated, net	14,461,492	85,820	9,263	14,538,049
Governmental activities Capital assets, net	$15,982,539	$ 657,982	$ 243,660	$16,396,861

4. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government for the year ended June 30, 2006 as follows:

Governmental activities	
Public safety and legal services	$ 21,450
Physical health and social services	5,842
County environment and education	21,104
Roads and transportation	716,920
Governmental services to residents	3,422
Administrative services	21,771
	$ 790,509

5. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The agency fund collections also include accruals of property tax for the succeeding year. The tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments for the year ended June 30, 2006 is as follows:

Governmental		
General fund	Services	$ 7,498
Special revenue fund		
Secondary roads	Services	13,541
Total for governmental		$ 21,039
Fiduciary		
Agency		
County Offices	Collections	$ 8,409
Agricultural extension		159,568
Assessor and special appraisal		263,612
Schools		8,039,527
Area schools		377,016
Corporations		1,925,755
Townships		155,991
Auto license and use tax		321,474
Other		585,088
Total for agency funds		$11,836,440

6. Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by State Statute. The County's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were $189,792, $179,397, and $165,146, respectively, equal to the required contributions for each year.

7. Construction, Purchase and Other Commitments

At June 30, 2006, the total outstanding construction and purchase commitments of the County amount to $339,393.

8. Leases

The County has leased farm land to Robert Schellhorn for $9,914 from March 1, 2006 through February 28, 2007.

The County has leased business property to Heritage Regional Services for $5,000/month from July 1, 2004 through June 30, 2009.

9. Interfund Transfers

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

	Transfers In	Transfers Out
General fund		
Nonmajor governmental		$ 112,500
Special revenue		
Rural services		1,079,264
Secondary roads	$ 1,073,928	
	1,073,928	1,079,264
Nonmajor governmental	117,836	
Total	$ 1,191,764	$ 1,191,764

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

10. Fund Equity

The amounts reserved at June 30, 2006 are as follows:

Reserved fund balances	
General fund	
Prepaid expenditures	$ 32,679
Special revenue fund	
Inventories	627,225
Prepaid expenditures	17,571
Nonmajor governmental funds	636,853
	1,281,649
	$ 1,314,328

11. Changes in Long-term Liabilities

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

	Estimated Liability for Landfill Postclosure Costs	Compensated Absences	Total
Balance beginning of year	$ 575,212	$ 167,997	$ 743,209
Additions		None	None
Reductions	26,754	202	26,956
Balance end of year	$ 548,458	$ 167,795	$ 716,253

11. Changes in Long-term Liabilities (Continued)

Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County stopped accepting waste at the landfill. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as a liability based on landfill capacity used as of each balance sheet date. The $548,458 reported as estimated liability for landfill postclosure care costs at June 30, 2006, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all postclosure care during the year ended June 30, 2006. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

In anticipation of State regulations requiring municipal solid waste landfills to demonstrate financial responsibility for the costs of closure and postclosure care, the County has restricted $615,017 as of June 30, 2006 for such purposes. These funds are reflected as a restriction of fund balance within the special revenue-landfill postclosure costs fund.

12. Contingent Liabilities

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of June 30, 2006 significant amounts of grant expenditures have not been audited by granting authorities but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

13. Risk Management

Chickasaw County is a member in the Heartland Insurance Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Insurance Risk Pool (Pool) is a local government risk-sharing pool whose 10 members include various governmental entities throughout the State of Iowa. The Pool was formed July 1, 1987 for the purpose of providing a voluntary self-insured program to counties in the State of Iowa. The program is designed to provide members a greatly improved loss control program whose purpose is to reduce claims and accidents; aid through sound and equitable claim management practices to reduce costs; and provide the required and/or desired reinsurance at a discount, based on volume and lower risk exposure. The Pool provides coverage and protection in the following categories: workers' compensation, automobile liability, and automobile physical damage and crime lines of business on an occurrence basis. General liability coverage is written on a claims-made basis. There have been no reductions in insurance coverage from prior years.

13. Risk Management (Continued)

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.

The Pool also provides property, inland marine, boiler, public officials' errors and omissions, law enforcement liability and business income and extra expense coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of an 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 contribution 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 $286,302.

The Pool uses reinsurance and excess risk sharing agreements to reduce its exposure to large losses. The Pool retains automobile and general liability risks in excess of $250,000 up to $1,000,000 per claim. The Pool retains workers' compensation risks in excess of $350,000 up to $1,000,000 per claim. Automobile and general liability claims exceeding $1,000,000 are reinsured in an amount not to exceed $3,000,000 per claim. Workers' compensation claims exceeding $1,000,000 are reinsured in an amount not to exceed $2,000,000. Crime lines of business risks are retained by the Pool up to $25,000 per occurrence. Automobile physical damage risks are retained by the Pool up to the replacement cost of the vehicle. All property, inland marine, boiler, public officials' errors and omissions, business income and expense, and law enforcement liability risks are also 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 certificates, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance company coverage in any of the past fiscal years.

13. Risk Management (Continued)

Members agree to continue membership in the Pool for a period of not less than five full years. Subsequent to this initial term, the member may withdraw at the end of the fifth fiscal year of a five year term, only after at least 90 days prior written notice. Withdrawal from the Pool does not relieve that member of its pro rata share of the joint liability of other remaining members incurred or accrued at any time before termination. Upon withdrawal, if the member is vested then they are refunded 90 percent of its positive claims fund balance over a five year period, the remaining 10 percent is retained by the Pool to cover expenses and administration costs. If the member is not vested, then they will receive 20 percent of the member's positive claims fund balance for each full year of membership. The Pool reserves the right to reassess the former member up to the total amount of the returned claims fund payments if claims develop subsequent to membership termination, which have not been calculated in the reserve for incurred but not reported claims.

14. Employee Health Insurance Plan

As of January 1, 2003, the County returned to a fully self-funded health insurance plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Midwest Benefits, Inc. The agreement is subject to automatic renewal provisions. Monthly payments of service fees and plan contributions to the Chickasaw County Health Self Funding 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 Midwest Benefits, Inc. from the Chickasaw County Health Insurance Fund. The County records the plan assets and related liabilities of the Chickasaw County Health Insurance Funding as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2006 was $658,675.

Amounts payable from the health insurance fund at June 30, 2006 total $269,481 which is for incurred but unpaid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. A liability has been established based on the requirements of 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 the loss can be reasonably estimated. An analysis of claims activity in the internal service fund follows:

	2006	2005
Beginning liability	$ 201,563	$ 21,239
Claims and changes in estimates	998,635	948,961
Claim payments	(930,717)	(768,637)
Ending liability	$ 269,481	$ 201,563

15. Fund Balance Deficits

The County has deficit fund balances in the Ambulance Services-nonmajor special revenue fund and Employee Health Insurance-internal proprietary fund balance as of June 30, 2006. The County plans to eliminate these deficits through increasing the County contributions.

CHICKASAW COUNTY

BUDGETARY COMPARISON SCHEDULE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
June 30, 2006

	Actual	Less Amounts not Budgeted	Budget Basis	Budget Amounts Original	Budget Amounts Final	Final to Actual Variance-Positive (Negative)
RECEIPTS						
Property and other County tax	$ 4,461,460		$ 4,461,460	$ 4,349,007	$ 4,349,007	$ 112,453
Interest and penalty on property tax	24,732		24,732	25,000	25,000	(268)
Intergovernmental	4,135,628		4,135,628	4,068,487	4,327,255	(191,627)
Licenses and permits	15,611		15,611	7,485	7,485	8,126
Charges for service	652,678	$ 18,841	633,837	537,313	537,313	96,524
Use of money and property	214,782		214,782	72,834	72,834	141,948
Miscellaneous	149,131		149,131	52,534	52,534	96,597
Total receipts	9,654,022	18,841	9,635,181	9,112,660	9,371,428	263,753
DISBURSEMENTS						
Public safety and legal services	1,162,553		1,162,553	1,169,488	1,201,106	(38,553)
Physical health and social services	1,060,011		1,060,011	1,312,428	1,324,300	(264,289)
Mental health	983,748		983,748	1,100,720	1,100,720	(116,972)
County environment and education services	620,112		620,112	493,988	666,688	(46,576)
Roads and transportation	3,364,783		3,364,783	3,386,600	3,386,600	(21,817)
Governmental services to residents	485,016		485,016	456,934	498,860	(13,844)
Administrative services	892,783		892,783	1,017,760	1,026,560	(133,777)
Capital project	718,617		718,617	507,600	848,400	(129,783)
Total disbursements	9,287,623	-	9,287,623	9,445,518	10,053,234	(765,611)
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	366,399	18,841	347,558	(332,858)	(681,806)	1,029,364
OTHER FINANCING SOURCES, NET	6,405	-	6,405	-	-	6,405
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	372,804	18,841	353,963	(332,858)	(681,806)	1,035,769
BALANCE, beginning of year	5,755,336		5,755,336	5,029,820	5,755,336	-
BALANCE, end of year	$ 6,128,140	$ 18,841	$ 6,109,299	$ 4,696,962	$ 5,073,530	$ 1,035,769

See Notes to Required Supplementary Information.

CHICKASAW COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION

For the Year Ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 9,654,022	$ (34,752)	$ 9,619,270
Expenditures	9,287,623	(60,829)	9,226,794
Net	366,399	26,077	392,476
Other financing sources, net	6,405	-	6,405
Beginning fund balance	5,755,336	239,976	5,995,312
Ending fund balance	$ 6,128,140	$ 266,053	$ 6,394,193

See Notes to Required Supplementary Information.

CHICKASAW COUNTY

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

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, nonprogram, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue fund, debt service fund and capital projects fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by $607,716. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office, by the County Agricultural Extension Council; for the County Assessor, by the County Conference Board; for the E-911 System by the Joint E-911 Service Board; and for Emergency Management Services by the County Emergency Management Commission.

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INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

To the Board of Supervisors
Chickasaw County
New Hampton, Iowa

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chickasaw County's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have 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 as of and for the year ended June 30, 2006, taken as a whole.

We have previously audited, in accordance with U.S. generally accepted auditing standards, the basic financial statements of Chickasaw County for the year ended June 30, 2005, which is not presented herein, and expressed an unqualified opinion on those basic financial statements. The basic financial statements of Chickasaw County for the year ended June 30, 2004 and general purpose financial statements for the year ended June 30, 2003, none of which are presented herein, were audited by other auditors whose reported dated May 27, 2005, expressed unqualified opinion on those financial statements. Their report, as of the same date, on the information presented on page 39 stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statement for the year ended June 30, 2004 and the general purpose financial statements for the year ended June 30, 2003, taken as a whole. In our opinion, the information set forth in the required supplementary information for the periods ended June 30, 2006 and June 30, 2005, appearing on page 39, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
October 6, 2006

CHICKASAW COUNTY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental
ASSETS			
Cash and pooled investments	$ 777,982	$ 271,950	$ 1,049,932
Receivables			
Accounts	491		491
Accrued interest	1,624		1,624
Due from other governments	21,873		21,873
Total assets	$ 801,970	$ 271,950	$ 1,073,920
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 25,086		$ 25,086
Salaries and benefits payable	54		54
Total liabilities	25,140	$ -	25,140
Fund balances			
Reserved			
REAP grant	21,836		21,836
Landfill	615,017		615,017
Unreserved	139,977	271,950	411,927
Total fund balances	776,830	271,950	1,048,780
Total liabilities and fund balances	$ 801,970	$ 271,950	$ 1,073,920

See Independent Auditor's Report on the Supplementary Information.

CHICKASAW COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES			
Property and other County tax	$ 122,728		$ 122,728
Intergovernmental	7,115		7,115
Charges for service	5,210		5,210
Use of money and property	18,143		18,143
Miscellaneous	800		800
Total revenues	153,996	$ -	153,996
EXPENDITURES			
Operating			
Public safety and legal services	33,269		33,269
County environment and education	303,619		303,619
Government services to residence	8,697		8,697
Administration	2,000		2,000
Capital projects		28,050	28,050
Total expenditures	347,585	28,050	375,635
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(193,589)	(28,050)	(221,639)
OTHER FINANCING SOURCES			
Operating transfers in	17,836	100,000	117,836
Operating transfers out	-	-	-
	17,836	100,000	117,836
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(175,753)	71,950	(103,803)
FUND BALANCES, beginning of year	952,583	200,000	1,152,583
[illegible]	[illegible]	[illegible]	[illegible]

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 3

CHICKASAW COUNTY

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2006

	[illegible]	[illegible]s [illegible]t	County Betterment	Economic Development	Conservation Land Acquisition	Sheriff's K-9 Unit	Sheriff's DARE	Ambulance Services	Recorders Electronic Transaction Fee	Landfill Postclosure Costs	Attorney Forfeiture	Total Special Revenue
ASSETS												
Cash and pooled investments	[illegible]	[illegible]14	$ 116,264	$ 3,557	$ 6,215	$ 6,732	$ 767	$ -	$ 1	$ 613,555	$ 288	$ 777,982
Receivables												
Accounts	[illegible]	[illegible]35	-	-	-	256	-	-	-	-	-	491
Accrued interest	[illegible]	14	-	-	10	12	1	-	-	1,540	-	1,624
Due from other governments			13,124	8,749								21,873
Total assets	[illegible]	[illegible]63	$ 129,388	$ 12,306	$ 6,225	$ 7,000	$ 768	$ -	$ 1	$ 615,095	$ 288	$ 801,970
LIABILITIES AND FUND BAL[illegible]												
Liabilities												
Accounts payable	[illegible]	-	$ -	$ -	$ -	$ 8	$ -	$ 25,000	$ -	$ 78	$ -	$ 25,086
Salaries and benefits payable		-	-	-	-	54	-	-	-	-	-	54
Total liabilities		-	-	-	-	62	-	25,000	-	78	-	25,140
Fund balances												
Reserved												
REAP grant	[illegible]											21,836
Landfill										615,017	-	615,017
Unreserved		[illegible]63	129,388	12,306	6,225	6,938	768	(25,000)	1	-	288	139,977
Total fund balances	[illegible]	[illegible]63	129,388	12,306	6,225	6,938	768	(25,000)	1	615,017	288	776,830
Total liabilities and fund [illegible]	[illegible]	[illegible]63	$ 129,388	$ 12,306	$ 6,225	$ 7,000	$ 768	$ -	$ 1	$ 615,095	$ 288	$ 801,970

See Independent Auditor's Report on t[illegible]

CHICKASAW COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	REAP	Recorder's Records Management	County Betterment	Economic Development	Conservation Land Acquisition	Sheriff's K-9 Unit	Sheriff's DARE	Ambulance Services	Recorder's Electronic Transaction Fee	Landfill Postclosure Costs	Attorney Forfeiture	Total Special Revenue
REVENUES												
Property and other County tax	$ -	$ -	$ 73,637	$ 49,091	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 122,728
Intergovernmental	4,880					2,235						7,115
Charges for service	-	2,876				2,334						5,210
Use of money and property	444	144			25	151	10		49	17,317	3	18,143
Miscellaneous	-					250	550					800
Total revenues	5,324	3,020	73,637	49,091	25	4,970	560	-	49	17,317	3	153,996
EXPENDITURES												
Operating												
Public safety and legal services	-	-	-	-	-	8,115	154	25,000	-	-	-	33,269
County environment and education	8,865	-	34,000	234,000	-	-	-	-	-	26,754	-	303,619
Government services to residence	-	-	-	-	-	-	-	-	8,697	-	-	8,697
Administration	-	-	2,000	-	-	-	-	-	-	-	-	2,000
Total expenditures	8,865	-	36,000	234,000	-	8,115	154	25,000	8,697	26,754	-	347,585
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,541)	3,020	37,637	(184,909)	25	(3,145)	406	(25,000)	(8,648)	(9,437)	3	(193,589)
OTHER FINANCING SOURCES												
Transfers in	-	-	-	-	-	-	-	17,836	-	-	-	17,836
Transfers (out)			-									-
	-	-	-	-	-	-	-	17,836	-	-	-	17,836
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(3,541)	3,020	37,637	(184,909)	25	(3,145)	406	(7,164)	(8,648)	(9,437)	3	(175,753)
FUND BALANCES, beginning of year	25,377	6,043	91,751	197,215	6,200	10,083	362	(17,836)	8,649	624,454	285	952,583
FUND BALANCES, end of year	$ 21,836	$ 9,063	$ 129,388	$ 12,306	$ 6,225	$ 6,938	$ 768	$ (25,000)	$ 1	$ 615,017	$ 288	$ 776,830

See Independent Auditor's Report on the Supplementary Information.

CHICKASAW COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2006

	[illegible]	Agricultural Extension Education	County Assessor	Schools	Area Schools	Corporations	Townships	City Special Assessment	Auto License and Use Tax	Other	Total
ASSETS											
Cash and pooled investments											
County Treasurer		$ 2,086	$ 124,252	$ 100,083	$ 5,406	$ 20,737	$ 2,568	$ 519	$ 321,474	$ 408,003	$ 985,128
Other County Officials	[illegible]										31,608
Receivables											
Property Tax											
Delinquent		392	439	18,295	1,282	7,884	515			329	29,136
Succeeding year		157,090	140,304	7,921,149	370,328	1,897,134	152,908			154,356	10,793,269
Accounts	[illegible]									50,323	50,323
Accrued interest	[illegible]									783	783
Prepaid insurance			2,261							2,908	5,169
Total assets	[illegible]	$ 159,568	$ 267,256	$ 8,039,527	$ 377,016	$ 1,925,755	$ 155,991	$ 519	$ 321,474	$ 616,702	$ 11,895,416
LIABILITI[illegible]											
Accounts payable			$ 407							$ 4,642	$ 5,049
Salaries and benefits payable			3,237							5,859	9,096
Due to other funds	[illegible]										-
Due to other governments	[illegible]	$ 159,568	263,612	$ 8,039,527	$ 377,016	$ 1,925,755	$ 155,991	$ 519	$ 321,474	584,569	11,836,440
Trusts payable	[illegible]									21,632	44,831
Total liabilities	[illegible]	$ 159,568	$ 267,256	$ 8,039,527	$ 377,016	$ 1,925,755	$ 155,991	$ 519	$ 321,474	$ 616,702	$ 11,895,416

See Independent Auditor's Report on th[illegible]

CHICKASAW COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES - AGENCY FUNDS
For the Year Ended June 30, 2006

ASSETS AND LIABILITIES	County Offices	Agricultural Extension Education	County Assessor	Schools	Area Schools	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
Balances beginning of year	$ 48,101	$ 144,768	$ 370,617	$ 7,081,116	$ 361,255	$ 1,831,280	$ 149,077	$ 880	$ 232,131	$ 1,067,995	$ 11,287,220
Additions											
Property tax		151,028	35,774	7,499,680	348,126	1,751,452	150,560			12,276	9,948,896
E911 surcharge										88,123	88,123
State tax credits		8,871	9,923	425,512	22,295	114,632	9,611			16,835	607,679
Office fees and collections	259,123									321,095	580,218
Auto licenses, use tax and postage									3,174,799	-	3,174,799
Trusts	26,167									-	26,167
Miscellaneous	48,397		410					1,406		71,725	121,938
Total additions	333,687	159,899	46,107	7,925,192	370,421	1,866,084	160,171	1,406	3,174,799	510,054	14,547,820
Deductions											
Agency remittances											
To other funds	124,924								105,369	-	230,293
To other governments	173,871	145,099	229,468	6,966,781	354,660	1,771,609	153,257		2,980,087	872,265	13,647,097
Miscellaneous	25,218							1,767		9,082	36,067
Trusts paid out	26,167									-	26,167
Total deductions	350,180	145,099	229,468	6,966,781	354,660	1,771,609	153,257	1,767	3,085,456	881,347	13,939,624
Other financing sources (uses)											
Operating transfers in (out)			80,000							(80,000)	-
Balances end of year	$ 31,608	$ 159,568	$ 267,256	$ 8,039,527	$ 377,016	$ 1,925,755	$ 155,991	$ 519	$ 321,474	$ 616,702	$ 11,895,416

See Independent Auditor's Report on the Supplementary Information.

CHICKASAW COUNTY

COMPARATIVE SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
All GOVERNMENTAL FUND TYPES
Years Ended June 30,

	Modified Accrual			
	2006	2005	2004	2003
REVENUES				
Property and other County tax	$ 4,468,324	$ 4,191,062	$ 3,740,774	$ 3,111,405
Interest and penalty on property tax	24,732	25,617	28,503	27,431
Intergovernmental	4,065,174	3,940,560	4,007,690	3,622,117
Licenses and permits	15,201	12,260	13,165	9,842
Charges for service	653,626	686,820	689,513	700,818
Use of money and property	244,136	173,860	148,715	200,168
Miscellaneous	148,077	139,365	180,712	60,703
Total revenues	$ 9,619,270	$ 9,169,544	$ 8,809,072	$ 7,732,484
EXPENDITURES				
Current				
Public safety and legal services	$ 1,155,863	$ 1,112,189	$ 1,063,303	$ 1,156,610
Physical health and social services	1,078,649	1,125,307	1,049,749	1,050,744
Mental health	994,267	986,241	963,821	1,058,135
County environment and education services	628,992	477,599	606,179	485,164
Roads and transportation	3,337,844	3,573,374	3,641,090	3,273,852
Governmental services to residents	497,853	354,532	295,670	271,566
Administrative services	861,831	835,439	832,928	1,018,133
Nonprogram	-	100,108	-	-
Capital project	671,495	219,487	431,342	141,970
Total expenditures	$ 9,226,794	$ 8,784,276	$ 8,884,082	$ 8,456,174

See Independent Auditor's Report on the Supplementary Information.

CHICKASAW COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Section I: Summary of the Independent Auditor's Results	Yes	No	None Reported
Financial Statements			
Type of auditor's report issued: unqualified.			
Internal control over financial reporting:			
♦ Material weakness(es) identified?		X	
♦ Reportable condition(s) identified that are not considered to be material weaknesses?	X		
♦ Noncompliance material to financial statements noted?		X	
Federal Awards			
Internal control over major programs:			
♦ Material weakness(es) identified?		X	
♦ Reportable condition(s) identified that are not considered to be material weakness(es)?	X		
Type of auditor's report issued on compliance for major programs: unqualified.			
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	X		
Identification of major programs CFDA Number 20.205, Highway Planning and Construction			
Dollar threshold used to distinguish between Type A and Type B programs: $300,000			
Auditee qualified as low-risk auditee?		X	

Section II: Findings Related to the Financial Statements

06-1 Segregation of Duties

One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Bank deposits are prepared by the same person who opens the bank statement. Disbursements and checks are prepared by one person.

Recommendation

While we do recognize that the County is not large enough to permit a segregation of duties for an effective internal control structure, we believe that it is important that the Board be aware that the condition does exist.

Response and Corrective Action Planned

We segregate duties in our offices as much as possible, and will strive to improve internal controls where possible.

Conclusion

Response accepted.

CHICKASAW COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Section III: Findings and Questioned Costs for Federal Awards

Instances of noncompliance - None
Reportable condition -
CFDA Number 20.205, Highway Planning and Construction
Federal Award Year: 2006
U.S. Department of Transportation
Passed through Iowa Department of Transportation

See 06-1 above

Section IV: Other Findings Related to Required Statutory Reporting

See management letter dated October 6, 2006

Section V: Summary of Prior Federal Audit Findings and Questioned Costs

Comment Reference	Comment Title	Status	Explanation
05-1	Segregation of duties	Not Corrected	The County has a limited staff and segregates duties to the best of their abilities.
05-2	The County did not have a single audit performed for fiscal year ending June 30, 2004.	Not Corrected	The County will contact the previous auditors to resolve this issue.

CHICKASAW COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006

Grantor/Program	CFDA Number	Grant Number/Description	Program Expenditures
Indirect			
Department of Agriculture			
Passed through Iowa Department of Human Services			
State Administrative Matching Grants for Food Stamp Program	10.561	LAE Reimbursement	$ 2,005
Department of Transportation			
Passed through Iowa Department of Transportation			
Highway Planning and Construction	20.205	BROS-C019(63)--8J-19	319,409
Passed through Iowa Department of Public Safety			
State and Community Highway Safety	20.604	PAP 06-157, Task 24	4,639
Subtotal Department of Transportation			324,048
Environmental Protection Agency			
Passed through Linn County Public Health			
State Indoor Radon Grants	66.032	5885RC02	2,250
Department of Election Assistance Commission			
Passed through Iowa Secretary of State			
Help America Vote Act Requirements Payments	90.401	06-HAVA-19-100,SA1	109,972
Department of Health and Human Services			
Passed through Iowa Department of Human Rights			
Immunization Grants	93.268	5885I411	737
		5886I411	3,265
			4,002
National Bioterrorism Hospital Preparedness Program	93.889	5886EM118	3,000
Maternal and Child Health Services Block Grant to the States	93.994	5885MC03	451
		5886MH10	2,875
			3,326
Passed through Hancock County Public Health Services			
Centers for Disease Control and Prevention, Investigations, and Technical Assistance	93.003	BT06005	21,154
Passed through Iowa Secretary of State			
Voting Access for Individuals with Disabilities, Grants to States	93.617	06-HAVA-19-001 to 009	20,371

See Independent Auditor's Report on the Schedule of Federal Awards.

CHICKASAW COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006

Grantor/Program	CFDA Number	Grant Number/Description	Program Expenditures
Indirect (Continued)			
Department of Health and Human Services (Continued)			
Passed through Iowa Department of Human Services			
Social Services Block Grant	93.667	96-001	$ 51,676
		LAE Reimbursement	1,538
			53,214
Other Federal Financial Assistance			
Human Services Administrative Reimbursements			
Temporary Assistance for Needy Families	93.558	LAE Reimbursement	2,422
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	LAE Reimbursement	578
Foster Care - Title IV-E	93.658	LAE Reimbursement	1,245
Adoption Assistance	93.659	LAE Reimbursement	308
Medical Assistance Program	93.778	LAE Reimbursement	3,206
			7,759
Sub-total Department of Health and Human Services			112,826
Department of Agriculture			
Passed through Iowa Department of Public Defense			
Homeland Security Grant Program	97.067	2004-GE-T4-0046	12,415
Total Federal Financial Assistance			$ 563,516

See Independent Auditor's Report on the Schedule of Federal Awards.

CHICKASAW COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Chickasaw County and is presented on the modified accrual basis of accounting. The information in 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.

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

To the Board of Supervisors
Chickasaw County
New Hampton, 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 Chickasaw County as of and for the year ended June 30, 2006, which collectively comprise Chickasaw County's basic financial statements and have issued our report thereon dated October 6, 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 Chickasaw County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Chickasaw County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as Item 06-1. The reportable condition was unresolved from the prior year.

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

Compliance and Other Matters

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

We noted certain additional matters that we reported to management of Chickasaw County in a separate letter dated October 6, 2006.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
October 6, 2006

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

To the Board of Supervisors
Chickasaw County
New Hampton, Iowa

Compliance

We have audited the compliance of Chickasaw County 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. Chickasaw County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Chickasaw County's management. Our responsibility is to express an opinion on Chickasaw County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 Chickasaw 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 Chickasaw County's compliance with those requirements.

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

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect Chickasaw County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questions Costs at Item 06-1. The reportable condition was unresolved from the prior year.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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. However, we believe that none of the reportable conditions described above is a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chickasaw County, as of and for the year ended June 30, 2006, and have issued our report thereon dated October 6, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Chickasaw County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
October 6, 2006

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MANAGEMENT LETTER

To the Board of Supervisors
Chickasaw County
New Hampton, Iowa

In planning and performing our audit of the financial statements of Chickasaw County for the year ended June 30, 2006, we considered the County's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal controls.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the County's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 11 below are compliance comments required by the Iowa Auditor of State. A separate report dated October 6, 2006, contains our report on reportable conditions in the County's internal controls. This letter does not affect our report dated October 6, 2006 on the basic financial statements of Chickasaw County. Comments 9, 10, 12, 13, and 14 are unresolved comments from the prior year. All other prior year statutory comments have been resolved. These comments are not intended to and do not constitute legal opinions.

1. Certified Budget

Disbursements for the year ended June 30, 2006 did not exceed the amounts budgeted in total. We also noted that Emergency Management Commission, Assessor, and E911 Service Board had some line items that exceeded the budget.

Recommendation

We recommend that the appropriations are reviewed and amendments approved prior to them being exceeded.

Response

The Board of Supervisors noted that only line items were exceeded, and NOT the total annual budget appropriation. The Board has always advised department heads that while they may change and reallocate line items, the department head should advise the auditor's office of changes so that departmental individual line items may be changed within the budget appropriations. With the audit firm's recommendation, the Board will discuss this concept with department heads.

Conclusion

Response accepted.

2. Questionable Expenditures

We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

3. Travel Expense

No expenditures of County money for travel expenses of spouses of County officials and/or employees were noted.

4. Business Transactions

We noted no business transactions between the County and County officials and/or employees for the year ended June 30, 2006.

5. Bond Coverage

Surety bond coverage of County officials and employees is in accordance with statutory provisions.

6. Board Minutes

No transactions were found that we believe should have been approved in the Board minutes but were not. The minutes were published as required by Chapter 349.18 of the Code of Iowa and Attorney General's opinions dated December 10, 1985, December 31, 1986 and May 2, 1989.

However, we did notice that there was a new bank account opened for the Conservation Land Acquisition fund that was not noted in the Board minutes.

Recommendation

We recommend that all new bank accounts be approved by the Board of Supervisors and noted in the minutes.

Response

Treasurer Sue Breitbach confirmed a new bank account was opened for Conservation Land Acquisition at the direction of the Board so that interest earned could be segregated and credited to the proper account. The Board and Auditor were not aware that the Code of Iowa required that opening a new bank account required approval by the Board. IAC 349.18 only requires claims approved by the Board be included in the Board Minutes and submitted to the official county newspaper(s) for publication.

Conclusion

Response accepted.

7. 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).

8. County Extension Office

The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A through D.

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

The surety bond covering the Treasurer of the County Extension Council was in compliance with statutory provisions.

9. Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted. However, we did notice that the County Auditor was not reconciling the clearing account on a monthly basis. We noted no Board approval for the County Auditor to purchase a certificate of deposit for the internal service fund.

9. Deposits and Investments (Continued)

Recommendation

All bank accounts should be reconciled on a monthly basis and Board approval should be obtained in purchasing any new investments.

Response

Auditor will reconcile clearing account monthly and will seek written approval for future purchase of certificate of deposit for the internal service fund.

Conclusion

Response accepted.

10. Property and Equipment Records

A record of the County's fixed assets is maintained by individual offices. Property journal totals have not been summarized, nor has reconciliation been performed to balance additions and deletions to the general ledger.

Recommendation

To facilitate the proper insurance, maintenance and safeguarding of these assets, an inventory of all property and equipment should be taken at least once each year and checked against the fixed assets records.

Response

Auditor staff requests assistance with reconciling proper reports to the general ledger.

Conclusion

Response accepted.

11. Financial Assurance

The County is required to demonstrate financial assurance for postclosure care costs for the landfill. The County has chosen local government dedicated fund as provided in Chapter 567-111.6(8) of the Iowa Administrative Code. The County is in compliance with the Code.

12. Fund Balance Deficits

For the year ended June 30, 2006, we noted deficit fund balances in the special revenue fund-ambulance services of $25,000 and in the Employee Health Insurance-internal proprietary fund of $35,892.

Recommendation

The Board of Supervisors should determine the manner in which the deficits will be eliminated.

Response

The County has alleviated the ambulance payment problem by waiting until after July 1 of each year to make payment for $25,000 annual ambulance contract payment.

After reviewing the Health Insurance account and the 508A Actuarial Report extensively, I find the account has been considered to be compliant with Iowa Code provisions for self-funded health insurance funding and claims funding run out as shown in the report dated March 9, 2006 for the 2005 calendar year. The Board signs a contract for each calendar year January thru December inclusive. Actuarial date of July 1 each calendar year does not have any bearing on a self-funded health insurance plan.

12. Fund Balance Deficits (Continued)

Conclusion

The deficit is a result of totaling the claims paid subsequent to the fiscal year and the actuarial estimate of claims incurred but not paid. The plan administrator's report indicates claims paid after June 30, 2006 was actually much lower than the actuarial estimate. Response accepted.

13. Separately Maintained Account

We noted the internal service fund-employee group health was not included in the County's accounting system or financial reports.

Recommendation

The employee group health account should be included in the County's accounting system, claims process, and financial reporting. In accordance with the Code of Iowa, all collections should be remitted to the County Treasurer and reflected in the County's accounting system and financial reports.

Response

Auditor maintains internal service fund for employee group health account funding. Claims are funded by ACH from account weekly as authorized by Auditor. If expenditures were to be approved on claims authorized by the Board, the County would not be compliant with time deadline nor would County be HIPAA compliant.

Conclusion

Response accepted.

14. County Treasurer and County Recorder Duties

We noted during our audit, the County Treasurer does not keep on file the bond and oath of the County Auditor as provided by Chapter 64.23 of the Code of Iowa. The County Recorder does not have an index and record of homesteads in the County per Chapter 331.607 of the Code of Iowa.

Recommendation

We recommend that the department heads review their duties to verify that they are in compliance with the Code of Iowa.

Response

Auditor has filed bond and oath of Auditor with Treasurer. County Assessor maintains a record of homesteads on behalf of the County.

Conclusion

Response accepted.

15. Disbursements

We became aware during our audit that there is no unified policy on ordering or purchasing supplies for the County and use of credit cards. There is also no unified way in which travel expenses are incurred throughout the departments.

Recommendation

We recommend that the Board of Supervisors review the policies that are in place or put policies in place to help unify how travel expenses are incurred and supplies are purchased and use of credit cards. This practice will help the County to monitor disbursements.

15. Disbursements (Continued)

Response

Each department purchases supplies as needed. Purchases over $500 are required to be approved by the Board prior to the purchase. Travel expenses are allowed at 35 cents per mile, actual reimbursement for lodging and $20 per diem for meals reimbursement with overnight lodging. No other policy has been set as a part of County policy.

Conclusion

Response accepted.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the County, and federal awarding agencies and pass-through entities and 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 the personnel of Chickasaw County during the course of our examination.

Should you have any questions concerning these or other matters, we shall be pleased to discuss them with you at your convenience.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
October 6, 2006