

**INDEPENDENT AUDITOR'S REPORTS BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION SCHEDULE OF FINDINGS
JUNE 30, 2006**

LOUISA COUNTY

LOUISA COUNTY

Table of Contents

	<u>Page</u>
OFFICIALS	2
INDEPENDENT AUDITOR’S REPORT	3-4
MANAGEMENT’S DISCUSSION AND ANALYSIS	5-13
BASIC FINANCIAL STATEMENTS	
	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 14
Statement of Activities	B 15
Governmental Fund Financial Statements:	
Balance Sheet	C 16
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D 17
Statement of Revenues, Expenditures, and Changes in Fund Balances	E 18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F 19
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 20
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H 21
Statement of Cash Flows	I 22
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	J 23
Notes to Financial Statements	24-38
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Budget to GAAP Reconciliation	39
Notes to Required Supplementary Information – Budgetary Reporting	40
OTHER SUPPLEMENTARY INFORMATION	
	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 41
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	2 42
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	3 43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	4 44
Agency Funds:	
Combining Statement of Changes in Fiduciary Assets and Liabilities	5 45-51
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	6 52
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	53-54
SCHEDULE OF FINDINGS	55-57

LOUISA COUNTY

LOUISA COUNTY OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Forrest Bartenhagen	Board of Supervisors	December 2006
David Wilson	Board of Supervisors	December 2008
Ken Purdy	Board of Supervisors	December 2008
Sylvia Belzer	County Auditor	December 2008
Karen Elkin	County Treasurer	December 2006
T. Jean Brauns	County Recorder	December 2006
Curt Braby	County Sheriff	December 2008
David Mathews	County Attorney	December 2006
Gregory Johnson	County Assessor	*

* Appointed by County



CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Officials of Louisa County:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2006, on our consideration of Louisa 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 pages 5 through 13 and 39 and 40 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Louisa County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2005, (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Eide Bailly LLP

Dubuque, Iowa
September 12, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2006 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 6.7%, or approximately \$579,000, from fiscal year 2005 to fiscal year 2006. Property tax increased approximately \$31,000, operating grants and contributions increased approximately \$75,000, and capital grants and contributions decreased approximately \$777,000.
- Program expenses were less than 1%, or approximately \$59,000, more in fiscal year 2006 than in fiscal year 2005. Administration expense decreased approximately \$59,000, county environment and education decreased approximately \$50,000, and roads and transportation increased approximately \$149,000.
- The County's net assets increased 4%, or approximately \$514,000, from June 30, 2005 to June 30, 2006.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Louisa County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Louisa County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Louisa County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds, Special Revenue Funds, and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's Financial Statements 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, 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.

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

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

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

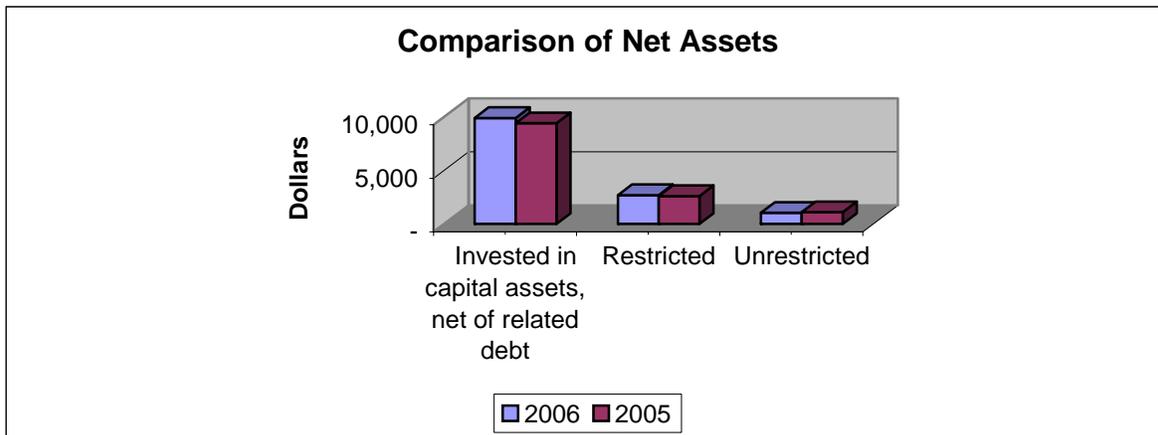
GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Louisa County's combined net assets increased from \$13.1 million to \$13.6 million. The analysis that follows focuses on the changes in net assets for governmental activities.

Net Assets of Governmental Activities

(Expressed in Thousands)

	June 30,	
	2006	2005
Current and other assets	\$ 8,919	\$ 8,832
Capital assets	<u>10,003</u>	<u>9,629</u>
 Total assets	 <u>18,922</u>	 <u>18,461</u>
 Long-term debt outstanding	 284	 437
Other liabilities	<u>5,010</u>	<u>4,910</u>
 Total liabilities	 <u>5,294</u>	 <u>5,347</u>
 Net assets:		
Invested in capital assets, net of related debt	9,896	9,411
Restricted	2,686	2,599
Unrestricted	<u>1,046</u>	<u>1,104</u>
 Total net assets	 <u>\$ 13,628</u>	 <u>\$ 13,114</u>



Net assets of the County's governmental activities increased by 4% (\$13.6 million compared to \$13.1 million). The largest portion of the County's net assets is the invested in capital assets (e.g., land infrastructure, buildings, and equipment), less the related debt. Louisa County has one capital lease with a balance due of \$107,517. Other debt Louisa County has at June 30, 2006, is a bond issue done for the Louisa County Landfill Commission. They are paying off this bond and interest from their funds. Louisa County does not have a tax for debt service. 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 – decreased from approximately \$1,104,000 at June 30, 2005 to approximately \$1,046,000 at the end of this year, a decrease of 5% .

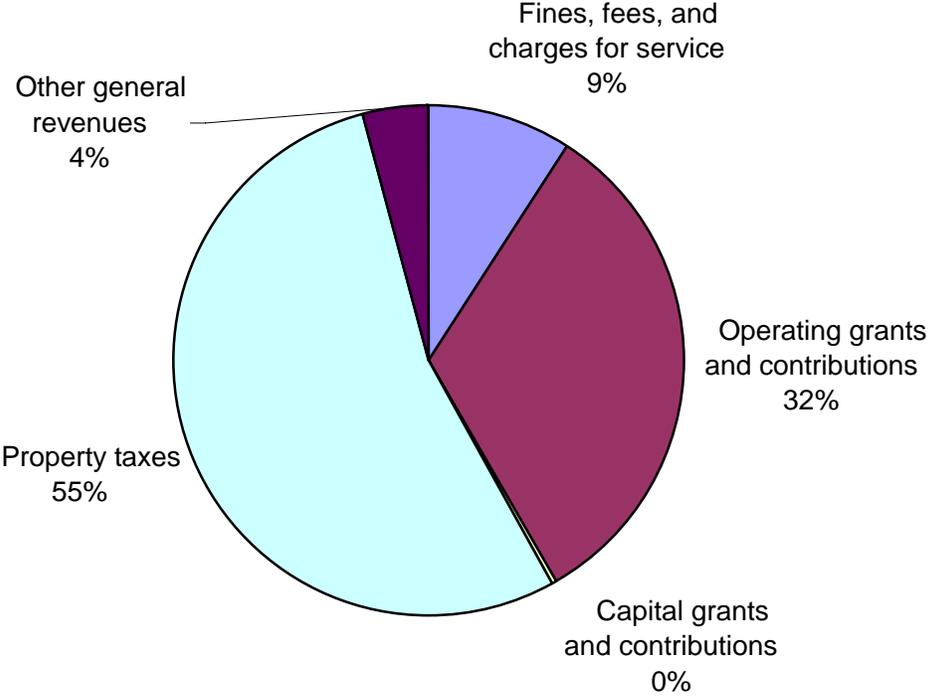
This decrease of approximately \$58,000 in unrestricted net assets was a result of higher spending in roads and transportation, physical health and social services, public safety and legal services, and interest on long term debt.

Changes in Net Assets of Governmental Activities

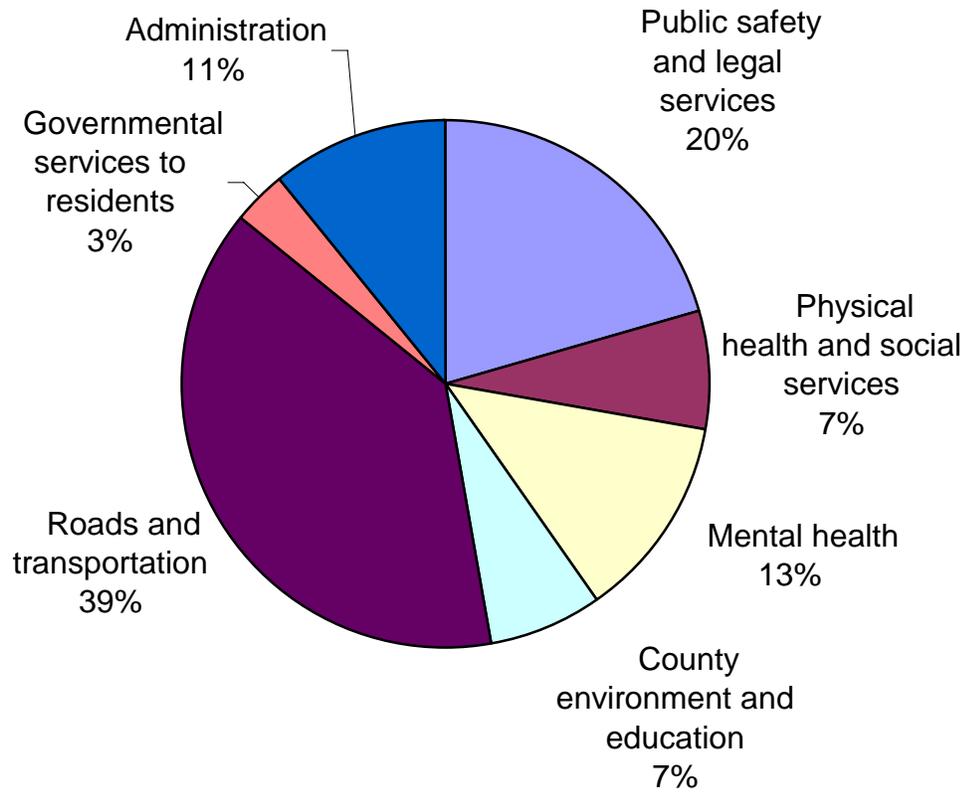
(Expressed in Thousands)

	Year Ended June 30,	
	2006	2005
Program revenues:		
Fines, fees, and charges for service	\$ 732	\$ 631
Operating grants and contributions	2,565	2,490
Capital grants and contributions	25	802
General revenues:		
Property taxes	4,260	4,229
Grants and contributions not restricted to specific purposes	18	78
Unrestricted investment earnings	168	79
Other general revenues	327	365
Total revenues	8,095	8,674
Program expenses:		
Public safety and legal services	1,544	1,538
Physical health and social services	558	510
Mental health	950	974
County environment and education	508	558
Roads and transportation	2,924	2,775
Governmental services to residents	254	271
Administration	818	877
Interest on long-term debt	25	19
Total expenses	7,581	7,522
Increase in net assets	514	1,152
Net assets July 1, 2005	13,114	11,962
Net assets June 30, 2006	\$ 13,628	\$ 13,114

Revenue by Source



Expenditures by Program



Louisa County's net assets of governmental activities increased by approximately \$514,000 during the year. Revenues for governmental activities decreased by approximately \$579,000 over the prior year, with operating grants and contributions up from the prior year by approximately \$75,000, or 3%, and capital grants and contributions down from the prior year by approximately \$777,000, or 97%.

The County property tax rates for 2006 were steady. The valuation increase and static property tax rates raised the County's property tax revenue by approximately \$31,000 in 2006.

The cost of all governmental activities this year was \$7.58 million compared to \$7.52 million last year. However, as shown in the Statement of Activities on page 15, the amount taxpayers ultimately financed for these activities was only \$4.3 million because some of the cost was paid by those directly benefited from the programs (\$732,000), or by other governments and organizations that subsidized certain programs with grants and contributions (\$2,560,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in 2006 from approximately \$3,923,000 to \$3,322,000, principally due to a \$777,000 decrease in Capital grants and contributions. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$4,260,000 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$3.872 million, a decrease of \$55,000 below last year's total of \$3.9 million. The decrease in fund balance is not significant.

- General Fund revenues and expenditures remained consistent when compared to prior year. The ending fund balance showed a decrease of \$1,900 from the prior year to \$1,350,000.
- Rural Services Fund revenues and expenditures remained consistent when compared to prior year. The ending fund balance showed a decrease of \$1,100 from the prior year to \$90,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$948,000, a decrease of 2.5% from the prior year, and revenues totaled approximately \$1,066,000, a decrease of 5% from the prior year. The Mental Health Fund balance at year end increased by approximately \$119,000 over the prior year.
- Secondary Roads Fund expenditures increased by approximately \$53,000 over the prior year, due to an increase in wages. Revenues decreased by approximately \$84,000 over the prior year. The increase in expenditures, and decrease in revenues resulted in a decrease in the Secondary Roads Fund ending balance of approximately \$102,000, or 6.9%.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the County amended the budget twice. The amendments were made in March and May of 2006 and resulted in an increase in budgeted disbursements. In March these were related to the Conservation Land Acquisition needing unbudgeted spending authority, Sheriff for radio related equipment spending, unforeseen housing of prisoners, additional juvenile detention fees, and courthouse custodian budget needs. In May these were related to Bioterrorism and pandemic influenza grants received and spending authority needed for them, and additional Conservation Land Acquisition spending and heating and building maintenance at the courthouse. The total amendments were for an increase in expenditures of \$235,051 of which additional revenue offset \$72,270 of these amendments.

This information is available at the County Auditor’s Office.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the County had approximately \$10 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$374,000, or 4% over last year.

Capital Assets of Governmental Activities at Year-End

(Expressed in Thousands)

	June 30,	
	2006	2005
Land	\$ 1,313	\$ 1,313
Construction in progress	31	848
Buildings and improvements	1,059	1,079
Machinery and equipment	1,287	1,353
Infrastructure	6,313	5,036
Total	\$ 10,003	\$ 9,629

This year's major additions included (in thousands):

County road X-43	\$ 691
County road G-56	576
HMA Resurfacing project	145
	\$ 1,412

The County had depreciation expense of \$670,803 for the year ended June 30, 2006, and total accumulated depreciation as of June 30, 2006, of \$5,015,035.

Long-Term Debt

At June 30, 2006, Louisa County had approximately \$538,000 in bond debt and other debt, as shown below. \$275,000 of that is bond debt which is reimbursed to the County from the Louisa County Solid Waste Agency.

Other obligations include capital lease purchase agreements and compensated absences.

Outstanding Debt of Governmental Activities at Year-End

(Expressed in Thousands)

	June 30,	
	2006	2005
General obligation bonds	\$ 275	\$ 315
Capital lease purchase agreements	108	218
Compensated absences	155	143
Total	<u>\$ 538</u>	<u>\$ 676</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this \$35 million limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the County's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Louisa County's elected and appointed officials considered many factors when setting the 2007 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. Louisa County has a very small population, 12,183, and the Board interprets the economic situation from the knowledge they have from news and local conditions. The Board considers what the Compensation Board recommends for salaries for elected officials. In fiscal year 2007 there was a five percent increase in salaries for everyone except the Sheriff, who received a seven percent increase in salary. In determining the budget for 2007, the tax rate for General Basic remained at the \$3.50 limit. The General Supplemental levy remained at \$1.85. The Rural Services Basic rate decreased to \$3.01280 from \$3.26080. The transfer to Secondary Roads remained the same as fiscal year 2006, \$1,117,761. A transfer from General Basic to Secondary Roads was not made. The Mental Health levy decreased from \$1.06268 to \$.60000. With an increase of valuation and a significant decrease in rates, the tax revenue was decreased by \$71,535.

The Sheriff and Secondary Roads departments have a union, which had a three year salary and health insurance clause, which will remain steady for budgeting until 2008-09.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to 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, Louisa County, 117 S. Main, Wapello, Iowa.

BASIC FINANCIAL STATEMENTS

LOUISA COUNTY

LOUISA COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2006

Exhibit A

	<u>Governmental Activities</u>
ASSETS	
Cash and pooled investments	\$ 4,000,885
Receivables:	
Property tax:	
Delinquent	12,140
Succeeding year	4,265,780
Interest and penalty on property tax	9,636
Accounts	33,340
Accrued interest	22,910
Due from other governments	224,290
Prepaid expenses	74,645
Note receivable	275,000
Capital assets:	
Land and construction in progress, not being depreciated	1,344,080
Other capital assets net of accumulated depreciation	<u>8,658,964</u>
Total assets	<u>18,921,670</u>
LIABILITIES	
Accounts payable	273,600
Salaries and benefits payable	77,848
Accrued interest payable	1,074
Due to other governments	138,200
Unearned revenue	4,265,780
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	107,517
Bonds payable	40,000
Compensated absences	106,160
Portion due or payable after one year:	
Bonds payable	235,000
Compensated absences	<u>48,763</u>
Total liabilities	<u>5,293,942</u>
NET ASSETS	
Invested in capital assets, net of related debt	9,895,527
Restricted for:	
Supplemental levy purposes	253,507
Mental health purposes	803,711
Secondary roads purposes	1,478,330
Other purposes	150,494
Unrestricted	<u>1,046,159</u>
Total net assets	<u>\$ 13,627,728</u>

See notes to financial statements.

LOUISA COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Exhibit B

Functions/Programs:	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Fees, Fines and Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Public safety and legal services	\$ 1,544,051	\$ 224,425	\$ 66,770	\$ -	\$ (1,252,856)
Physical health and social services	558,051	230,909	111,911	-	(215,231)
Mental health	950,070	2,570	563,014	-	(384,486)
County environment and education	508,075	39,397	42,281	9,958	(416,439)
Roads and transportation	2,923,729	37,014	1,779,190	-	(1,107,525)
Governmental services to residents	254,356	169,243	1,721	-	(83,392)
Administration	816,964	28,105	-	-	(788,859)
Non-program	95	-	-	-	(95)
Interest on long-term debt	25,112	-	-	14,940	(10,172)
Total governmental activities	<u>\$ 7,580,503</u>	<u>\$ 731,663</u>	<u>\$ 2,564,887</u>	<u>\$ 24,898</u>	<u>(4,259,055)</u>
General Revenues:					
Property and other County tax levied for:					
General purposes					4,259,905
Grants and contributions not restricted to specific purposes					18,290
Unrestricted investment earnings					167,554
Miscellaneous					327,074
Total general revenues					<u>4,772,823</u>
Change in net assets					513,768
Net assets beginning of year					<u>13,113,960</u>
Net assets end of year					<u>\$ 13,627,728</u>

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

Exhibit C

	Special Revenue				Nonmajor	Total
	General	Rural Services	Secondary Roads	Mental Health	Governmental Funds	Governmental Funds
ASSETS						
Cash and pooled investments	\$ 1,311,064	\$ 98,380	\$ 1,497,652	\$ 920,571	\$ 173,218	\$ 4,000,885
Receivables:						
Property tax:						
Delinquent	7,886	2,921	-	1,333	-	12,140
Succeeding year	2,743,297	1,214,824	-	307,659	-	4,265,780
Interest and penalty on property tax	9,636	-	-	-	-	9,636
Accounts	33,340	-	-	-	-	33,340
Accrued interest	21,782	-	-	-	54	21,836
Note receivable	-	-	-	-	275,000	275,000
Due from other governments	39,157	-	158,261	21,689	5,183	224,290
Prepaid expenses	57,946	-	14,645	2,054	-	74,645
Total assets	<u>\$ 4,224,108</u>	<u>\$ 1,316,125</u>	<u>\$ 1,670,558</u>	<u>\$ 1,253,306</u>	<u>\$ 453,455</u>	<u>\$ 8,917,552</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 55,799	\$ 10,015	\$ 160,683	\$ 19,895	\$ 27,208	\$ 273,600
Salaries and benefits payable	42,907	-	31,545	2,643	753	77,848
Due to other governments	18,802	-	-	119,398	-	138,200
Deferred revenue:						
Succeeding year property tax	2,743,297	1,214,824	-	307,659	-	4,265,780
Other	13,079	1,104	-	948	275,000	290,131
Total liabilities	<u>2,873,884</u>	<u>1,225,943</u>	<u>192,228</u>	<u>450,543</u>	<u>302,961</u>	<u>5,045,559</u>
Fund balances:						
Reserved for:						
Supplemental levy purposes	251,969	-	-	-	-	251,969
Unreserved, reported in:						
General fund:						
Designated for capital improvements	564,867	-	-	-	-	564,867
Designated for Care Facility capital improvements	70,272	-	-	-	-	70,272
Undesignated	463,116	-	-	-	-	463,116
Special revenue funds	-	90,182	1,478,330	802,763	150,494	2,521,769
Total fund balances	<u>1,350,224</u>	<u>90,182</u>	<u>1,478,330</u>	<u>802,763</u>	<u>150,494</u>	<u>3,871,993</u>
Total liabilities and fund balances	<u>\$ 4,224,108</u>	<u>\$ 1,316,125</u>	<u>\$ 1,670,558</u>	<u>\$ 1,253,306</u>	<u>\$ 453,455</u>	<u>\$ 8,917,552</u>

See notes to financial statements.

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

Exhibit D

Total governmental fund balances \$ 3,871,993

Amounts reported for governmental activities in the Statement of Net

Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 1,313,124	
Construction in progress	30,956	
Infrastructure, net of \$761,537 accumulated depreciation	6,312,386	
Buildings and improvements, net of \$1,007,178 accumulated depreciation	1,059,327	
Machinery and equipment, net of \$3,246,320 accumulated depreciation	<u>1,287,251</u>	
Total capital assets		10,003,044

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds:

Property taxes	15,131	
Note receivable	<u>275,000</u>	290,131

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the Statement of Net Assets. Balances at June 30, 2006 are:

Accrued interest on bonds	(1,074)	
Bonds payable	(275,000)	
Capital lease purchase agreements	(107,517)	
Compensated absences	<u>(154,923)</u>	
Total long-term liabilities		(538,514)

Interest on note receivable related to the long-term debt is not accrued in governmental funds, but rather recognized as income when due.

1,074

Net assets of governmental activities \$ 13,627,728

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

Exhibit E

	Special Revenue				Nonmajor	Total
	General	Rural Services	Secondary Roads	Mental Health	Governmental Funds	Governmental Funds
Revenues:						
Property and other County tax	\$ 2,411,875	\$ 1,169,622	\$ -	\$ 478,764	\$ 2,643	\$ 4,062,904
Interest and penalty on property tax	44,075	-	-	-	-	44,075
Intergovernmental	490,170	46,484	2,013,278	585,627	14,791	3,150,350
Licenses and permits	17,077	-	390	-	5,800	23,267
Charges for service	492,688	-	-	-	5,966	498,654
Use of money and property	200,130	-	-	-	532	200,662
Miscellaneous	32,428	-	41,640	2,570	62,801	139,439
Total revenues	3,688,443	1,216,106	2,055,308	1,066,961	92,533	8,119,351
Expenditures:						
Operating:						
Public safety and legal services	1,521,557	-	-	-	15,484	1,537,041
Physical health and social services	550,748	-	-	-	4,987	555,735
Mental health	-	-	-	948,009	-	948,009
County environment and education	371,739	63,551	-	-	-	435,290
Roads and transportation	-	36,097	2,461,248	-	-	2,497,345
Governmental services to residents	328,109	-	-	-	10,649	338,758
Administration	822,266	-	-	-	-	822,266
Non-program	-	-	-	-	95	95
Debt service	21,706	-	98,935	-	54,940	175,581
Capital projects	-	-	725,567	-	98,056	823,623
Total expenditures	3,616,125	99,648	3,285,750	948,009	184,211	8,133,743
Excess (deficiency) of revenues over (under) expenditures	72,318	1,116,458	(1,230,442)	118,952	(91,678)	(14,392)
Other financing sources (uses):						
Sale of capital assets	2,730	-	11,362	-	-	14,092
Transfers in (out)	(76,938)	(1,117,580)	1,117,580	-	22,000	(54,938)
Total other financing sources (uses)	(74,208)	(1,117,580)	1,128,942	-	22,000	(40,846)
Net change in fund balances	(1,890)	(1,122)	(101,500)	118,952	(69,678)	(55,238)
Fund balances beginning of year	1,352,114	91,304	1,579,830	683,811	220,172	3,927,231
Fund balances end of year	\$ 1,350,224	\$ 90,182	\$ 1,478,330	\$ 802,763	\$ 150,494	\$ 3,871,993

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

Exhibit F

Net change in fund balances - Total governmental funds \$ (55,238)

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

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

Expenditures for capital assets	\$ 1,047,587	
Depreciation expense	<u>(670,803)</u>	376,784

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

Repayments	150,469
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Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds as follows:

Property tax	780
Note receivable	(40,000)

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

Compensated absences	(12,095)
Interest on debt	(2,635)

Accrued interest receivable related to accrued interest on long-term debt reported in the Statement of Activities is not due and payable	2,635
--	-------

In the Statement of Activities, only the gain on the sale of the capital assets is recognized, whereas in the governmental funds, the proceeds from the sale increased financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital asset sold. (3,040)

The Internal Service Fund is used by the County to charge the costs of health insurance to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.	<u>96,108</u>
--	---------------

Change in net assets of governmental activities	<u><u>\$ 513,768</u></u>
--	--------------------------

**LOUISA COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006**

Exhibit G

	<u>Internal Service - Employee Group Health</u>
ASSETS	\$ <u> -</u>
LIABILITIES	<u> -</u>
NET ASSETS	
Unrestricted	\$ <u> -</u>

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

Exhibit H

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ <u>44,275</u>
Operating expenses:	
Non-program:	
Insurance premiums	720
Administrative fees	<u>2,432</u>
Total operating expenses	<u>3,152</u>
Operating income	41,123
Non-operating revenues:	
Interest on investments	<u>47</u>
Income before transfers	41,170
Transfers in	<u>54,938</u>
Change in net assets	96,108
Net assets (deficit) beginning of year	<u>(96,108)</u>
Net assets end of year	<u>\$ -</u>

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

Exhibit I

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 28,621
Cash paid for administrative fees	(2,433)
Cash paid for medical claims and insurance premiums	<u>(60,355)</u>
Net cash used for operating activities	<u>(34,167)</u>
Cash flows from noncapital financing activities:	
Payment of interfund balances	(20,818)
Transfer from other funds	<u>54,938</u>
Net cash provided by noncapital financing activities	<u>34,120</u>
Cash flows from investing activities:	
Interest on investments	<u>47</u>
Net increase in cash	-
Cash at beginning of year	<u>-</u>
Cash at end of year	<u>\$ -</u>
Reconciliation of operating income to net cash used for operating activities:	
Operating income	\$ 41,123
Adjustments to reconcile operating income to net cash used for operating activities:	
Decrease in accounts payable	<u>(75,290)</u>
Net cash used for operating activities	<u>\$ (34,167)</u>

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

Exhibit J

ASSETS

Cash and pooled investments:

County Treasurer	\$ 959,433
Other County officials	3,800
Drainage districts	225,127

Receivables:

Property tax:

Delinquent	33,030
Succeeding year	10,471,760

Accrued interest	239
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Accounts	19,129
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Drainage assessments	113
----------------------	-----

Special assessments	1,839
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Due from other governments	4,167
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Prepaid expenses	<u>7</u>
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Total assets	<u>11,718,644</u>
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LIABILITIES

Accounts payable	18,106
------------------	--------

Salaries and benefits payable	3,624
-------------------------------	-------

Due to other governments	<u>11,696,914</u>
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Total liabilities	<u>11,718,644</u>
-------------------	-------------------

NET ASSETS

\$	<u><u>-</u></u>
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LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

Blended Component Units

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

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

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Jointly Governed Organizations

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

Basis of Presentation

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

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

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

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

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

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

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

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

The County reports the following major governmental funds:

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

Special Revenue Funds – The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas. The Secondary Roads Fund is used to account for secondary road construction and maintenance. The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

Additionally, the County reports the following fund types:

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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

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

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

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as needed.

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 financial statements:

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

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

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

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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

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

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

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

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

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

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

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Louisa County has elected not to report major general infrastructure assets retroactively, prior to July 1, 2002. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Buildings	40 – 50
Building improvements	20 – 50
Infrastructure	30 – 50
Equipment	2 – 20
Vehicles	3 – 10

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

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

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

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

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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

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

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

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

Budgets and Budgetary Accounting

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

NOTE 2 – CASH AND POOLED INVESTMENTS

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

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

The County's only investments were in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$3,129,088 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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

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

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the County’s deposits may not be returned to it. The County’s deposits are entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

NOTE 3 – INTERFUND TRANSFERS

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

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 1,117,580
Internal Service Insurance Trust Fund	General	54,938
Nonmajor Governmental Funds	General	<u>22,000</u>
Total		<u>\$ 1,194,518</u>

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

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 4 – CAPITAL ASSETS

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,313,124	\$ -	\$ -	\$ 1,313,124
Construction in progress	<u>847,827</u>	<u>755,637</u>	<u>1,572,508</u>	<u>30,956</u>
Total capital assets, not being depreciated	<u>2,160,951</u>	<u>755,637</u>	<u>1,572,508</u>	<u>1,344,080</u>
Capital assets, being depreciated:				
Buildings and improvements	2,045,049	21,456	-	2,066,505
Machinery and equipment	4,345,452	270,496	82,377	4,533,571
Infrastructure	<u>5,501,415</u>	<u>1,572,508</u>	<u>-</u>	<u>7,073,923</u>
Total capital assets, being depreciated	<u>11,891,916</u>	<u>1,864,460</u>	<u>82,377</u>	<u>13,673,999</u>
Less accumulated depreciation for:				
Buildings and improvements	966,236	40,942	-	1,007,178
Machinery and equipment	2,992,120	333,537	79,337	3,246,320
Infrastructure	<u>465,213</u>	<u>296,324</u>	<u>-</u>	<u>761,537</u>
Total accumulated depreciation	<u>4,423,569</u>	<u>670,803</u>	<u>79,337</u>	<u>5,015,035</u>
Total capital assets, being depreciated, net	<u>7,468,347</u>	<u>1,193,657</u>	<u>3,040</u>	<u>8,658,964</u>
Governmental activities capital assets, net	<u>\$ 9,629,298</u>	<u>\$ 1,949,294</u>	<u>\$ 1,575,548</u>	<u>\$ 10,003,044</u>

Depreciation expense was charged to the following functions of the County as follows:

Governmental activities:	
Public safety and legal services	\$ 77,513
Physical health and social services	2,139
Mental health	1,600
County environment and education	19,145
Roads and transportation	530,045
Governmental services to residents	4,446
Administration	<u>35,915</u>
Total depreciation expense – governmental activities	<u>\$ 670,803</u>

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 5 – DUE TO OTHER GOVERNMENTS

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

Fund	Description	Amount
General	Services	<u>\$ 18,802</u>
Special Revenue: Mental Health	Services	<u>119,398</u>
Total for governmental funds		<u><u>\$ 138,200</u></u>
Agency:		
County Recorder	Collections	\$ 3,801
County Sheriff		11
Agricultural Extension Education		155,798
County Assessor		448,452
Schools		8,453,141
Community Colleges		344,373
Corporations		1,134,982
Townships		205,370
Auto License and Use Tax		178,595
Brucellosis and Tuberculosis Eradication		2,083
Fire Districts		116,197
E911 Surcharge		183,825
Joint Disaster Services		1,553
City Special Assessments		5,730
Drainage Districts		462,626
County Recorder's Electronic Fee		<u>377</u>
Total for agency funds		<u><u>\$ 11,696,914</u></u>

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 6 – CHANGES IN LONG-TERM LIABILITIES

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

	Capital Lease Purchase Agreements	General Obligation Bonds	Compensated Absences	Total
Balance beginning of year	\$ 217,986	\$ 315,000	\$ 142,826	\$ 675,812
Increases	-	-	106,541	106,541
Decreases	<u>110,469</u>	<u>40,000</u>	<u>94,444</u>	<u>244,913</u>
Balance end of year	<u>\$ 107,517</u>	<u>\$ 275,000</u>	<u>\$ 154,923</u>	<u>\$ 537,440</u>
Due within one year	<u>\$ 107,517</u>	<u>\$ 40,000</u>	<u>\$ 106,160</u>	<u>\$ 253,677</u>

Capital Lease Purchase Agreements

The County has entered into a capital lease purchase agreement to lease two motor graders with a historical cost of \$205,819, accumulated depreciation of \$30,873, and a net book value of \$174,946. The following is a schedule of the future minimum lease payments, including interest of 4.25% for the motor graders per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2006:

<u>Year Ending June 30,</u>	<u>Motor Graders</u>
2007	<u>\$ 112,795</u>
Total minimum lease payments	112,795
Less amount representing Interest	<u>5,278</u>
Present value of net minimum lease payments	<u>\$ 107,517</u>

Payments under the capital lease purchase agreements for the year ended June 30, 2006, totaled \$120,641.

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Bonds Payable

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2007	4.30%	\$ 40,000	\$ 12,880	\$ 52,880
2008	4.45	45,000	11,160	56,160
2009	4.60	45,000	9,158	54,158
2010	4.75	45,000	7,087	52,087
2011	4.90	50,000	4,950	54,950
2012	5.00	<u>50,000</u>	<u>2,500</u>	<u>52,500</u>
Total		<u>\$ 275,000</u>	<u>\$ 47,735</u>	<u>\$ 322,735</u>

NOTE 7 – PENSION AND RETIREMENT BENEFITS

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004, were \$120,264, \$113,889, and \$108,374, respectively, equal to the required contributions for each year.

NOTE 8 – RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2006, were \$120,928.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

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

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

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for workers compensation and employee blanket bond claims in excess of \$1,000,000 and \$20,000 except for Treasurer which is \$50,000, respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 – EMPLOYEE HEALTH INSURANCE PLAN

The Internal Service Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. Effective July 1, 2005, the County became fully insured. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims, June 30, 2004	\$ 47,645
Incurred claims (including IBNRs)	497,832
Claim payments	<u>(470,187)</u>
Unpaid claims, June 30, 2005	75,290
Claim payments	(60,355)
Change in IBNR	<u>(14,935)</u>
Unpaid claims, June 30, 2006	<u>\$ -</u>

NOTE 10 – CONSTRUCTION COMMITMENT

The County has entered into a contract totaling \$946,773 for a paving project. As of June 30, 2006, costs on the project have been incurred. The balance remaining on the project at June 30, 2006, \$(946,773) will be paid as work on the project progresses.

NOTE 11 – DEFICIT FUND BALANCE

The Conservation Land Acquisition Trust Fund had deficit fund balance at June 30, 2006, of \$22,096.

NOTE 12 – PROSPECTIVE ACCOUNTING PRONOUNCEMENTS

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

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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

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

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

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

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

LOUISA COUNTY

LOUISA COUNTY

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

	Governmental Funds Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance - Positive (Negative)
				Original	Final	
Receipts:						
Property and other County tax	\$ 4,058,275	\$ 2,643	\$ 4,055,632	\$ 4,064,951	\$ 4,064,951	\$ (9,319)
Interest and penalty on property tax	44,087	-	44,087	32,900	32,900	11,187
Intergovernmental	3,127,407	-	3,127,407	556,373	628,643	2,498,764
Licenses and permits	23,657	-	23,657	15,465	15,465	8,192
Charges for service	508,018	-	508,018	473,088	473,088	34,930
Use of money and property	187,530	11	187,519	73,294	73,294	114,225
Miscellaneous	139,932	-	139,932	2,638,297	2,638,297	(2,498,365)
Total receipts	8,088,906	2,654	8,086,252	7,854,368	7,926,638	159,614
Disbursements:						
Operating:						
Public safety and legal services	1,551,467	-	1,551,467	1,599,362	1,636,227	84,760
Physical health and social services	550,215	-	550,215	577,104	667,572	117,357
Mental health	930,434	-	930,434	1,254,839	1,254,839	324,405
County environment and education	429,047	-	429,047	476,728	481,728	52,681
Roads and transportation	2,619,436	-	2,619,436	2,653,706	2,653,706	34,270
Governmental services to residents	334,651	-	334,651	373,422	373,422	38,771
Administration	808,219	-	808,219	821,544	849,262	41,043
Non-program	95	95	-	-	-	-
Debt service	54,940	-	54,940	54,940	54,940	-
Capital projects	721,722	-	721,722	974,567	1,049,567	327,845
Total disbursements	8,000,226	95	8,000,131	8,786,212	9,021,263	1,021,132
Excess (deficiency) of receipts over (under) disbursements	88,680	2,559	86,121	(931,844)	(1,094,625)	1,180,746
Other financing sources, net	(40,846)	-	(40,846)	-	-	(40,846)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	47,834	2,559	45,275	(931,844)	(1,094,625)	1,139,900
Balance beginning of year	3,931,939	22,441	3,909,498	3,909,498	3,909,498	-
Balance end of year	<u>\$ 3,979,773</u>	<u>\$ 25,000</u>	<u>\$ 3,954,773</u>	<u>\$ 2,977,654</u>	<u>\$ 2,814,873</u>	<u>\$ 1,139,900</u>
Reconciliation between cash and modified accrual basis:						
	Governmental Funds					
	Cash Basis	Accrual Adjustments	Modified Accrual Basis			
Revenues	\$ 8,088,906	\$ 30,445	\$ 8,119,351			
Expenditures	8,000,226	133,517	8,133,743			
Net	88,680	(103,072)	(14,392)			
Other financing sources, net	(40,846)	-	(40,846)			
Beginning fund balances	3,931,939	(4,708)	3,927,231			
Ending fund balances	<u>\$ 3,979,773</u>	<u>\$ (107,780)</u>	<u>\$ 3,871,993</u>			

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

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, and Debt Service 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 \$235,051. The budget amendments are reflected in the final budgeted amounts.

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

OTHER SUPPLEMENTARY INFORMATION

LOUISA COUNTY

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

Schedule 1

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental</u>
ASSETS			
Cash and pooled investments	\$ 173,218	\$ -	\$ 173,218
Receivables:			
Accrued interest	54	-	54
Note receivable	-	275,000	275,000
Due from other governments	<u>5,183</u>	<u>-</u>	<u>5,183</u>
 Total assets	 <u>\$ 178,455</u>	 <u>\$ 275,000</u>	 <u>\$ 453,455</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 27,208	\$ -	\$ 27,208
Salaries and benefits payable	753	-	753
Deferred revenue:			
Other	<u>-</u>	<u>275,000</u>	<u>275,000</u>
 Total liabilities	 <u>27,961</u>	 <u>275,000</u>	 <u>302,961</u>
Fund balances:			
Unreserved - undesignated	<u>150,494</u>	<u>-</u>	<u>150,494</u>
 Total liabilities and fund balances	 <u>\$ 178,455</u>	 <u>\$ 275,000</u>	 <u>\$ 453,455</u>

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

Schedule 2

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental</u>
Revenues:			
Property and other County tax	\$ 2,643	\$ -	\$ 2,643
Intergovernmental	14,791	-	14,791
Licenses and permits	5,800	-	5,800
Charges for service	5,966	-	5,966
Use of money and property	532	-	532
Miscellaneous	7,861	54,940	62,801
Total revenues	<u>37,593</u>	<u>54,940</u>	<u>92,533</u>
Expenditures:			
Operating:			
Public safety and legal services	15,484	-	15,484
Physical health and social services	4,987	-	4,987
Governmental services to residents	10,649	-	10,649
Non-program	95	-	95
Debt service	-	54,940	54,940
Capital projects	98,056	-	98,056
Total expenditures	<u>129,271</u>	<u>54,940</u>	<u>184,211</u>
Deficiency of revenues under expenditures	(91,678)	-	(91,678)
Other financing sources:			
Transfers in	<u>22,000</u>	-	<u>22,000</u>
Net change in fund balances	(69,678)	-	(69,678)
Fund balances beginning of year	<u>220,172</u>	-	<u>220,172</u>
Fund balances end of year	<u>\$ 150,494</u>	<u>\$ -</u>	<u>\$ 150,494</u>

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

	<u>County Recorder's Records Management</u>	<u>Resource Enhancement and Protection</u>	<u>Drainage Districts</u>
ASSETS			
Cash and pooled investments	\$ 8,512	\$ 31,052	\$ 25,000
Receivables:			
Accrued interest	7	47	-
Due from other governments	<u>-</u>	<u>5,183</u>	<u>-</u>
Total assets	<u>\$ 8,519</u>	<u>\$ 36,282</u>	<u>\$ 25,000</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Salaries and benefits payable	<u>-</u>	<u>753</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>753</u>	<u>-</u>
Fund balances:			
Unreserved - undesignated	<u>8,519</u>	<u>35,529</u>	<u>25,000</u>
 Total liabilities and fund balances	 <u>\$ 8,519</u>	 <u>\$ 36,282</u>	 <u>\$ 25,000</u>

<u>Confidential Investigation</u>	<u>Sheriff Patrol</u>	<u>Conservation Land Acquisition Trust</u>	<u>Well Abandonment Trust</u>	<u>Well Testing Trust</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 73,003	\$ 5,616	\$ 4,831	\$ 2,579	\$ 22,306	\$ 319	\$ 173,218
-	-	-	-	-	-	54
-	-	-	-	-	-	5,183
<u>\$ 73,003</u>	<u>\$ 5,616</u>	<u>\$ 4,831</u>	<u>\$ 2,579</u>	<u>\$ 22,306</u>	<u>\$ 319</u>	<u>\$ 178,455</u>
\$ 281	\$ -	\$ 26,927	\$ -	\$ -	\$ -	\$ 27,208
-	-	-	-	-	-	753
<u>281</u>	<u>-</u>	<u>26,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,961</u>
<u>72,722</u>	<u>5,616</u>	<u>(22,096)</u>	<u>2,579</u>	<u>22,306</u>	<u>319</u>	<u>150,494</u>
<u>\$ 73,003</u>	<u>\$ 5,616</u>	<u>\$ 4,831</u>	<u>\$ 2,579</u>	<u>\$ 22,306</u>	<u>\$ 319</u>	<u>\$ 178,455</u>

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

	County Recorder's Records Management	Resource Enhancement and Protection	Drainage Districts
Revenues:			
Property and other County tax	\$ -	\$ -	\$ 2,643
Intergovernmental	-	9,958	-
Licenses and permits	-	-	-
Charges for service	2,247	-	-
Use of money and property	64	457	11
Miscellaneous	-	-	-
Total revenues	<u>2,311</u>	<u>10,415</u>	<u>2,654</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Physical health and social services	-	-	-
Governmental services to residents	-	-	-
Non-program	-	-	95
Capital projects	-	754	-
Total expenditures	<u>-</u>	<u>754</u>	<u>95</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,311</u>	<u>9,661</u>	<u>2,559</u>
Other financing sources:			
Transfers in:			
General	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,311	9,661	2,559
Fund balances beginning of year	<u>6,208</u>	<u>25,868</u>	<u>22,441</u>
Fund balances end of year	<u>\$ 8,519</u>	<u>\$ 35,529</u>	<u>\$ 25,000</u>

Confidential Investigation	Sheriff Patrol	Conservation Land Acquisition Trust	Well Abandonment Trust	Well Testing Trust	County Recorder's Electronic Transaction Fee	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,643
2,501	-	-	1,590	742	-	14,791
-	-	-	-	5,800	-	5,800
297	3,373	-	-	-	49	5,966
-	-	-	-	-	-	532
7,861	-	-	-	-	-	7,861
<u>10,659</u>	<u>3,373</u>	<u>-</u>	<u>1,590</u>	<u>6,542</u>	<u>49</u>	<u>37,593</u>
12,822	2,662	-	-	-	-	15,484
-	-	-	3,172	1,815	-	4,987
-	-	-	-	-	10,649	10,649
-	-	-	-	-	-	95
-	-	97,302	-	-	-	98,056
<u>12,822</u>	<u>2,662</u>	<u>97,302</u>	<u>3,172</u>	<u>1,815</u>	<u>10,649</u>	<u>129,271</u>
<u>(2,163)</u>	<u>711</u>	<u>(97,302)</u>	<u>(1,582)</u>	<u>4,727</u>	<u>(10,600)</u>	<u>(91,678)</u>
-	-	22,000	-	-	-	22,000
(2,163)	711	(75,302)	(1,582)	4,727	(10,600)	(69,678)
<u>74,885</u>	<u>4,905</u>	<u>53,206</u>	<u>4,161</u>	<u>17,579</u>	<u>10,919</u>	<u>220,172</u>
<u>\$ 72,722</u>	<u>\$ 5,616</u>	<u>\$ (22,096)</u>	<u>\$ 2,579</u>	<u>\$ 22,306</u>	<u>\$ 319</u>	<u>\$ 150,494</u>

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

Schedule 5

	Balance 6/30/05	Additions	Deletions	Balance 6/30/06
COUNTY AUDITOR				
ASSETS:				
Cash and pooled investments:				
Other County officials	\$ -	\$ 1,392	\$ 1,392	\$ -
LIABILITIES:				
Due to other funds	\$ -	\$ 1,392	\$ 1,392	\$ -
COUNTY RECORDER				
ASSETS:				
Cash and pooled investments:				
Other County officials	\$ 5,484	\$ 152,134	\$ 153,829	\$ 3,789
Accounts receivable	35	12	35	12
Total assets	\$ 5,519	\$ 152,146	\$ 153,864	\$ 3,801
LIABILITIES:				
Due to other funds	\$ -	\$ 71,177	\$ 71,177	\$ -
Due to other governments	5,519	80,934	82,652	3,801
Total liabilities	\$ 5,519	\$ 152,111	\$ 153,829	\$ 3,801
COUNTY SHERIFF				
ASSETS:				
Cash and pooled investments:				
Other County officials	\$ -	\$ 348,260	\$ 348,249	\$ 11
LIABILITIES:				
Due to other funds	\$ -	\$ 30,050	\$ 30,050	\$ -
Due to other governments	-	210	199	11
Trusts payable	-	318,000	318,000	-
Total liabilities	\$ -	\$ 348,260	\$ 348,249	\$ 11

(continued)

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

Schedule 5
(continued)

	Balance 6/30/05	Additions	Deletions	Balance 6/30/06
AGRICULTURAL EXTENSION EDUCATION FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 1,505	\$ 114,996	\$ 114,919	\$ 1,582
Property tax receivable:				
Delinquent	249	388	249	388
Succeeding year	115,002	153,828	115,002	153,828
Total assets	<u>\$ 116,756</u>	<u>\$ 269,212</u>	<u>\$ 230,170</u>	<u>\$ 155,798</u>
LIABILITIES:				
Due to other governments	<u>\$ 116,756</u>	<u>\$ 269,212</u>	<u>\$ 230,170</u>	<u>\$ 155,798</u>
COUNTY ASSESSOR FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 137,467	\$ 310,913	\$ 237,184	\$ 211,196
Property tax receivable:				
Delinquent	738	866	738	866
Succeeding year	306,539	239,922	306,539	239,922
Prepaid expenses	2,392	7	2,392	7
Total assets	<u>\$ 447,136</u>	<u>\$ 551,708</u>	<u>\$ 546,853</u>	<u>\$ 451,991</u>
LIABILITIES:				
Accounts payable	\$ -	\$ 324	\$ -	\$ 324
Salaries and benefits payable	-	3,215	-	3,215
Due to other governments	447,136	548,169	546,853	448,452
Total liabilities	<u>\$ 447,136</u>	<u>\$ 551,708</u>	<u>\$ 546,853</u>	<u>\$ 451,991</u>
SCHOOLS FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 109,291	\$ 7,918,353	\$ 7,919,174	\$ 108,470
Property tax receivable:				
Delinquent	17,673	24,636	17,673	24,636
Succeeding year	7,909,117	8,320,035	7,909,117	8,320,035
Total assets	<u>\$ 8,036,081</u>	<u>\$ 16,263,024</u>	<u>\$ 15,845,964</u>	<u>\$ 8,453,141</u>
LIABILITIES:				
Due to other governments	<u>\$ 8,036,081</u>	<u>\$ 16,263,024</u>	<u>\$ 15,845,964</u>	<u>\$ 8,453,141</u>

(continued)

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

Schedule 5
(continued)

	Balance 6/30/05	Additions	Deletions	Balance 6/30/06
COMMUNITY COLLEGES FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 5,291	\$ 360,234	\$ 360,399	\$ 5,126
Property tax receivable:				
Delinquent	807	1,250	807	1,250
Succeeding year	<u>360,335</u>	<u>337,997</u>	<u>360,335</u>	<u>337,997</u>
Total assets	<u>\$ 366,433</u>	<u>\$ 699,481</u>	<u>\$ 721,541</u>	<u>\$ 344,373</u>
LIABILITIES:				
Due to other governments	<u>\$ 366,433</u>	<u>\$ 699,481</u>	<u>\$ 721,541</u>	<u>\$ 344,373</u>
CORPORATIONS FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 21,958	\$ 1,178,705	\$ 1,171,936	\$ 28,727
Property tax receivable:				
Delinquent	5,424	5,022	5,424	5,022
Succeeding year	<u>1,022,706</u>	<u>1,101,233</u>	<u>1,022,706</u>	<u>1,101,233</u>
Total assets	<u>\$ 1,050,088</u>	<u>\$ 2,284,960</u>	<u>\$ 2,200,066</u>	<u>\$ 1,134,982</u>
LIABILITIES:				
Due to other governments	<u>\$ 1,050,088</u>	<u>\$ 2,284,960</u>	<u>\$ 2,200,066</u>	<u>\$ 1,134,982</u>
TOWNSHIPS FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 2,599	\$ 190,040	\$ 190,150	\$ 2,489
Property tax receivable:				
Delinquent	498	772	498	772
Succeeding year	<u>168,647</u>	<u>202,109</u>	<u>168,647</u>	<u>202,109</u>
Total assets	<u>\$ 171,744</u>	<u>\$ 392,921</u>	<u>\$ 359,295</u>	<u>\$ 205,370</u>
LIABILITIES:				
Due to other governments	<u>\$ 171,744</u>	<u>\$ 392,921</u>	<u>\$ 359,295</u>	<u>\$ 205,370</u>
AUTO LICENSE AND USE TAX FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 205,024	\$ 2,479,557	\$ 2,505,986	\$ 178,595
LIABILITIES:				
Due to other governments	<u>\$ 205,024</u>	<u>\$ 2,479,557</u>	<u>\$ 2,505,986</u>	<u>\$ 178,595</u>

(continued)

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

Schedule 5
(continued)

	Balance 6/30/05	Additions	Deletions	Balance 6/30/06
BRUCELLOSIS AND TUBERCULOSIS ERADICATION FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 27	\$ 1,886	\$ 1,887	\$ 26
Property tax receivable:				
Delinquent	4	6	4	6
Succeeding year	1,887	2,051	1,887	2,051
Total assets	<u>\$ 1,918</u>	<u>\$ 3,943</u>	<u>\$ 3,778</u>	<u>\$ 2,083</u>
LIABILITIES:				
Due to other governments	<u>\$ 1,918</u>	<u>\$ 3,943</u>	<u>\$ 3,778</u>	<u>\$ 2,083</u>
FIRE DISTRICTS FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 1,437	\$ 106,285	\$ 106,200	\$ 1,522
Property tax receivable:				
Delinquent	103	90	103	90
Succeeding year	113,128	114,585	113,128	114,585
Total assets	<u>\$ 114,668</u>	<u>\$ 220,960</u>	<u>\$ 219,431</u>	<u>\$ 116,197</u>
LIABILITIES:				
Due to other governments	<u>\$ 114,668</u>	<u>\$ 220,960</u>	<u>\$ 219,431</u>	<u>\$ 116,197</u>
E911 SURCHARGE FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 140,252	\$ 72,887	\$ 49,978	\$ 163,161
Accounts receivable	10,119	17,043	10,119	17,043
Due from other governments	-	4,167	-	4,167
Accrued interest	-	239	-	239
Total assets	<u>\$ 150,371</u>	<u>\$ 94,336</u>	<u>\$ 60,097</u>	<u>\$ 184,610</u>
LIABILITIES:				
Accounts payable	\$ 4,760	\$ 785	\$ 4,760	\$ 785
Due to other governments	145,611	93,551	55,337	183,825
Total liabilities	<u>\$ 150,371</u>	<u>\$ 94,336</u>	<u>\$ 60,097</u>	<u>\$ 184,610</u>

(continued)

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

Schedule 5
(continued)

	<u>Balance</u> <u>6/30/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/06</u>
JOINT DISASTER SERVICES FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 7,146	\$ 19,883	\$ 24,994	\$ 2,035
LIABILITIES:				
Accounts payable	\$ -	\$ 73	\$ -	\$ 73
Salaries and benefits payable	-	409	-	409
Due to other governments	<u>7,146</u>	<u>19,401</u>	<u>24,994</u>	<u>1,553</u>
Total liabilities	<u>\$ 7,146</u>	<u>\$ 19,883</u>	<u>\$ 24,994</u>	<u>\$ 2,035</u>
CITY SPECIAL ASSESSMENTS FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 7,219	\$ 26,793	\$ 30,121	\$ 3,891
Special assessments receivable	<u>1,424</u>	<u>1,839</u>	<u>1,424</u>	<u>1,839</u>
Total assets	<u>\$ 8,643</u>	<u>\$ 28,632</u>	<u>\$ 31,545</u>	<u>\$ 5,730</u>
LIABILITIES:				
Due to other governments	<u>\$ 8,643</u>	<u>\$ 28,632</u>	<u>\$ 31,545</u>	<u>\$ 5,730</u>
UNCLAIMED FEES AND BANKRUPTCY				
ASSETS:				
Cash and pooled investments:				
County Treasurer	<u>\$ 171</u>	<u>\$ -</u>	<u>\$ 171</u>	<u>\$ -</u>
LIABILITIES:				
Trusts payable	<u>\$ 171</u>	<u>\$ -</u>	<u>\$ 171</u>	<u>\$ -</u>

(continued)

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

Schedule 5
(continued)

	Balance 6/30/05	Additions	Deletions	Balance 6/30/06
DRAINAGE DISTRICTS				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 261,957	\$ 297,769	\$ 307,303	\$ 252,423
Drainage districts	225,127	-	-	225,127
Drainage assessments receivable	137	113	137	113
Total assets	<u>\$ 487,221</u>	<u>\$ 297,882</u>	<u>\$ 307,440</u>	<u>\$ 477,663</u>
LIABILITIES:				
Accounts payable	\$ -	\$ 15,037	\$ -	\$ 15,037
Due to other governments	487,221	282,845	307,440	462,626
Total liabilities	<u>\$ 487,221</u>	<u>\$ 297,882</u>	<u>\$ 307,440</u>	<u>\$ 477,663</u>
FLEXIBLE BENEFITS				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 823	\$ 32,705	\$ 33,528	\$ -
Accounts receivable	-	1,887	-	1,887
Total assets	<u>\$ 823</u>	<u>\$ 34,592</u>	<u>\$ 33,528</u>	<u>\$ 1,887</u>
LIABILITIES:				
Accounts payable	\$ -	\$ 1,887	\$ -	\$ 1,887
Due to other governments	823	32,705	33,528	-
Total liabilities	<u>\$ 823</u>	<u>\$ 34,592</u>	<u>\$ 33,528</u>	<u>\$ 1,887</u>
COUNTY RECORDER'S ELECTRONIC FEE				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 217	\$ 2,341	\$ 2,368	\$ 190
Accounts receivable	-	187	-	187
Total assets	<u>\$ 217</u>	<u>\$ 2,528</u>	<u>\$ 2,368</u>	<u>\$ 377</u>
LIABILITIES:				
Due to other governments	<u>\$ 217</u>	<u>\$ 2,528</u>	<u>\$ 2,368</u>	<u>\$ 377</u>

(continued)

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

Schedule 5
(continued)

	Balance 6/30/05	Additions	Deletions	Balance 6/30/06
TOTAL COMBINED FUNDS				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 902,384	\$ 13,113,347	\$ 13,056,298	\$ 959,433
Other County officials	5,484	501,786	503,470	3,800
Drainage districts	225,127	-	-	225,127
Receivables:				
Property tax:				
Delinquent	25,496	33,030	25,496	33,030
Succeeding year	9,997,361	10,471,760	9,997,361	10,471,760
Accounts	10,154	19,129	10,154	19,129
Accrued interest	-	239	-	239
Drainage assessments	137	113	137	113
Special assessments	1,424	1,839	1,424	1,839
Due from other governments	-	4,167	-	4,167
Prepaid expenses	2,392	7	2,392	7
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 11,169,959</u>	<u>\$ 24,145,417</u>	<u>\$ 23,596,732</u>	<u>\$ 11,718,644</u>
LIABILITIES:				
Accounts payable	\$ 4,760	\$ 18,106	\$ 4,760	\$ 18,106
Salaries and benefits payable	-	3,624	-	3,624
Due to other funds	-	102,619	102,619	-
Due to other governments	11,165,028	23,703,033	23,171,147	11,696,914
Trusts payable	171	318,000	318,171	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 11,169,959</u>	<u>\$ 24,145,382</u>	<u>\$ 23,596,697</u>	<u>\$ 11,718,644</u>

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

Schedule 6

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:					
Property and other County tax	\$ 4,062,904	\$ 4,016,081	\$ 3,974,544	\$ 3,565,777	\$ 3,234,444
Interest and penalty on property tax	44,075	52,560	53,614	44,767	46,314
Intergovernmental	3,150,350	3,201,525	3,102,185	2,936,091	2,833,171
Licenses and permits	23,267	23,495	13,536	6,306	6,835
Charges for service	498,654	518,622	543,139	531,469	514,165
Use of money and property	200,662	108,758	94,856	74,963	130,236
Miscellaneous	<u>139,439</u>	<u>115,537</u>	<u>126,827</u>	<u>176,335</u>	<u>117,765</u>
Total revenues	<u>\$ 8,119,351</u>	<u>\$ 8,036,578</u>	<u>\$ 7,908,701</u>	<u>\$ 7,335,708</u>	<u>\$ 6,882,930</u>
Expenditures:					
Operating:					
Public safety and legal services	\$ 1,537,041	\$ 1,427,129	\$ 1,395,700	\$ 1,299,527	\$ 1,333,264
Physical health and social services	555,735	516,955	500,516	557,905	560,544
Mental health	948,009	972,379	980,403	1,066,924	1,090,925
County environment and education	435,290	487,359	412,848	590,961	430,828
Roads and transportation	2,497,345	2,536,698	2,415,685	1,954,414	2,206,303
Governmental services to residents	338,758	270,838	242,403	232,307	219,644
Administration	822,266	749,756	750,025	893,410	801,807
Non-program	95	-	-	95	452,175
Debt service	175,581	71,998	57,940	54,165	53,241
Capital projects	<u>823,623</u>	<u>797,104</u>	<u>341,914</u>	<u>933,419</u>	<u>1,279,187</u>
Total expenditures	<u>\$ 8,133,743</u>	<u>\$ 7,830,216</u>	<u>\$ 7,097,434</u>	<u>\$ 7,583,127</u>	<u>\$ 8,427,918</u>

**INFORMATION PROVIDED TO COMPLY WITH
*GOVERNMENT AUDITING STANDARDS***

LOUISA COUNTY



CPAs & BUSINESS ADVISORS

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

To the Officials of Louisa County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Louisa County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise Louisa County's basic financial statements and have issued our report thereon dated September 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Louisa 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 Louisa 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 Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, 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 Louisa County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

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

We also noted certain additional matters that we reported to the management of Louisa County in a separate letter dated September 12, 2006.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Louisa County and other parties to whom Louisa County may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Louisa County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

Dubuque, Iowa
September 12, 2006

**LOUISA COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006**

Part I: Findings Related to the Basic Financial Statements:

REPORTABLE CONDITIONS

I-A-06 Sheriff's Office – Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. Over the past years, the Sheriff's Office has implemented various procedures to enhance their internal controls. However, due to time and staffing constraints, the Sheriff's Office is still unable to fully segregate receipt and posting functions, disbursement preparation and posting functions, and reconciliation functions from receipt and disbursement functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, we recommend that the Sheriff's Office should continue to review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review operating procedures.

Conclusion – Response accepted.

I-B-06 County Recorder – Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that there is no clear segregation of duties. All three employees perform all record-keeping and reconciling functions, and they are authorized to sign checks.

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

Response – Our office has two full-time employees and one every other week. We are all trained to do the duties in the Recorder's office. We will continue to review operating procedures.

Conclusion – Response accepted.

I-C-06 Treasurer's Office – Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. Over the past years, the Treasurer's Office has implemented various procedures to enhance their internal controls.

**LOUISA COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006**

However, due to time and staffing constraints, the Treasurer’s Office is unable to fully segregate receipt and posting functions, disbursement preparation and posting functions, and reconciliation functions from receipt and disbursement functions.

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

Response – Our office continues to review operating procedures on a regular basis and does everything in our power to maximize internal control. Accuracy and safety is our number one priority. Without specific recommendations we will continue to monitor the procedures as much as possible with the staff that we have.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-06 Certified Budget – Disbursements during the year ended June 30, 2006, did not exceed the amounts budgeted or appropriated.

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

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

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

Name, Title, and Business Connection	Transaction Description	Amount
Randy Orr, Secondary Roads employee	Sandblasting and painting	\$ 200

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Secondary Roads employee do not appear to represent conflicts of interest since total transactions with this employee were less than \$1,500 during the fiscal year.

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

II-F-06 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

LOUISA COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

II-G-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

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

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

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

II-J-06 Disposition of Real Property – During the year ended June 30, 2006, the County approved the transfer of deed for right-of-way owned by the County without holding a public hearing as required by Chapter 331.361(2) of the Code of Iowa.

Recommendation – In the future, the County should hold a public hearing prior to the disposition of real property in accordance with Chapter 331.361(2) of the Code of Iowa.

Response – In the future, the County will hold public hearings for all dispositions of real property.

Conclusion – Response accepted.