

MAHASKA COUNTY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2006

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MAHASKA COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Henry Van Weelden	Board of Supervisors	Jan. 2009
Lawrence Rouw	Board of Supervisors	Jan. 2007
Greg Gordy	Board of Supervisors	Jan. 2007
Kay Swanson	County Auditor	Jan. 2009
Sone Scott	County Treasurer	Jan. 2007
Diane Upton Crookham	County Recorder	Jan. 2007
Paul De Geest	County Sheriff	Jan. 2009
Charles Stream	County Attorney	(Resigned 12/31/05)
Rose Anne Mefford	County Attorney	(Appointed 1/1/06) Jan. 2007
Gary Smith	County Assessor	Jan. 2010

INDEPENDENT AUDITOR'S REPORT

To the Officials of Mahaska County:

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

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

The Secondary Roads Fund of Mahaska County had a written and held warrant of \$155,743 at June 30, 2006. Accordingly, Secondary Roads Fund cash and fund balance were understated and expenditures were overstated by \$155,743.

In our opinion, except for the effects of a written and held warrant as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Secondary Roads Fund of Mahaska County as of June 30, 2006, and the changes in financial position thereof for the year then ended in conformity with U.S. general accepted accounting principles.

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

In accordance with Government Auditing Standards, we have also issued our report dated February 23, 2007 on our consideration of Mahaska County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 48 through 50 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Mahaska County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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.

Oskaloosa, Iowa
February 23, 2007

Management's Discussion and Analysis

Management of Mahaska County provides this Management's Discussion and Analysis of Mahaska County's annual financial statements. This narrative overview and analysis of the financial activities of Mahaska 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.

FINANCIAL HIGHLIGHTS

- County governmental funds revenue totaled \$13,826,988 for 2006, a slight decrease of less than 1% from 2005, or \$101,942. This decrease was due primarily to the fact that intergovernmental revenue in the Secondary Road fund dropped \$1,200,004 from 2005. In 2005 there was transfer of jurisdiction money received from the state into the Secondary Road Fund. Property and other county taxes totaled \$6,950,971 for 2006, which was an increase of \$701,769 over 2005.
- County governmental funds functional expenditures totaled \$14,483,023 for 2006, an increase of \$1,805,985 over the 2005 expenditures. This was due to Secondary Road capital projects expense increasing \$778,961, election expenses increased in the General Supplemental fund by \$173,300 which included the purchase of voting machines and \$336,000 in loans were paid out from the Mahaska County Revolving Loan Fund.
- The County's governmental fund balances at June 30, 2006 were \$12,741,822, a decrease of \$656,035 due primarily to the above noted factors.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements.

- The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances.
- Fund financial statements immediately follow this report. For governmental activities these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds.
- The remaining statements provide financial information about activities for which the County acts solely as an agent or custodian for the benefit of those outside the government (Agency Funds).

The County as a Whole Reporting

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, 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 and 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 displayed in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration or general government, interest on long-term debt and other non-program activities. Property taxes and state and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County establishes many other funds to help it control and manage money for particular purposes.

Most of the County's basic services are accounted for in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basis financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

Supplementary Information

The supplementary information provides detailed information about the non-major governmental funds and the individual agency funds. In addition, the Schedule of Expenditures of Federal Awards provides details of the various Federal awards received by the County.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position.

STATEMENT OF NET ASSETS –GOVERNMENTAL ACTIVITIES

	2006	2005	2004
Current and other Assets	\$ 20,591,070	\$ 20,753,725	\$ 18,920,044
Capital assets	26,052,527	25,352,251	24,125,490
Total Assets	46,643,597	46,105,976	43,045,534
Long term debt outstanding	359,302	373,517	349,602
Other liabilities	7,286,752	7,037,351	6,610,313
Total liabilities	7,646,054	7,410,868	6,959,915
Net Assets			
Invested in capital assets	26,031,527	25,318,251	24,125,490
Restricted	9,965,507	10,836,265	9,654,635
Unrestricted	3,000,509	2,540,592	2,305,494
Total net assets	\$38,997,543	\$38,695,108	\$36,085,619

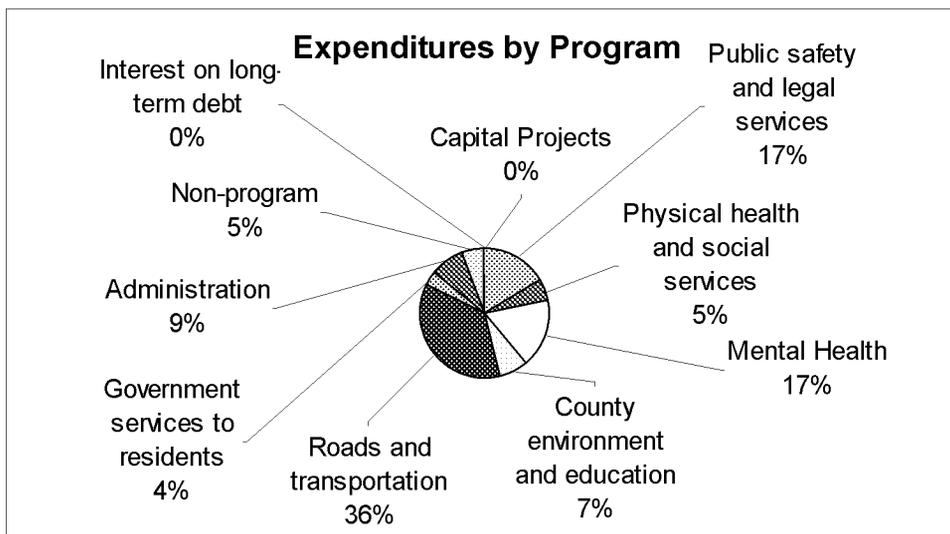
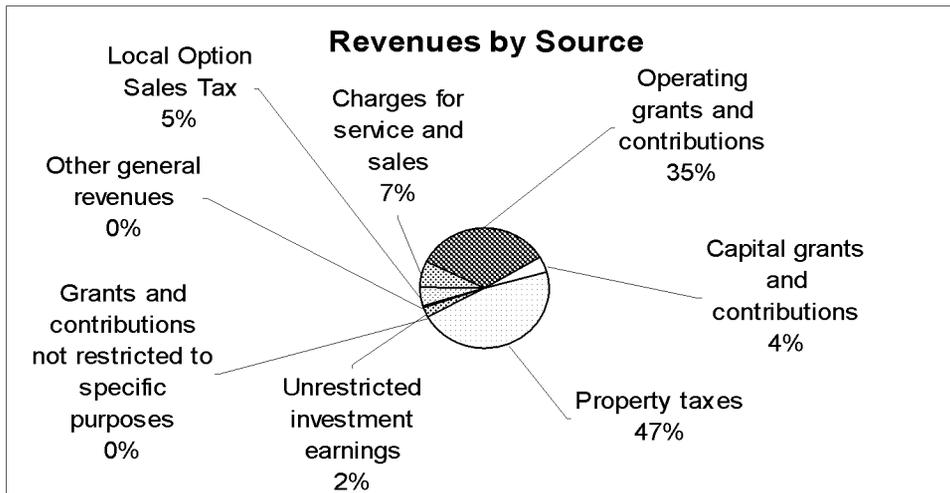
The County’s combined net assets showed a less than 1% increase from a year ago from \$38,695,108 to \$38,997,543. The largest portion of the County’s net assets is the Invested in Capital Assets (that is, land, infrastructure, buildings and equipment). Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

The increase in net assets of \$302,435 for governmental activities is mostly due to the following factors: The County’s capital asset additions were approximately \$700,000 more than depreciation on all capital assets. This had a positive effect on net assets.

Changes in Net Assets of Governmental Activities

	2006	2005
Revenues:		
Program revenues:		
Charges for Service	\$1,055,028	\$901,618
Operating grants and contributions	4,945,374	6,134,042
Capital grants and contributions	603,092	1,583,448
General revenues:		
Property taxes	6,573,842	5,833,973
Grants and contributions not restricted to specific purposes		
Unrestricted investment earnings	356,570	169,140
Local Option sales and services tax	759,880	764,545
Other general revenues	48,883	84,785
Total Revenues	\$14,342,669	\$15,471,551

	2006	2005
Program expenses:		
Public safety and legal services	\$2,374,548	\$2,155,487
Physical health and social services	762,672	770,518
Mental health	2,341,845	2,304,621
County environment and education	995,522	533,013
Roads and transportation	5,069,056	4,906,479
Government services to residents	525,380	456,433
Administration	1,209,320	968,471
Non-program	759,880	764,545
Interest on long-term debt	2,011	2,495
Capital Projects		
Total expenses	\$14,040,234	\$12,862,062
Increase (decrease) in net assets	302,435	2,609,489
Net assets July 1, 2005	\$38,695,108	\$36,085,619
Net assets June 30, 2006	\$38,997,543	\$38,695,108



THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported combined fund balances of \$12,741,822. Revenue received in the County funds was \$656,035 less than was expended for the year. The following are the major reasons for the changes in fund balances for the year:

Expenditures in the General Fund remained consistent when compared to the prior year. Revenues increased by a total of \$969,992 as it was necessary to raise the General Supplemental levy by \$.60 to 1.72112. Intergovernmental revenue in the General Supplemental fund increased with the receipt of funds from the state for the purchase of new voting machines. The ending fund balance showed an increase from the prior year of \$591,234.

The County has continued to look for ways to effectively manage the cost of mental health services. Expenditures for the year totaled \$2,340,063, up slightly at \$32,350 from the year before. The Mental Health Fund balance at year end had increased by \$257,216.

Rural Services Fund revenues did not meet expenditures due to the full transfer to the Secondary Roads Fund and a decline in property tax values. The property tax levy was increased from 3.25 to 3.75 which remains below the maximum allowed of \$3.95. The ending fund balance showed a decrease of \$332,274.

Secondary Roads Fund capital project expenditures for the year were \$1,298,207, an increase of \$778,961 over the previous year. Intergovernmental revenue was down as compared to the past three years as the County did not receive payments from the state for maintenance of three state highways that the County has acquired. During fiscal year 2005-06 money was expended for road projects. These factors resulted in a \$933,123 decrease in the Secondary Road fund balance at the end of the year.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis.

Over the course of the year, the County amended its operating budget one time. The amendment was made on May 15, 2006 and resulted in an increase to Roads & Transportation for disbursement in road construction; an increase to County Environment & Education for construction of a cabin and an increase to Non-program for local option sales taxes distributed to schools, as well as other smaller changes. The amendment increased total budgeted expenditures for the County by \$1,274,254, but also increased revenues by \$1,314,875. Disbursements exceeded the amount budgeted in the roads and transportation, mental health, and debt service functions at year end. Disbursements also exceeded the amount budgeted in the County environment and education and capital project functions prior to the amendment of the County budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY06, the County had \$26,052,527 (net of depreciation) invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of \$700,276. Depreciation expense for the year ended June 30, 2006 was \$1,438,437 and total accumulated depreciation as of June 30, 2006 was \$18,610,317.

Capital Assets, Net of Accumulated Depreciation

	2006	2005
Land	\$ 652,224	\$ 652,224
Construction in progress	116,071	0
Buildings and Imp	4,074,612	4,222,780
Machinery & equip	2,084,890	2,005,914
Infrastructure	19,124,730	18,471,333
TOTALS	\$26,052,527	\$25,352,251

Debt

At year-end, the County had \$359,302 in notes and other indentures compared to \$373,517 a year ago, as shown below.

Debt has decreased with annual payments made on the Intermediary Relending Program Loan from the USDA. Mahaska County is one of ten participating counties in the Southern Iowa Area Detention Service Agency (SIADSA) Capital Loan Note agreement. During the year ended June 30, 2006, the County retired the final \$16,500 of capital loan notes. In the year ended June 30, 2004 the County entered into an interest-free agreement with the Iowa Natural Heritage Foundation to purchase 51 acres of land for \$55,000. The agreement has no specific payment schedule. A payment of \$13,000 was made during the year, leaving a balance of \$21,000.

Other obligations include accrued vacation pay and accrued compensatory time.

Outstanding Debt at Year End

	2006	2005
Capital Loan Notes	\$ 0	\$ 16,500
Intermediary Relending Program Loan	166,898	173,651
Compensated Absences	171,404	149,366
Real Estate Purchase	21,000	34,000
TOTALS	\$359,302	\$373,517

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials and citizens considered many factors when setting the 2007 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. Amounts available for appropriation in the operating budget are \$14,275,194, compared to \$14,434,702 in 2006, a decrease of approximately 1% over the final 2006 budget. The County has added no new major programs to the 2007 budget.

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, Mahaska County, at 106 S. 1st St., Oskaloosa, IA 52577.

Basic Financial Statements

MAHASKA COUNTY
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 13,164,153
Receivables:	
Property tax:	
Delinquent	10,887
Succeeding year	5,955,000
Interest and penalty on property tax	53,874
Accounts	99,488
Accrued interest	104,909
Due from other governments	541,348
Loans receivable (note 4)	382,616
Inventories	278,795
Capital assets, net of accumulated depreciation (note 5)	<u>26,052,527</u>
 Total assets	 <u>46,643,597</u>
Liabilities	
Accounts payable	336,413
Salaries and benefits payable	143,451
Due to other governments (note 6)	614,690
Accrued interest payable	695
Incurred but unpaid health claims	150,000
Deferred revenue:	
Succeeding year property tax	5,955,000
Other	86,503
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Intermediary Relending Program loan	6,820
Compensated absences	171,404
Portion due or payable after one year:	
Intermediary Relending Program loan	160,078
Real estate purchase agreement	<u>21,000</u>
 Total liabilities	 <u>7,646,054</u>

MAHASKA COUNTY
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 26,031,527
Restricted for:	
Supplemental levy purposes	396,074
Mental health purposes	825,278
Rural services	745,261
Secondary roads	6,649,818
Other special revenue purposes	1,349,076
Unrestricted	<u>3,000,509</u>
Total net assets	<u>\$ 38,997,543</u>

See notes to financial statements.

MAHASKA COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	
Governmental Activities:					
Public safety and legal services	\$ 2,374,548	\$ 251,862	\$ 196,028	\$ -	\$ (1,926,658)
Physical health and social services	762,672	4,423	163,008	-	(595,241)
Mental health	2,341,845	11,980	1,356,175	-	(973,690)
County environment and education	995,522	55,879	473,976	8,000	(457,667)
Roads and transportation	5,069,056	337,486	2,742,634	441,104	(1,547,832)
Government services to residents	525,380	366,494	11,369	153,988	6,471
Administration	1,209,320	26,904	2,184	-	(1,180,232)
Non-program	759,880	-	-	-	(759,880)
Interest on long-term debt	2,011	-	-	-	(2,011)
Total	\$ <u>14,040,234</u>	\$ <u>1,055,028</u>	\$ <u>4,945,374</u>	\$ <u>603,092</u>	<u>(7,436,740)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					5,020,880
Mental health					1,169,953
Penalty and interest on property tax					74,015
State tax credits					308,994
Local option sales and services tax					759,880
Unrestricted investment earnings					356,570
Miscellaneous					<u>48,883</u>
Total general revenues					<u>7,739,175</u>
Change in net assets					302,435
Net assets beginning of year					<u>38,695,108</u>
Net assets end of year					<u>\$ 38,997,543</u>

See notes to financial statements.

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MAHASKA COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 3,259,704	\$ 1,283,402	\$ 780,767	\$ 6,274,721
Receivables:				
Property tax:				
Delinquent	7,064	1,745	2,078	-
Succeeding year	3,566,000	881,000	1,508,000	-
Interest and penalty on property tax	53,874	-	-	-
Accounts	63,601	3,696	100	28,968
Accrued interest	68,939	-	-	-
Due from other governments	83,424	14,639	-	316,057
Loans receivable (note 4)	-	-	-	-
Inventories	-	-	-	278,795
Total assets	<u>\$ 7,102,606</u>	<u>\$ 2,184,482</u>	<u>\$ 2,290,945</u>	<u>\$ 6,898,541</u>

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,212,773	\$ 12,811,367
-	10,887
-	5,955,000
-	53,874
3,123	99,488
35,970	104,909
127,228	541,348
382,616	382,616
-	278,795
<u>\$ 1,761,710</u>	<u>\$ 20,238,284</u>

MAHASKA COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 86,062	\$ 98,848	\$ 6,656	\$ 142,404
Salaries and benefits payable	75,316	6,119	13,183	48,833
Due to other governments (note 6)	5,596	366,496	-	-
Deferred revenue:				
Succeeding year property tax	3,566,000	881,000	1,508,000	-
Other	60,538	1,695	2,059	-
Total liabilities	3,793,512	1,354,158	1,529,898	191,237
Fund balance:				
Reserved for:				
Inventories	-	-	-	278,795
Revolving loan	-	-	-	-
Supplemental levy purposes	398,206	-	-	-
Cemetery levy	3,579	-	-	-
Unreserved:				
Designated for:				
Mapping	15,000	-	-	-
Technology	35,000	-	-	-
Maintenance for courthouse building and grounds	200,000	-	-	-
Undesignated, reported in:				
General fund	2,657,309	-	-	-
Special revenue funds	-	830,324	761,047	6,428,509
Total fund balances	3,309,094	830,324	761,047	6,707,304
Total liabilities and fund balances	\$ 7,102,606	\$ 2,184,482	\$ 2,290,945	\$ 6,898,541

See notes to financial statements.

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,443	\$ 336,413
-	143,451
242,598	614,690
-	5,955,000
382,616	446,908
<u>627,657</u>	<u>7,496,462</u>
-	278,795
175,895	175,895
-	398,206
-	3,579
-	15,000
-	35,000
-	200,000
-	2,657,309
958,158	8,978,038
<u>1,134,053</u>	<u>12,741,822</u>
<u>\$ 1,761,710</u>	<u>\$ 20,238,284</u>

MAHASKA COUNTY

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

Total fund balances of governmental funds	\$ 12,741,822
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 as assets in the governmental funds. The cost of assets is \$44,662,844 and the accumulated depreciation is \$18,610,317.	26,052,527
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	446,908
The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individuals funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	116,283
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(695)
Long-term liabilities, including loans and purchase agreements payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(359,302)</u>
Net assets of governmental activities	<u>\$ 38,997,543</u>
See notes to financial statements.	

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MAHASKA COUNTY

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

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 3,558,025	\$ 1,170,526	\$ 1,462,540	\$ -
Interest and penalty on property tax	69,879	-	-	-
Intergovernmental	838,435	1,414,773	82,302	2,951,932
Licenses and permits	2,570	-	15,700	4,661
Charges for service	515,240	-	150	150
Use of money and property	361,586	-	-	-
Miscellaneous	90,387	11,980	6,393	332,675
Total revenues	<u>5,436,122</u>	<u>2,597,279</u>	<u>1,567,085</u>	<u>3,289,418</u>
Expenditures:				
Operating:				
Public safety and legal services	1,894,487	-	441,109	-
Physical health and social services	697,694	-	69,807	-
Mental health	-	2,340,063	-	-
County environment and education	435,263	-	140,144	-
Roads and transportation	-	-	14,350	4,273,285
Government services to residents	625,708	-	-	-
Administration	1,063,266	-	5,468	-
Non-program	-	-	-	-
Debt service	-	-	-	-
Capital projects	8,000	-	-	1,298,207
Total expenditures	<u>4,724,418</u>	<u>2,340,063</u>	<u>670,878</u>	<u>5,571,492</u>
Excess (deficiency) of revenues over (under) expenditures	<u>711,704</u>	<u>257,216</u>	<u>896,207</u>	<u>(2,282,074)</u>
Other financing sources (uses):				
Interfund transfers in (note 3)	-	-	-	1,348,951
Interfund transfers out (note 3)	(120,470)	-	(1,228,481)	-
Total other financing sources (uses)	<u>(120,470)</u>	<u>-</u>	<u>(1,228,481)</u>	<u>1,348,951</u>
Net change in fund balances	591,234	257,216	(332,274)	(933,123)
Fund balances beginning of year	<u>2,717,860</u>	<u>573,108</u>	<u>1,093,321</u>	<u>7,640,427</u>
Fund balances end of year	<u>\$ 3,309,094</u>	<u>\$ 830,324</u>	<u>\$ 761,047</u>	<u>\$ 6,707,304</u>

See notes to financial statements.

Nonmajor Governmental	
<u>Funds</u>	<u>Total</u>
\$ 759,880	\$ 6,950,971
-	69,879
81,282	5,368,724
-	22,931
24,865	540,405
71,057	432,643
-	441,435
<u>937,084</u>	<u>13,826,988</u>
-	2,335,596
-	767,501
-	2,340,063
391,966	967,373
-	4,287,635
15,836	641,544
-	1,068,734
759,880	759,880
8,490	8,490
-	1,306,207
<u>1,176,172</u>	<u>14,483,023</u>
<u>(239,088)</u>	<u>(656,035)</u>
-	1,348,951
-	<u>(1,348,951)</u>
<u>-</u>	<u>-</u>
(239,088)	(656,035)
<u>1,373,141</u>	<u>13,397,857</u>
<u>\$ 1,134,053</u>	<u>\$ 12,741,822</u>

MAHASKA 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

Net change in fund balances - total governmental funds \$ (656,035)

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. The amount of capital outlays and
depreciation expense in the current year are as follows:

	Capital outlays	\$ 1,906,907	
Capital assets contributed by the Iowa Department of Transportation		231,806	
	Depreciation expense	<u>(1,438,437)</u>	700,276

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

	Property tax	(258)	
	Loan payments	268,825	
	Other	<u>4,136</u>	272,703

Repayments of note, loan, and purchase agreement principal are
expenditures in the governmental funds, but the repayments reduce
long-term liabilities in the statement of net assets. 36,253

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	(22,038)	
	Interest on long-term debt	<u>56</u>	(21,982)

The Internal Service Fund is used by management to charge the costs of
employee health benefits to individual funds. The change in net assets
of the Internal Service Fund is reported with governmental activities. (28,780)

Change in net assets of governmental activities \$ 302,435

See notes to financial statements.

MAHASKA COUNTY
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 June 30, 2006

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ <u>352,786</u>
Liabilities	
Incurred but unpaid health claims	150,000
Deferred revenue	<u>86,503</u>
Total liabilities	<u>236,503</u>
Net Assets	
Unrestricted	\$ <u><u>116,283</u></u>

See notes to financial statements.

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

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Charges to County operating funds and others	\$ 1,279,911
Stop loss credits	130,280
Miscellaneous	<u>14,475</u>
Total operating revenues	<u>1,424,666</u>
Operating expenses:	
Medical claims	1,120,199
Dental claims	64,366
Vision claims	12,951
Insurance premiums	220,922
Service fees	26,894
Miscellaneous	<u>10,809</u>
Total operating expenses	<u>1,456,141</u>
Operating loss	(31,475)
Non-operating revenues:	
Interest on investments	<u>2,695</u>
Net loss	(28,780)
Net assets beginning of year	<u>145,063</u>
Net assets end of year	<u>\$ 116,283</u>

See notes to financial statements.

MAHASKA COUNTY
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 Year Ended June 30, 2006

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from charges to operating funds and others	\$ 1,276,986
Cash received from stop loss reimbursements	130,280
Cash received from miscellaneous operating activities	14,475
Cash payments to suppliers for services	<u>(1,436,141)</u>
Net cash used by operating activities	<u>(14,400)</u>
Cash flows from investing activities:	
Interest on investments	<u>2,695</u>
Net decrease in cash and cash equivalents	(11,705)
Cash and cash equivalents at beginning of year	<u>364,491</u>
Cash and cash equivalents at end of year	<u>\$ 352,786</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (31,475)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Increase in incurred but unpaid health claims	20,000
(Decrease) in deferred revenue	<u>(2,925)</u>
Net cash used by operating activities	<u>\$ (14,400)</u>

See notes to financial statements.

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

Assets

Cash and pooled investments:	
County Treasurer	\$ 914,156
Other County officials	115,888
Receivables:	
Property tax:	
Delinquent	40,860
Succeeding year	18,273,000
Accounts	26,391
Accrued interest	<u>1,861</u>
Total assets	<u>19,372,156</u>
Liabilities	
Accounts payable	45,198
Salaries and benefits payable	18,113
Due to other governments (note 6)	19,223,038
Trusts payable	58,821
Compensated absences	<u>26,986</u>
Total liabilities	<u>19,372,156</u>
Net assets	\$ <u><u>-</u></u>

See notes to financial statements.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, Mahaska 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 Mahaska County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

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

Three 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 Mahaska County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the drainage districts can be obtained from the Mahaska County Auditor's office. The drainage districts had no assets or liabilities at 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: Mahaska County Assessor's Conference Board, Mahaska County Emergency Management Commission, and Mahaska County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are 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, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues that are 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 expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

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

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Special Revenue (continued):

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.

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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 are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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 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.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% 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.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

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

MAHASKA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

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 the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and health insurance charges that will not be recognized as revenue until the year for which the related premiums are due.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and compensatory time 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 recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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 Balances – 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.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the mental health, roads and transportation, and debt service functions at year end. Disbursements also exceeded the amounts budgeted in the County environment and education and capital projects functions prior to the amendment of the County budget. In addition, disbursements in certain departments exceeded the amounts appropriated.

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. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County's funds are all deposited in financial institution depository accounts.

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 120,470
	Special Revenue: Rural Services	<u>1,228,481</u>
		<u>\$ 1,348,951</u>

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

Note 4. Loans Receivable

The County has \$549,819 available to use for revolving loans for economic development within the County, of which \$382,616 was loaned at June 30, 2006. The original amounts were previously provided through a Community Development Block Grant and a Community Economic Betterment Account Grant. Additional amounts were made available through an Intermediary Relending Program Loan (see note 7). The County may make new loans from repayments of both principal and interest. As of June 30, 2006, there were five outstanding loans. All payments are current.

Oskaloosa Food Products – interest free loan payable in annual installments of \$12,667 on February 15th.

Oskaloosa Area Chamber and Development Group – 4% interest loan payable in monthly installments of \$344, including interest.

World Food Processing – 5% interest loan payable in monthly installments of \$1,497, including interest.

Pro-Line Company, Inc. – 3.9% interest loan payable in monthly installments of \$3,677, including interest.

Beyond Elegance – 4% loan payable in monthly installments of \$818.07, including interest, with an \$80,124 balloon payment on April 1, 2016.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 4. Loans Receivable (continued)

The following is a schedule of payments showing amounts to be collected over the life of the loans:

Year Ending June 30,	Oskaloosa Food Products	Oskaloosa Area Chamber and Development Group	World Food Processing	Pro-Line Company	Beyond Elegance	Less: Amount Representing Interest	Total
2007	\$ 12,666	\$ 4,011	\$ 10,480	\$ 44,125	\$ 9,816	\$ (13,601)	\$ 67,497
2008	-	4,010	-	44,125	9,817	(11,678)	46,274
2009	-	4,010	-	44,125	9,817	(9,810)	48,142
2010	-	4,010	-	44,125	9,817	(7,892)	50,060
2011	-	4,010	-	3,677	9,817	(6,559)	10,945
2012-2016	-	20,051	-	-	127,572	(27,526)	120,097
2017-2021	-	20,051	-	-	-	(6,645)	13,406
2022-2026	-	20,051	-	-	-	(3,684)	16,367
2027-2029	-	10,361	-	-	-	(533)	9,828
Balance End of Year	\$ <u>12,666</u>	\$ <u>90,565</u>	\$ <u>10,480</u>	\$ <u>180,177</u>	\$ <u>176,656</u>	\$ <u>(87,928)</u>	\$ <u>382,616</u>

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 5. Capital Assets

A summary of capital activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 652,224	\$ -	\$ -	\$ 652,224
Construction in progress	-	116,071	-	116,071
Total capital assets not being depreciated	<u>652,224</u>	<u>116,071</u>	<u>-</u>	<u>768,295</u>
Capital assets being depreciated:				
Buildings	7,658,047	-	-	7,658,047
Machinery and equipment	6,202,348	560,446	568,580	6,194,214
Infrastructure	28,580,092	1,462,196	-	30,042,288
Total capital assets being depreciated	<u>42,440,487</u>	<u>2,022,642</u>	<u>568,580</u>	<u>43,894,549</u>
Less accumulated depreciation for:				
Buildings	3,435,267	148,168	-	3,583,435
Machinery and equipment	4,196,434	481,470	568,580	4,109,324
Infrastructure	10,108,759	808,799	-	10,917,558
Total accumulated depreciation	<u>17,740,460</u>	<u>1,438,437</u>	<u>568,580</u>	<u>18,610,317</u>
Total capital assets being depreciated, net	<u>24,700,027</u>	<u>584,205</u>	<u>-</u>	<u>25,284,232</u>
Governmental activities capital assets, net	<u>\$ 25,352,251</u>	<u>\$ 700,276</u>	<u>\$ -</u>	<u>\$ 26,052,527</u>

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 50,994
Physical health and social services	3,230
County environment and education	33,725
Roads and transportation	1,201,924
Government services to residents	13,086
Administration	<u>135,478</u>

Total depreciation expense - governmental activities	\$ <u><u>1,438,437</u></u>
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Note 6. Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 5,596
Special Revenue:		
Mental Health	Services	366,496
Local Option Sales and Services Tax Revenue	Collections	<u>242,598</u>
Total for governmental funds		\$ <u><u>614,690</u></u>
Agency:		
County Hospital	Collections	\$ 1,792,302
County Assessor		325,970
Corporations		4,932,639
Schools		10,651,574
Area Schools		530,756
Auto License and Use Tax		394,856
All Other		<u>594,941</u>
Total for agency funds		\$ <u><u>19,223,038</u></u>

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 7. Long-Term Liabilities

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

	Capital Loan Notes	Intermediary Relending Program Loan	Real Estate Purchase Agreement	Compensated Absences	Total
Balance beginning of year	\$ 16,500	\$ 173,651	\$ 34,000	\$ 149,366	\$ 373,517
Increases	-	-	-	171,404	171,404
Decreases	16,500	6,753	13,000	149,366	185,619
Balance end of year	\$ -	\$ 166,898	\$ 21,000	\$ 171,404	\$ 359,302
Due within one year	\$ -	\$ 6,820	\$ -	\$ 171,404	\$ 178,224

Intermediary Relending Program Loan

In January 1998, the County entered into an agreement with the U.S. Department of Agriculture whereby the County will receive up to \$200,000 through the Intermediary Relending Program. The money will be relented by the County to eligible local businesses for the purpose of economic development. The County must repay the loan to the Department of Agriculture, interest only, at a fixed rate of 1% per annum, for the first three years, with subsequent payment of principal and interest in 27 equal annual amortized installments beginning on the fourth anniversary of the date the County began the program.

Details of the intermediary relending program loan repayment are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 6,820	\$ 1,669	\$ 8,489
2008	6,888	1,601	8,489
2009	6,957	1,532	8,489
2010	7,027	1,462	8,489
2011	7,097	1,392	8,489
2012-2016	36,564	5,881	42,445
2017-2021	38,429	4,016	42,445
2022-2026	40,389	2,056	42,445
2027-2028	16,727	251	16,978
	\$ 166,898	\$ 19,860	\$ 186,758

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 7. Long-Term Liabilities (continued)

Real Estate Purchase Agreement

During the year ended June 30, 2004, the County entered into an interest-free agreement with the Iowa Natural Heritage Foundation (Foundation) to purchase 51 acres of land for \$55,000. The County made a down payment of \$5,500 at the outset of the agreement. The Foundation purchased the land and held it for one year before selling it to the County during the year ended June 30, 2005. The balance remaining on the agreement at June 30, 2006 was \$21,000. The agreement has no specific payment schedule.

Note 8. 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 \$222,724, \$224,013 and \$228,505, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Mahaska County is a member in the Heartland Insurance Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Insurance Risk Pool (Pool) is a local government risk-sharing pool with over ten member Counties throughout the State of Iowa. The Pool was formed in July 1987 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, and workers compensation. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

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 \$328,643.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 9. Risk Management (continued)

Initial risk of loss is retained by the risk pool. The risk pool is reinsured through commercial companies for 100% of claims in excess of \$400,000 per occurrence for general, automobile, law enforcement and public officials liabilities, \$750,000 per occurrence for workers compensation, and \$100,000 per occurrence for property losses. The risk pool fund includes reserves established to account for the liability for claims reported but not yet paid. A liability is also factored in for claims incurred but not reported (referred to as IBNR claims). As of June 30, 2006, the risk pool maintained a surplus over the reserves and IBNR claims.

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 company coverage since the pool's inception.

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

Note 10. Employee Health Insurance Plan

The Mahaska County Employee Group Health Fund was established to account for the self funding of the County's health insurance benefit plan. The plan is administered through a service agreement with Employee Group Services, Ltd. The agreement, which was effective June 1, 1983, is subject to automatic renewal provisions.

The County purchased commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$25,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in the 2006 fiscal plan year.

Monthly payments of service fees and plan contributions to the Mahaska County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Midwest One Bank, trustee for the plan, from the Mahaska County Employee Group Health Fund. The trustee administers the funds of the plan in accordance with the provision of a trust agreement entered into by Mahaska County and Midwest One Bank. The County records the plan assets and related liabilities of the Mahaska County Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2006 was \$1,279,911.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 10. Employee Health Insurance Plan (continued)

Amounts payable from the Employee Group Health Fund at June 30, 2006 total \$150,000 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$116,283 at June 30, 2006 and is reported as net assets of the Employee Group Health Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2005	\$ 130,000
Incurred claims (including claims incurred but not reported at June 30, 2006)	1,197,515
Payments	<u>1,177,515</u>
Unpaid claims at June 30, 2006	<u>\$ 150,000</u>

Note 11. Construction Commitment

The County has entered into a contract totaling \$179,144 for culvert replacement. As of June 30, 2006, costs of \$116,071 have been incurred against the contract. The balance remaining at June 30, 2006 of \$63,073 will be paid as work on the project progresses.

Note 12. Mahaska County Care Facility

The Mahaska County Care Facility is managed and operated by Country Life Health Care, Inc. The County is leasing the Care Facility site to Country Life Health Care, Inc. for a period which ends June 30, 2006. The County provides financial support for the operation of the Care Facility. The lease is reviewed on an annual basis and has been renewed for the upcoming year.

Note 13. Contingent Liabilities

Hospital Notes

The County Hospital has issued General Obligation Refunding Notes in accordance with Chapter 331.402 of the Code of Iowa. The notes are payable primarily from revenue of the Hospital. The Hospital and the County entered into a Revenue Maintenance and Payment Agreement pursuant to which the Hospital agreed to maintain rates at levels high enough to produce sufficient revenues to pay the debt service on the notes. The County itself is only contingently liability for the payment of the notes pending default by the Hospital.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 13. Contingent Liabilities (continued)

Hospital Revenue Bonds

The County Hospital has also issued Hospital Revenue Bonds in accordance with Chapters 331.402, 384.24A, and 331.443 of the Code of Iowa. These bonds are payable primarily from revenue generated by the Hospital, which has agreed to maintain rates which will generate sufficient revenues to make all principal and interest payments. The County itself is only liable upon default on the issue by the County Hospital.

Litigation

The County is involved in various ongoing lawsuits. The cases have not gone to trial yet and the outcome cannot be determined at this time. The County's insurance carrier is affording coverage for the lawsuits.

Required Supplementary Information

MAHASKA COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds
 Required Supplementary Information
 Year Ended June 30, 2006

	Actual	Budgeted Amounts		Final to Net Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 6,937,930	\$ 7,062,806	\$ 7,137,598	\$ (199,668)
Interest and penalty on property tax	69,886	9,300	31,491	38,395
Intergovernmental	5,237,580	4,196,424	5,108,286	129,294
Licenses and permits	22,731	15,650	16,750	5,981
Charges for service	534,491	511,100	549,448	(14,957)
Use of money and property	379,390	265,647	381,124	(1,734)
Miscellaneous	394,250	140,200	291,305	102,945
Total receipts	<u>13,576,258</u>	<u>12,201,127</u>	<u>13,516,002</u>	<u>60,256</u>
DISBURSEMENTS:				
Public safety and legal services	2,337,064	2,383,945	2,405,955	68,891
Physical health and social services	750,850	848,502	882,235	131,385
Mental health	2,136,875	2,135,528	2,135,528	(1,347)
County environment and education	961,334	587,414	1,032,980	71,646
Roads and transportation	4,225,794	4,097,750	4,110,500	(115,294)
Government services to residents	641,248	681,552	689,952	48,704
Administration	1,062,555	1,142,457	1,147,671	85,116
Non-program	664,271	669,300	677,881	13,610
Debt service	8,490	-	-	(8,490)
Capital projects	1,306,207	614,000	1,352,000	45,793
Total disbursements	<u>14,094,688</u>	<u>13,160,448</u>	<u>14,434,702</u>	<u>340,014</u>
Excess (deficiency) of receipts over (under) disbursements	(518,430)	(959,321)	(918,700)	400,270
Balance beginning of year	<u>13,329,797</u>	<u>12,513,407</u>	<u>12,513,407</u>	<u>816,390</u>
Balance end of year	<u>\$ 12,811,367</u>	<u>\$ 11,554,086</u>	<u>\$ 11,594,707</u>	<u>\$ 1,216,660</u>

See accompanying independent auditor's report.

MAHASKA COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 13,576,258	\$ 250,730	\$ 13,826,988
Expenditures	14,094,688	388,335	14,483,023
Net	(518,430)	(137,605)	(656,035)
Beginning fund balances	13,329,797	68,060	13,397,857
Ending fund balances	<u>\$ 12,811,367</u>	<u>\$ (69,545)</u>	<u>\$ 12,741,822</u>

See accompanying independent auditor's report.

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government 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, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$1,274,254. This budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the mental health, roads and transportation, and debt service functions at year end. Disbursements also exceeded the amounts budgeted in the County environment and education and capital projects functions prior to the amendment of the County budget. Disbursements in the mental health department exceeded the amount appropriated at year end. In addition, disbursements in the medical examiner and substance abuse treatment departments exceeded the amounts appropriated prior to the amendment of the County appropriations.

Other Supplementary Information

MAHASKA COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2006

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Revolving Loan
Assets				
Cash and pooled investments	\$ 10,624	\$ 392	\$ 35,205	\$ 167,203
Receivables:				
Accounts	1,318	-	-	-
Accrued interest	452	114	1,206	8,692
Due from other governments	-	-	-	-
Loans receivable	-	-	-	382,616
Total assets	<u>\$ 12,394</u>	<u>\$ 506</u>	<u>\$ 36,411</u>	<u>\$ 558,511</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 224	\$ -
Due to other governments	-	-	-	-
Deferred revenue	-	-	-	382,616
Total liabilities	<u>-</u>	<u>-</u>	<u>224</u>	<u>382,616</u>
Fund equity:				
Fund balances:				
Reserved for:				
Revolving loan	-	-	-	175,895
Unreserved	12,394	506	36,187	-
Total fund equity	<u>12,394</u>	<u>506</u>	<u>36,187</u>	<u>175,895</u>
Total liabilities and fund equity	<u>\$ 12,394</u>	<u>\$ 506</u>	<u>\$ 36,411</u>	<u>\$ 558,511</u>

See accompanying independent auditor's report.

<u>Local Option Sales and Services Tax Revenue</u>	<u>Law Enforcement Center Improvement</u>	<u>Conservation Land Acquisition</u>	<u>Total</u>
\$ 115,370	\$ 714,349	\$ 169,630	\$ 1,212,773
-	-	1,805	3,123
-	25,506	-	35,970
127,228	-	-	127,228
-	-	-	382,616
<u>\$ 242,598</u>	<u>\$ 739,855</u>	<u>\$ 171,435</u>	<u>\$ 1,761,710</u>
\$ -	\$ -	2,219	2,443
242,598	-	-	242,598
-	-	-	382,616
<u>242,598</u>	<u>-</u>	<u>2,219</u>	<u>627,657</u>
-	-	-	175,895
-	739,855	169,216	958,158
<u>-</u>	<u>739,855</u>	<u>169,216</u>	<u>1,134,053</u>
<u>\$ 242,598</u>	<u>\$ 739,855</u>	<u>\$ 171,435</u>	<u>\$ 1,761,710</u>

MAHASKA COUNTY

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

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Revolving Loan
Revenues:				
Property and other County tax	\$ -	\$ -	\$ -	-
Intergovernmental	-	-	5,958	66,374
Charges for service	5,283	-	-	-
Use of money and property	567	114	1,577	24,772
Total revenues	<u>5,850</u>	<u>114</u>	<u>7,535</u>	<u>91,146</u>
Expenditures:				
Operating:				
County environment and education	-	-	6,702	336,000
Government services to residents	4,360	11,476	-	-
Non-program	-	-	-	-
Debt service	-	-	-	8,490
Total expenditures	<u>4,360</u>	<u>11,476</u>	<u>6,702</u>	<u>344,490</u>
Excess (deficiency) of revenues over (under) expenditures	1,490	(11,362)	833	(253,344)
Fund balances beginning of year	<u>10,904</u>	<u>11,868</u>	<u>35,354</u>	<u>429,239</u>
Fund balances end of year	<u>\$ 12,394</u>	<u>\$ 506</u>	<u>\$ 36,187</u>	<u>\$ 175,895</u>

See accompanying independent auditor's report.

<u>Local Option</u>	<u>Law</u>	<u>Conservation</u>	
<u>Sales and</u>	<u>Enforcement</u>	<u>Land</u>	
<u>Services</u>	<u>Center</u>	<u>Acquisition</u>	<u>Total</u>
<u>Tax Revenue</u>	<u>Improvement</u>		
\$ 759,880	\$ -	\$ -	\$ 759,880
-	-	8,950	81,282
-	-	19,582	24,865
-	33,062	10,965	71,057
<u>759,880</u>	<u>33,062</u>	<u>39,497</u>	<u>937,084</u>
-	-	49,264	391,966
-	-	-	15,836
759,880	-	-	759,880
-	-	-	8,490
<u>759,880</u>	<u>-</u>	<u>49,264</u>	<u>1,176,172</u>
-	33,062	(9,767)	(239,088)
-	706,793	178,983	1,373,141
<u>\$ -</u>	<u>\$ 739,855</u>	<u>\$ 169,216</u>	<u>\$ 1,134,053</u>

MAHASKA COUNTY

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

	County Offices			City Special Assessments
	County Auditor	County Recorder	County Sheriff	
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	509
Other County officials	7,500	57,280	51,108	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	409	-	-
Accrued interest	-	-	-	-
Total assets	\$ 7,500	\$ 57,689	\$ 51,108	\$ 509
LIABILITIES				
Accounts payable	\$ -	\$ 38,594	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	-	19,095	-	509
Trusts payable	7,500	-	51,108	-
Compensated absences	-	-	-	-
Total liabilities	\$ 7,500	\$ 57,689	\$ 51,108	\$ 509

<u>Emergency Management Services</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Agricultural Extension Education</u>	<u>County Hospital</u>	<u>Stephens Memorial Animal Shelter</u>	<u>County Assessor</u>	<u>Townships</u>
\$ 23,186	\$ 36	\$ 1,976	\$ 22,803	\$ 45,920	\$ 73,239	\$ 3,137
-	-	-	-	-	-	-
-	5	300	3,499	-	502	339
-	3,000	152,000	1,766,000	-	254,000	229,000
-	-	-	-	-	5,724	-
-	-	-	-	-	-	-
<u>\$ 23,186</u>	<u>\$ 3,041</u>	<u>\$ 154,276</u>	<u>\$ 1,792,302</u>	<u>\$ 45,920</u>	<u>\$ 333,465</u>	<u>\$ 232,476</u>
\$ 195	\$ -	\$ -	\$ -	\$ 1,711	\$ 2,309	\$ -
433	-	-	-	3,913	3,735	-
22,558	3,041	154,276	1,792,302	39,206	325,970	232,476
-	-	-	-	-	-	-
-	-	-	-	1,090	1,451	-
<u>\$ 23,186</u>	<u>\$ 3,041</u>	<u>\$ 154,276</u>	<u>\$ 1,792,302</u>	<u>\$ 45,920</u>	<u>\$ 333,465</u>	<u>\$ 232,476</u>

MAHASKA COUNTY

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

	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Auto License and Use Tax</u>
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 61,828	\$ 141,211	\$ 6,715	\$ 394,856
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	13,811	21,363	1,041	-
Succeeding year	4,857,000	10,489,000	523,000	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
	<hr/>			
Total assets	<u>\$ 4,932,639</u>	<u>\$ 10,651,574</u>	<u>\$ 530,756</u>	<u>\$ 394,856</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	4,932,639	10,651,574	530,756	394,856
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
	<hr/>			
Total liabilities	<u>\$ 4,932,639</u>	<u>\$ 10,651,574</u>	<u>\$ 530,756</u>	<u>\$ 394,856</u>

See accompanying independent auditor's report.

<u>Bankruptcy Trust</u>	<u>Unclaimed Property</u>	<u>E-911</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 84	\$ 129	\$ 138,091	\$ 5	\$ 431	\$ 914,156
-	-	-	-	-	115,888
-	-	-	-	-	40,860
-	-	-	-	-	18,273,000
-	-	19,782	-	476	26,391
-	-	1,846	-	15	1,861
<u>\$ 84</u>	<u>\$ 129</u>	<u>\$ 159,719</u>	<u>\$ 5</u>	<u>\$ 922</u>	<u>\$ 19,372,156</u>
\$ -	\$ -	\$ 2,389	\$ -	\$ -	\$ 45,198
-	-	10,032	-	-	18,113
-	-	122,853	5	922	19,223,038
84	129	-	-	-	58,821
-	-	24,445	-	-	26,986
<u>\$ 84</u>	<u>\$ 129</u>	<u>\$ 159,719</u>	<u>\$ 5</u>	<u>\$ 922</u>	<u>\$ 19,372,156</u>

MAHASKA COUNTY

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

	County Offices			City Special Assessments
	County Auditor	County Recorder	County Sheriff	
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 7,500	\$ 49,240	\$ 43,827	\$ 898
Additions:				
Property and other County tax	-	-	-	-
E-911 surcharge	-	-	-	-
E-911 local contributions	-	-	-	-
State tax credits	-	-	-	-
State and federal grants	-	-	-	-
Office fees and collections	3,095	342,532	193,206	-
Drivers license fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Interest	-	-	-	-
Assessments	-	-	-	21,301
Trusts	-	-	305,708	-
Miscellaneous	-	-	-	-
Total additions	3,095	342,532	498,914	21,301
Deductions:				
Agency remittances:				
To other funds	3,095	160,562	192,195	-
To other governments	-	173,521	1,011	21,690
Trusts paid out	-	-	298,427	-
Total deductions	3,095	334,083	491,633	21,690
Balances end of year	\$ 7,500	\$ 57,689	\$ 51,108	\$ 509

<u>Emergency Management Services</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Agricultural Extension Education</u>	<u>County Hospital</u>	<u>Stephens Memorial Animal Shelter</u>	<u>County Assessor</u>	<u>Townships</u>
\$ <u>28,349</u>	\$ <u>3,041</u>	\$ <u>149,264</u>	\$ <u>1,719,644</u>	\$ <u>74,412</u>	\$ <u>335,499</u>	\$ <u>224,716</u>
-	2,719	152,766	1,777,674	-	255,510	233,830
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	54	7,397	85,381	-	8,828	11,271
18,800	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	832	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
15,131	-	-	-	149,937	6,173	-
<u>33,931</u>	<u>2,773</u>	<u>160,163</u>	<u>1,863,055</u>	<u>150,769</u>	<u>270,511</u>	<u>245,101</u>
-	-	-	-	-	-	-
39,094	2,773	155,151	1,790,397	179,261	272,545	237,341
-	-	-	-	-	-	-
<u>39,094</u>	<u>2,773</u>	<u>155,151</u>	<u>1,790,397</u>	<u>179,261</u>	<u>272,545</u>	<u>237,341</u>
\$ <u><u>23,186</u></u>	\$ <u><u>3,041</u></u>	\$ <u><u>154,276</u></u>	\$ <u><u>1,792,302</u></u>	\$ <u><u>45,920</u></u>	\$ <u><u>333,465</u></u>	\$ <u><u>232,476</u></u>

MAHASKA COUNTY

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

	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Auto License and Use Tax</u>
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 5,068,439	\$ 10,778,181	\$ 506,693	\$ 420,512
Additions:				
Property and other County tax	4,750,182	10,540,544	526,038	-
E-911 surcharge	-	-	-	-
E-911 local contributions	-	-	-	-
State tax credits	234,528	534,258	25,135	-
State and federal grants	-	-	-	-
Office fees and collections	-	-	-	-
Drivers license fees	-	-	-	76,492
Auto licenses, use tax and postage	-	-	-	4,920,433
Interest	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	<u>4,984,710</u>	<u>11,074,802</u>	<u>551,173</u>	<u>4,996,925</u>
Deductions:				
Agency remittances:				
To other funds	-	-	-	246,761
To other governments	5,120,510	11,201,409	527,110	4,775,820
Trusts paid out	-	-	-	-
Total deductions	<u>5,120,510</u>	<u>11,201,409</u>	<u>527,110</u>	<u>5,022,581</u>
Balances end of year	<u>\$ 4,932,639</u>	<u>\$ 10,651,574</u>	<u>\$ 530,756</u>	<u>\$ 394,856</u>

See accompanying independent auditor's report.

<u>Bankruptcy Trust</u>	<u>Unclaimed Property</u>	<u>Tax Sale Redemption Trust</u>	<u>E-911</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 84	\$ 367	\$ -	\$ 80,919	\$ 3	\$ 863	\$ 19,492,451
-	-	-	-	-	-	18,239,263
-	-	-	151,064	-	-	151,064
-	-	-	367,688	-	-	367,688
-	-	-	-	-	-	906,852
-	-	-	-	-	-	18,800
-	-	-	-	-	5,283	544,116
-	-	-	-	-	-	76,492
-	-	-	-	179	-	4,920,612
-	-	-	484	-	15	1,331
-	-	-	-	-	-	21,301
-	43	233,789	-	-	-	539,540
-	-	-	72	-	-	171,313
-	43	233,789	519,308	179	5,298	25,958,372
-	-	-	-	8	-	602,621
-	-	-	440,508	169	5,239	24,943,549
-	281	233,789	-	-	-	532,497
-	281	233,789	440,508	177	5,239	26,078,667
\$ 84	\$ 129	\$ -	\$ 159,719	\$ 5	\$ 922	\$ 19,372,156

MAHASKA COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Years Ended June 30,			
	2006	2005	2004	2003
Revenues				
Property and other County tax	\$ 6,950,971	\$ 6,249,202	\$ 5,522,922	\$ 5,375,491
Interest and penalty on property tax	69,879	61,651	65,096	64,625
Intergovernmental	5,368,724	6,489,935	6,187,895	6,601,929
Licenses and permits	22,931	15,963	14,978	13,623
Charges for service	540,405	528,465	559,880	468,084
Use of money and property	432,643	251,624	230,849	281,982
Miscellaneous	441,435	332,090	261,880	280,391
Total revenues	\$ 13,826,988	\$ 13,928,930	\$ 12,843,500	\$ 13,086,125
Expenditures:				
Operating:				
Public safety and legal services	2,335,596	2,237,833	2,521,125	2,464,979
Physical health and social services	767,501	809,841	767,076	777,045
Mental health	2,340,063	2,307,713	2,242,470	2,393,564
County environment and education	967,373	572,451	639,503	618,372
Roads and transportation	4,287,635	4,068,474	4,155,566	3,332,295
Government services to residents	641,544	468,244	429,726	389,871
Administration	1,068,734	913,191	983,083	946,639
Non-program	759,880	764,545	686,370	644,244
Debt service	8,490	-	-	8,490
Capital projects	1,306,207	534,746	206,555	150,314
Total expenditures	\$ 14,483,023	\$ 12,677,038	\$ 12,631,474	\$ 11,725,813

See accompanying independent auditor's report.

MAHASKA COUNTY

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

Grantor/Program	CFDA Number	Grant Number	Expenditures
Direct:			
U.S. Department of Agriculture: Intermediary Relending Program	10.767		\$ <u>102,668</u>
Indirect:			
U.S. Department of Agriculture: Iowa Department of Human Services: Human Services Administrative Reimbursements: State Administrative Matching Grants for Food Stamp Program	10.561		<u>12,889</u>
U.S. Department of Justice: Iowa Secretary of State: Protection of Voting Rights	16.104		<u>10,688</u>
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction	20.205	CO62(50)	35,684
Highway Planning and Construction	20.205	CO62(54)	80,757
Highway Planning and Construction	20.205	CO62(43)	<u>92,857</u>
			<u>209,298</u>
Recreational Trails Program	20.219	NT05(1)9G-62	<u>60,000</u>
Iowa Department of Public Safety: Safety Incentive Grants for Use of Seatbelts	20.604		<u>2,288</u>
U.S. General Services Administration: Iowa Secretary of State: Election Reform Payments	39.011		<u>153,988</u>
U.S. Department of Health and Human Services: Iowa Department of Human Services: Human Services Administrative Reimbursements: Temporary Assistance for Needy Families	93.558		<u>15,556</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>3,712</u>
Foster Care - Title IV-E	93.658		<u>8,019</u>
Adoption Assistance	93.659		<u>1,966</u>
Medical Assistance Program	93.778		<u>20,617</u>
Social Services Block Grant	93.667		<u>10,062</u>
Social Services Block Grant	93.667		<u>103,752</u>
			<u>113,814</u>

MAHASKA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect (continued):			
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Emergency Management Performance Grants	97.042		\$ <u>5,485</u>
			\$ <u>720,988</u>

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

See accompanying independent auditor's report.

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

To the Officials of Mahaska County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mahaska County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated February 23, 2007. The report on the major Secondary Roads Fund was qualified due to a warrant written and held. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mahaska 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 Mahaska County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

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

Compliance and Other Matters

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

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

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

Oskaloosa, Iowa
February 23, 2007

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

To the Officials of Mahaska County:

Compliance

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

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

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

Internal Control Over Compliance

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

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Oskaloosa, Iowa
February 23, 2007

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

Part I: Summary of the Independent Auditor's Results:

- (a) We expressed a qualified opinion on the major Secondary Roads Fund due to a warrant written and held. In addition, we expressed unqualified opinions on the governmental activities, General Fund, Mental Health Fund, Rural Services Fund, and the aggregate remaining fund information of the County.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 20.205 Highway Planning and Construction
 - CFDA Number 39.011 Election Reform Payments
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Mahaska County did not qualify as a low-risk auditee.

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

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-06 Segregation of Duties

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

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

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

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

Part II: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

II-A-06 Segregation of Duties (continued)

Responses –

County Auditor – We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties.

County Recorder – We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties.

County Sheriff - We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties.

County Treasurer – We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties.

Conclusion – Responses accepted.

II-B-06 Warrant Written and Held – We noted in our testing of warrants outstanding at year end that one Secondary Roads Fund warrant written on June 29, 2006 for \$155,743 was not redeemed for two months. Upon inquiry regarding the delay in redemption of the warrant, we noted that the disbursement was made in June to enable the expense to be recorded in the fiscal year ended June 30, 2006, but the warrant was not released by the County until July 26, 2006.

Recommendation – Writing and holding warrants bypasses the budgeting process, removes controls over the underlying assets and misstates the financial position of the County at any given time any warrants are written and held. The County should avoid the practice by developing guidelines for disbursements that prevent writing and holding warrants. If necessary, the budget should be amended to allow a disbursement to be made in the proper fiscal year.

Response – We will avoid this practice in the future. We will develop practices and procedures which ban the writing and holding of warrants.

Conclusion – Response accepted.

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

Part II: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

- II-C-06 Sheriff's Office Forfeiture Account – The Sheriff's office receives collections from forfeited items in an account at the Sheriff's office. A portion of this money is given to the State of Iowa and the City for their share of the forfeiture. The remaining funds are used by the Sheriff's office to purchase investigative equipment and supplies. The County currently does not budget for this revenue or expense.

Recommendation – In order to establish better controls over this forfeiture money, we recommend that the County establish a new Special Revenue, Forfeiture Fund and have the Sheriff deposit this money into it. It would have its own budgetary department and would not be mixed with General Fund money. The Sheriff would then submit a claim against this fund when purchases are made. As long as the purchase is used to assist the Sheriff's office investigations and is not fraudulent in nature, the Board of Supervisors can not deny the claim.

Sheriff's Office Response – We have closed this checking account as of July 31, 2006. The funds were deposited into a Special Revenue Fund at the County on the same day.

Conclusion – Response accepted.

- II-D-06 Capital Assets – The County does not reconcile capital assets with the accounting records. Periodic comparisons are not made of amounts recorded in the accounting system with the physical assets. We noted two items that were deleted from capital assets but the County still has the assets. In addition, we noted several older items that were deleted from capital assets during the year ended June 30, 2006 but the County had actually disposed of the items in prior years.

Recommendation – The County should reconcile current year capital asset additions and disposals to the year end listing. The additions, disposals, and final listing should be reviewed each year to ensure accuracy.

Response – We will properly reconcile and ensure the accuracy of the capital assets in the future.

Conclusion – Response accepted.

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

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

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

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the mental health, roads and transpiration, and debt service functions at year end. Disbursements also exceeded the amounts budgeted in the County environment and education and capital projects functions prior to the amendment of the County budget. Disbursements in the mental health department exceeded the amount appropriated at year end. In addition, disbursements in the medical examiner and substance abuse treatment departments exceeded the amounts appropriated prior to the amendment of the County appropriations.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

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

Conclusion – Response accepted.

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

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

IV-D-06 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-E-06 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.

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

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

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

MAHASKA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting (continued):

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

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

The Board Treasurer's bond covered the amount required by Chapter 176A.14(5) of the Code of Iowa.

The County Extension organization has grant agreements with Iowa East Central T.R.A.I.N. to provide child care resource and referral services. Revenues from these grants totaled \$89,932 for the year ended June 30, 2006. They included a Child Care and Development Provider Training Grant of \$9,800, a Child Care and Development Operating Grant in the amount of \$52,132, an Educational Opportunities for Family Child Care Providers Grant of \$8,000, and a Parent Expansion Grant of \$20,000.

We noted the following items:

- 1) The minutes of one Council meeting were not signed as required by Chapter 176A.14(3) of the Code of Iowa.
- 2) Some receipts were not deposited timely, but were held undeposited for as long as fifteen days for both the regular operating receipts and the Childcare Resource and Referral receipts.
- 3) Four disbursements tested were not supported or were only partially supported by an invoice or receipt.
- 4) Five disbursements tested may not meet the requirements of public purpose due to lack of documentation for the purpose of the meals provided.

Recommendations – All Council minutes should be signed to comply with Chapter 176A.14(3) of the Code of Iowa. All receipts should be deposited as soon as possible to safeguard the asset and avoid any possible irregularities and to earn the interest revenue on the public funds. Deposits should be made weekly at a minimum. All disbursements should be adequately supported by an invoice, receipt, or other written documentation at the time of payment. The public purpose of any business meals should be documented.

Response – We will properly sign all Council minutes in the future. We are now depositing receipts weekly or daily if total cash and checks exceed \$400. We will make sure that all disbursements are properly supported at the time of payment. We are no longer paying for business meals.

Conclusion – Response accepted.

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

Part IV: Other Findings Related to Required Statutory Reporting (continued):

IV-J-06 Treasurer's Semi-annual Report – The County Treasurer's semi-annual report for the six months ended June 30, 2006 was published as required by Chapter 349.16(3) of the Code of Iowa. However, we noted some material differences.

Recommendation – The Treasurer's semi-annual reports should be published accurately. The report should equal the Treasurer's bank reconciliation and general ledger.

Response – We will publish the required reports accurately in the future. The differences are due to the timing of recording auto license and use tax funds, which are recorded on the first day of the month which follows their actual month of collection and deposit.

Conclusion – Response accepted.

IV-K-06 Debt Service Payments – We noted that payments made by the County for the capital loan note and real estate purchase agreement were made through the physical health and social services, County environment and education, and capital projects functions.

Recommendation – All payments made by the County to retire notes or purchase agreements should be budgeted and paid through the debt service function of the County in the fund from which it is paid.

Response – We will properly budget and account for these debt payments in the future.

Conclusion – Response accepted.

IV-L-06 E-911 Surcharge – The E-911 surcharge calculation was not performed as required by Chapter 34A.7(5)(b)(3) of the Code of Iowa. The approved surcharge should have been \$22,714 less than what was actually approved.

Recommendation – The County should perform the E-911 surcharge calculation as part of the E-911 budget process. The County should contact the Iowa Department of Public Defense and the Department of Management to resolve the E-911 surcharge overage.

Response – We will properly perform the E-911 surcharge calculation in the future. We will contact the Iowa Department of Public Defense and the Department of Management to resolve the E-911 surcharge overage.

Conclusion – Response accepted.

IV-M-06 Emergency Management Budget Amendment – We noted that the emergency management budget amendment was not completed or published accurately. The original budgeted expenditures amount on the amendment was not accurate.

Recommendation – The budget amendment should use the correct amount for the original budgeted expenditures.

Response – We will make sure that any budget amendments are accurately completed.

Conclusion – Response accepted.

MAHASKA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting (continued):

- IV-N-06 Secondary Roads Fund Balance – We noted that the Special Revenue, Secondary Roads Fund has an ending fund balance that is 1.2 times the current year’s expenditures.

Recommendation – The County Engineer and Board of Supervisors should develop a plan for the use of these funds, or the County should consider reducing the transfers into the Secondary Roads Fund from the General Basic and Rural Services Funds. Any time a fund’s ending balance exceeds its current year expenditures, we recommend that the Board document why these monies are being accumulated or consider reducing the revenue source for that fund.

Response – We will develop a plan for the use of these funds.

Conclusion – Response accepted.

- IV-O-06 Interfund Transfers – We noted that the interfund transfers from the Rural Services Fund to the Secondary Roads Fund exceeded the maximum transfer approved by the Board of Supervisors by \$5,701.

Recommendation – The County should make a corrective transfer of \$5,701 from the Secondary Roads Fund to the Rural Services Fund.

Response – This was due to a mistake in the transfer resolution presented to and approved by the Board of Supervisors. We will make this corrective transfer.

Conclusion – Response accepted.

- IV-P-06 Credit Cards – The County has credit cards and charge cards for use by County employees. However, the County does not have a written policy regarding credit card usage.

Recommendation – The County should prepare and implement a credit card usage policy.

Response – We will consider adopting such a policy.

Conclusion – Response accepted.

- IV-Q-06 Vacation and Compensatory Time Hours – We noted that the unused vacation and compensatory time hours for some employees exceeded the maximum allowed carryover as stated in the County policy.

Recommendation – The County should enforce the vacation and compensatory time policies or consider adopting revised policies. Any unused hours over the maximum allowed carryover would be forfeited.

Response – We will look into this situation.

Conclusion – Response accepted.