

MITCHELL COUNTY
Osage, Iowa

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2006

MITCHELL COUNTY, IOWA
Osage, Iowa

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MITCHELL COUNTY
Osage, Iowa

OFFICIALS

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
Cheryl Jahnel	January 2007	Board of Supervisors
Verne Tanner	January 2007	Board of Supervisors
Stan Walk.....	January 2009	Board of Supervisors
Lowell Tesch.....	January 2009	Auditor
Carol Zerck	January 2007	Treasurer
Sue Reimers	January 2007	Recorder
Curtis Younker.....	January 2009	Sheriff
Mark Walk	January 2007	Attorney
L. Dean Pohren	Appointed.....	Assessor



Gardiner Thomsen
Certified Public Accountants

Independent Auditors' Report

To the Officials of Mitchell County
Osage, Iowa

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Mitchell County at June 30, 2006, and the respective changes in financial position 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 April 10, 2007 on our consideration of Mitchell County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. 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 4 - 9 and 34 - 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

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

April 10, 2007

Gauliner Thomsen, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

- Revenues of the County's governmental activities increased 11.72% or approximately \$1,026,343, from fiscal 2005 to fiscal 2006. Property taxes increased approximately \$698,449, and capital grants and contributions increased approximately \$163,853.
- Program expenses were 11.28%, or approximately \$864,016 more in fiscal 2006 than in fiscal 2005. Roads and transportation expense increased approximately \$323,350, administration expense increased approximately \$216,142 and government services to residents expense increased approximately \$135,796.
- The County's net assets increased 19.27%, or approximately \$1,259,837 from June 30, 2005 to June 30, 2006.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

The County's governmental activities are 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 County has two types of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Mitchell County's combined net assets increased significantly from a year ago, increasing from \$6,538,803 to \$7,798,640.

Net Assets of Governmental Activities
(Expressed in Thousands)

	June 30	
	2006	2005
Current and Other Assets	\$7,618	\$6,882
Capital Assets	7,625	6,050
Total Assets	15,243	12,932
Long-Term Debt Outstanding	3,183	2,361
Other Liabilities	4,261	4,032
Total Liabilities	7,444	6,393
Net Assets:		
Invested in Capital Assets, Net of debt	5,008	3,879
Restricted	2,378	2,151
Unrestricted	413	509
Total Net Assets	\$7,799	\$6,539

Net assets of the County's governmental activities increased by approximately 19.27%, (\$7.779 Million compared to \$6.539 Million). The largest portion of the County's net assets is the Invested in Capital Assets (infrastructure, buildings and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with sources other than capital assets. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Changes in Net Assets of Governmental Activities

	June 30	
	2006	2005
Program Revenues:		
Charges for service	\$1,217	\$1,231
Operating grants and contributions	3,080	3,092
Capital grants and contributions	1,025	861
Property taxes	3,616	2,918
Unrestricted investments earnings	142	62
Other general revenues	706	596
Total revenues	9,786	8,760
Program Expenses:		
Public safety and legal services	1,299	1,230
Physical health and social services	771	697
Mental health	1,287	1,358
County environment and education	583	557
Roads and transportation	3,028	2,705
Government services to residents	375	239
Administration	981	765
Nonprogram	3	27
Interest on long-term debt	199	84
Total expenses	8,526	7,662
Increase in net assets	1,260	1,098
Net assets beginning of year	6,539	5,441
Net assets end of year	\$7,799	\$6,539

The County's revenue increased 11.72% (\$1,026,343). The total cost of programs and services increased 11.28%, (\$864,016) with no new programs added this year.

INDIVIDUAL MAJOR FUNDS

As Mitchell County completed the year, its governmental funds reported a combined fund balance of \$3,349,182, which is \$543,914 above last year's total of \$2,805,268. The following are the major reasons for the changes in fund balances from the prior year.

General Basic – Part of increase was due to starting the new General Supplemental Fund, since we are at our levy limit for General Basic and we were depleting our fund balance below 25% of completed expenses.

Mental Health – The reduction of balance in the MH-DD Fund was as a result of an intentional attempt to reduce the balance.

Rural Services – Decrease of \$19,589 due to increase in wages and landfill fees for county disposal department.

Secondary Roads – Increase of \$44,367 due to an increase in Roads Projects.

Local Option Sales Tax Bond Sinking Fund – Increased due to re-financing of Law Enforcement Center loan to get a lower rate of interest.

Debt Service – Is a new fund for Mitchell County that was started to help us make the payments for money borrowed for construction of county services building.

Capital Projects – Showed an increase of \$28,267 due to a balance left after all payments were made to contractors and engineers for the construction of county services building.

BUDGETARY HIGHLIGHTS

Over the course of the year, Mitchell County amended its budget three times. The first amendment was made in November 2005 and resulted in an increase in total revenues of \$581,000. Increase in expenditures were due to land purchases for conservation and county services building parking lot. Purchase of the G.I.S. project and voting equipment also increased expenditures. Total increase of expenditures was \$530,565.

The second amendment was made in April 2006 and resulted in an increase of \$150,003 in revenues. Increase in expenditures were due to motor vehicle fuels costs and utilities for Law Enforcement Center, and purchasing of office and computer equipment for the county services building.

The third amendment was made in June 2006 and was needed for Secondary Roads to increase the budget due to high fuel costs and more rock for roads.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, Mitchell County had approximately \$7.625 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1,576,109 or 26.05% over last year.

Capital Assets of Governmental Activities at Year End

(Expressed in Thousands)

	June 30	
	2006	2005
Land	\$1,304	\$780
Buildings and Improvements	3,294	2,693
Equipment and Vehicles	923	1,097
Construction in Progress	0	26
Infrastructure	2,104	1,454
Total	\$7,625	\$6,050

This year's major additions include:

Capital Assets Contributed by the Iowa Department of Transportation	\$750
County Services Building	665
Land for Conservation	493
Total	\$1,908

The County had depreciation expense of \$398,633 for the year ended June 30, 2006 and total accumulated depreciation as of June 30, 2006 of \$4,607,141.

The County's fiscal year 2006 capital expenditures totaled \$877,979, principally for the continued upgrading of secondary roads and bridges and the start of the County Services Building.

Debt Administration

At June 30, 2006, the County had approximately \$3,197,544 in general obligation bonds and other debt outstanding compared to approximately \$2,360,824 at June 30, 2005, as shown below.

Outstanding Debt of Governmental Activities at Year-End

(Expressed in Thousands)

	June 30	
	2006	2005
LOSST Bonds	\$1,525	\$1,560
G.O. Capital Loan Notes	800	0
Loan Agreements	692	611
Drainage Improvement Certificates	21	24
Compensated Absences	159	166
Total	\$3,197	\$2,361

Debt increased as a result of issuing general obligation capital loan notes for the construction of the County Services Building and for the acquisition of voting and GIS equipment.

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Mitchell County's outstanding general obligation debt is significantly below its constitutional debt limit of \$29 million. More detail about the County's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County begins the 2007 fiscal year with a balance of 16% when compared to expected expenditures. This low balance along with a reduction of state supported property tax credits, and uncertainty over future state legislative cuts have created a need for an increase in property taxes. Increased expenses for 2007 are paving assessments from the city of Osage, funding still due for the G.I.S. project, a 20% increase in property and liability insurance premiums, and our first payment will be due in this fiscal year for the new County Services Building.

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, 508 State Street, Osage, Iowa.

MITCHELL COUNTY
Osage, Iowa

STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$3,175,937
Receivables:	
Property Tax:	
Delinquent	25,077
Succeeding Year	3,776,974
Interest & Penalty On Property Tax	135
Accounts	162,779
Accrued Interest	24,865
Drainage Assessments	21,552
Due From Other Governments	244,420
Inventories	186,069
Capital Assets (Net of Accumulated Depreciation)	7,624,897
TOTAL ASSETS	15,242,705
LIABILITIES	
Accounts Payable	338,843
Accrued Interest Payable	42,435
Salaries & Benefits Payable	43,033
Due To Other Governments	59,826
Deferred Revenue:	
Succeeding Year Property Tax	3,776,974
Long Term Liabilities:	
Portion Due Or Payable Within One Year:	
General Obligation Notes	208,076
Local Option Sales Tax Revenue Bonds	150,000
Compensated Absences	144,626
Portion Due Or Payable After One Year:	
General Obligation Notes	1,283,700
Local Option Sales Tax Revenue Bonds	1,375,000
Drainage Improvement Certificates Payable	21,552
TOTAL LIABILITIES	7,444,065
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	5,008,121
Restricted For:	
Mental Health Purposes	330,599
Secondary Roads Purposes	1,279,411
Debt Service	37,747
Capital Projects	38,749
Other Purposes	691,386
Unrestricted	412,627
TOTAL NET ASSETS	\$7,798,640

See Notes To Financial Statements

**MITCHELL COUNTY
Osage, Iowa**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2006**

FUNCTIONS/PROGRAMS:	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets
		Charges for Service	Operating Grants, & Restricted Interest	Capital Grants, & Restricted Interest	
GOVERNMENTAL ACTIVITIES:					
Public Safety & Legal Services	\$1,298,546	\$388,474	\$ 0	\$ 0	\$(910,072)
Physical Health & Social Services	771,021	303,463	443,395	0	(24,163)
Mental Health	1,286,552	119,554	541,997	0	(625,001)
County Environment & Education	583,098	159,463	9,640	275,500	(138,495)
Roads & Transportation	3,028,382	26,398	1,990,116	749,821	(262,047)
Governmental Services to Residents	374,848	177,970	94,435	0	(102,443)
Administration	981,132	33,867	0	0	(947,265)
Non-program	3,257	7,493	0	0	4,236
Interest on Long-Term Debt	199,248	0	0	0	(199,248)
TOTAL	\$8,526,084	\$1,216,682	\$3,079,583	\$1,025,321	(3,204,498)
GENERAL REVENUES:					
Property & Other County Tax Levied For:					
General Purposes					3,616,407
Penalties & Interest on Property Tax					22,033
State Tax Credits					220,739
Local Option Sales Tax					395,055
Unrestricted Investment Earnings					142,216
Miscellaneous					67,885
TOTAL GENERAL REVENUES					4,464,335
CHANGE IN NET ASSETS					1,259,837
NET ASSETS BEGINNING OF YEAR					6,538,803
NET ASSETS END OF YEAR					\$7,798,640

See Notes To Financial Statements

MITCHELL COUNTY

Osage, Iowa

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2006

	Special Revenue		
	General	Mental Health	Rural Services
ASSETS			
Cash & Pooled Investments	\$739,709	\$399,933	\$207,686
Receivables:			
Property Tax:			
Delinquent	13,594	3,836	7,647
Succeeding Year	2,078,693	572,615	1,000,817
Interest & Penalty on Property Tax	135	0	0
Accounts	140,536	21,484	97
Accrued Interest	23,519	0	0
Drainage Assessments	0	0	0
Due From Other Funds	5,713	0	0
Due From Other Governments	61,731	0	0
Inventories	0	0	0
TOTAL ASSETS	\$3,063,630	\$997,868	\$1,216,247
LIABILITIES & FUND BALANCES			
Liabilities:			
Accounts Payable	\$68,255	\$30,687	\$975
Salaries & Benefits Payable	21,668	4,233	449
Due To Other Governments	92	59,734	0
Deferred Revenue:			
Succeeding Year Property Tax	2,078,693	572,615	1,000,817
Other	16,965	3,790	7,643
Total Liabilities	2,185,673	671,059	1,009,884
Fund Balances:			
Reserved For:			
Inventories	0	0	0
Debt Service	0	0	0
Closure	0	0	0
Unreserved, Reported In:			
General Fund	877,957	0	0
Special Revenue Funds	0	326,809	206,363
Capital Projects Fund	0	0	0
Total Fund Balances	877,957	326,809	206,363
TOTAL LIABILITIES & FUND BALANCES	\$3,063,630	\$997,868	\$1,216,247

See Notes To Financial Statements

Exhibit C

Special Revenue					
Secondary Roads	Local Option Sales Tax Bond Sinking Fund	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
\$1,238,926	\$261,748	\$57,946	\$69,497	\$194,779	\$3,170,224
0	0	0	0	0	25,077
0	0	124,849	0	0	3,776,974
0	0	0	0	0	135
0	0	0	0	662	162,779
0	615	0	0	731	24,865
0	0	0	0	21,552	21,552
0	0	0	0	0	5,713
155,279	22,391	0	0	5,019	244,420
186,069	0	0	0	0	186,069
\$1,580,274	\$284,754	\$182,795	\$69,497	\$222,743	\$7,617,808
\$208,178	\$ 0	\$ 0	\$30,748	\$ 0	\$338,843
16,683	0	0	0	0	43,033
0	0	0	0	0	59,826
0	0	124,849	0	0	3,776,974
0	0	0	0	21,552	49,950
224,861	0	124,849	30,748	21,552	4,268,626
186,069	0	0	0	0	186,069
0	0	57,946	0	0	57,946
0	0	0	0	4,123	4,123
0	0	0	0	0	877,957
1,169,344	284,754	0	0	197,068	2,184,338
0	0	0	38,749	0	38,749
1,355,413	284,754	57,946	38,749	201,191	3,349,182
\$1,580,274	\$284,754	\$182,795	\$69,497	\$222,743	\$7,617,808

MITCHELL COUNTY
Osage, Iowa

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

Total Governmental Fund Balances (pages 12-13)

<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	\$3,349,182
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is \$12,232,038 and the accumulated depreciation is \$4,607,141.	7,624,897
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	49,950
Long-term liabilities, including bonds payable, notes payable, accrued interest payable and compensated absences payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,225,389)</u>
Net Assets of Governmental Activities (page 10)	<u><u>\$7,798,640</u></u>

See Notes to Financial Statements

MITCHELL COUNTY

Osage, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2006

	Special Revenue		
	General	Mental Health	Rural Services
REVENUES			
Property & Other County Tax	\$2,152,769	\$574,147	\$1,006,996
Interest & Penalty on Property Tax	22,033	0	0
Intergovernmental	942,793	612,950	56,060
Licenses & Permits	3,500	0	0
Charges for Services	713,766	84,842	7,075
Use of Money & Property	148,506	0	0
Miscellaneous	1,921	1,688	0
Total Revenues	3,985,288	1,273,627	1,070,131
EXPENDITURES			
Operating:			
Public Safety & Legal Services	1,254,124	0	7,280
Physical Health & Social Services	768,664	0	0
Mental Health	0	1,277,208	0
County Environment & Education	614,646	0	153,440
Roads & Transportation	0	0	0
Governmental Services to Residents	374,199	0	0
Administration	920,800	0	0
Non-program	0	0	0
Debt Service	13,526	0	0
Capital Projects	0	0	0
Total Expenditures	3,945,959	1,277,208	160,720
Excess (Deficiency) of Revenues Over (Under) Expenditures	39,329	(3,581)	909,411
Other Financing Sources (Uses):			
Sale of Capital Assets	680	0	0
Operating Transfers In	155,000	0	125,000
Operating Transfers Out	(520,000)	0	(1,054,000)
Proceeds from Long-Term Debt Issued	608,750	0	0
Total Other Financing Sources (Uses)	244,430	0	(929,000)
Net Change in Fund Balances	283,759	(3,581)	(19,589)
Fund Balances – Beginning of Year	594,198	330,390	225,952
Decrease in Reserve For Inventories	0	0	0
Fund Balances – End of Year	\$877,957	\$326,809	\$206,363

See Notes To Financial Statements

Exhibit E

Special Revenue						
Secondary Roads	Local Option Sales Tax Bond Sinking Fund	Debt Service	Capital Projects	Nonmajor Special Revenue	Total	
\$ 0	\$276,971	\$ 0	\$ 0	\$ 0	\$4,010,883	
0	0	0	0	0	22,033	
1,990,116	0	0	0	25,022	3,626,941	
1,975	0	0	0	0	5,475	
16,755	0	0	0	4,431	826,869	
543	8,370	0	0	34,863	192,282	
9,650	0	57,946	0	15,601	86,806	
2,019,039	285,341	57,946	0	79,917	8,771,289	
0	0	0	0	0	1,261,404	
0	0	0	0	193	768,857	
0	0	0	0	0	1,277,208	
0	0	0	0	37,579	805,665	
2,686,256	0	0	0	0	2,686,256	
0	0	0	0	500	374,699	
0	0	0	0	0	920,800	
0	0	0	0	3,257	3,257	
0	1,896,948	0	0	0	1,910,474	
177,210	0	0	700,769	0	877,979	
2,863,466	1,896,948	0	700,769	41,529	10,886,599	
(844,427)	(1,611,607)	57,946	(700,769)	38,388	(2,115,310)	
438	0	0	0	0	1,118	
929,000	0	0	350,000	15,000	1,574,000	
0	0	0	0	0	(1,574,000)	
0	1,690,000	0	400,000	0	2,698,750	
929,438	1,690,000	0	750,000	15,000	2,699,868	
85,011	78,393	57,946	49,231	53,388	584,558	
1,311,046	206,361	0	(10,482)	147,803	2,805,268	
(40,644)	0	0	0	0	(40,644)	
\$1,355,413	\$284,754	\$57,946	\$38,749	\$201,191	\$3,349,182	

MITCHELL COUNTY
Osage, Iowa

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

Net Change in Fund Balances - Total Governmental Funds (page 15-16)

Amounts reported for governmental activities in the Statement of Activities are different because: \$543,914

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

Expenditures for Capital Assets	\$953,714	
Capital Assets Contributed by the Iowa Department of Transportation	749,821	
Capital Assets Contributed by Others	275,500	
Depreciation Expense	(398,633)	1,580,402

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increases in financial resources. (5,293)

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

Property Tax	578	
Other	(9,186)	(8,608)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issuances exceeded repayments as follows:

Issued	(2,698,750)	
Repaid	1,854,899	(843,851)

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	7,047	
Interest on Long-Term Debt	(13,774)	(6,727)

Change in Net Assets of Governmental Activities (page 11) \$1,259,837

See Notes to Financial Statements

MITCHELL COUNTY
Osage, Iowa

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

ASSETS

Cash & Pooled Investments:	
County Treasurer	\$538,252
Other County Officials	73,920
Receivables:	
Property Tax:	
Delinquent	982
Succeeding Year	8,493,949
Accounts	305
Accrued Interest	42
TOTAL ASSETS	<u>9,107,450</u>

LIABILITIES

Accounts Payable	1,879
Salaries & Benefits Payable	2,573
Due To Other Governments	9,012,341
Trusts Payable	76,067
Compensated Absences	14,590
TOTAL LIABILITIES	<u>9,107,450</u>

NET ASSETS	<u><u>\$ 0</u></u>
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See Notes To Financial Statements

MITCHELL COUNTY
Osage, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Mitchell 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, Mitchell 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 Mitchell 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.

Eight 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 Mitchell County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Mitchell County Auditor's office.

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

Notes to Financial Statements (Continued)

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

The Rural Services Fund is used to account for property tax and 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 the secondary road construction and maintenance.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

Special Revenue (Continued):

The Local Option Sales Tax Bond Sinking Fund is used to account for the collection of local option sales tax and interest and the principal and interest payments on the local option sales tax revenue bonds.

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

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

Additionally, the County reports the followings funds:

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY

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

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

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

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

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

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

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

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

Infrastructure	\$50,000
Land, Buildings and Improvements	25,000
Equipment and Vehicles	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and Improvements	20-50
Infrastructure	30-50
Equipment and Vehicles	2-20

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

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

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

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

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 amounts budgeted in the Roads & Transportation and Debt Service functions.

Note 2: Cash and Pooled Investments

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

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

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

Concentration of Credit Risk – The County places no limit on the amount that may be invested in any one issuer.

Note 3: Due from and Due to Other Funds

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency:	
	Auto License and Use Tax	\$5,713

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

Notes to Financial Statements (Continued)

Note 4: Interfund Transfers

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

Transfer To	Transfer From	Amount
General Basic	Special Revenue:	
General Basic	Rural Services	\$125,000
	Agency:	
General Basic	E-911	20,000
General Basic	Emergency Management	10,000
Special Revenue:		
Rural Services	General Basic	125,000
Secondary Roads	Special Revenue	
	Rural Services	929,000
Conservation Land Acquisition	General Basic	15,000
Capital Projects	General Basic	350,000
Agency:	Agency:	
County Assessor	Special Appraiser	51,402
E911	General Basic	20,000
Emergency Management	General Basic	10,000
Total		<u>\$1,655,402</u>

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

Notes to Financial Statements (Continued)

Note 5: Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$779,550	\$524,285	\$ 0	\$1,303,835
Construction in Progress	25,988	0	25,988	0
Total Capital Assets Not Being Depreciated	805,538	524,285	25,988	1,303,835
Capital Assets Being Depreciated:				
Buildings	4,362,176	665,189	0	5,027,365
Improvements Other Than Buildings	201,071	28,000	0	229,071
Machinery and Equipment	3,418,382	37,728	80,440	3,375,670
Infrastructure	1,546,276	749,821	0	2,296,097
Total Capital Assets Being Depreciated	9,527,905	1,480,738	80,440	10,928,203
Less Accumulated Depreciation for:				
Buildings	1,818,059	83,067	0	1,901,126
Improvements Other Than Buildings	51,659	9,163	0	60,822
Machinery and Equipment	2,321,724	205,907	75,147	2,452,484
Infrastructure	92,213	100,496	0	192,709
Total Accumulated Depreciation	4,283,655	398,633	75,147	4,607,141
Total Capital Assets Being Depreciated, Net	5,244,250	1,082,105	5,293	6,321,062
Governmental Activities Capital Assets, Net	\$6,049,788	\$1,606,390	\$31,281	\$7,624,897

Depreciation expense was charged to the following functions:

Public Safety and Legal Services	\$61,376
Physical Health and Social Services	2,323
Mental Health	12,896
County Environment and Education	12,096
Roads and Transportation	276,264
Governmental Services to Residents	5,165
Administration	28,513
Total Depreciation Expense – Governmental Activities	<u>\$398,633</u>

Notes to Financial Statements (Continued)

Note 6: Due to Other Governments

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

Fund	Description	Amount
General	Services	\$92
Special Revenue		
Mental Health	Services	59,734
Total for governmental funds		<u>\$59,826</u>
Agency:		
Agricultural Extension	Collections	\$128,011
Assessor		167,447
Schools		5,470,306
Community Colleges		265,453
Corporations		1,902,945
Auto License & Use Tax		196,512
All Others		881,667
Total for agency funds		<u>\$9,012,341</u>

Note 7: Changes in Long-Term Liabilities

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

	LOSST Bonds	General Obligation Capital Loan Notes	Loan Agreements	Drainage Improvement Certificates	Compensated Absences	Total
Beginning Balance	\$1,560,000	\$610,831	\$ 0	\$23,646	\$166,347	\$2,360,824
Increases	1,690,000	800,000	208,750	0	0	2,698,750
Decreases	1,725,000	113,341	14,464	2,094	7,131	1,862,030
Ending Balance	<u>\$1,525,000</u>	<u>\$1,297,490</u>	<u>\$194,286</u>	<u>\$21,552</u>	<u>\$159,216</u>	<u>\$3,197,544</u>
Due Within One Year	<u>\$150,000</u>	<u>\$202,591</u>	<u>\$5,485</u>	<u>\$ 0</u>	<u>\$159,216</u>	<u>\$517,292</u>
Due in More Than One Year	<u>\$1,375,000</u>	<u>\$1,094,899</u>	<u>\$188,801</u>	<u>\$21,552</u>	<u>\$ 0</u>	<u>\$2,658,700</u>

Notes to Financial Statements (Continued)

Note 7: Changes in Long-Term Liabilities (Continued)

Bonds Payable

In April of 2000, the County issued \$2,100,000 of Local Option Sales and Service Tax Revenue bonds for the construction of and purchase of equipment for a County Law Enforcement Center. The bonds will be repaid from Local Option Sales and Service Tax revenues. Interest is due semi-annually with rates of 5.00% to 5.40%, payable on November 1 and May 1 of each year. Principal payments are due annually on May 1. During the fiscal year ended June 30, 2006, the County refunded the remaining outstanding bonds with \$1,690,000 Local Option Sales and Service Tax Revenue Refunding Bonds, Series 2005A. These bonds will be repaid from Local Option Sales and Service Tax revenues. Interest is due semi-annually with rates of 2.75% to 3.75% payable on November 1 and May 1 of each year. Principal payments are due annually on May 1. The bonds mature on May 1, 2015. Details on the bond agreement are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$150,000	\$51,393	\$201,393
2008	155,000	46,967	201,967
2009	160,000	42,240	202,240
2010	160,000	37,200	197,200
2011	170,000	32,000	202,000
2012	175,000	26,305	201,305
2013	180,000	20,268	200,268
2014	185,000	13,877	198,877
2015	190,000	7,125	197,125
	<u>\$1,525,000</u>	<u>\$277,375</u>	<u>\$1,802,375</u>

During the year ended June 30, 2006, the County retired \$165,000 of bonds.

General Obligation Capital Loan Notes

On September 15, 2005, the County issued \$800,000 of General Obligation Capital Loan Notes to finance the construction of the County Services Building, the acquiring of voting machines or an electronic voting system and acquiring, developing and improving of a geographic computer database system suitable for automated mapping and facilities management. Interest is due semi-annually with rates of 3.20% to 3.80% payable on December 1 and June 1 of each year. Principal payments are due annually on June 1. The capital loan notes mature on June 1, 2013. Details on the note agreement are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$85,000	\$48,202	\$133,202
2008	110,000	25,450	135,450
2009	115,000	21,820	136,820
2010	115,000	17,910	132,910
2011	120,000	13,885	133,885
2012	125,000	9,565	134,565
2013	130,000	4,940	134,940
	<u>\$800,000</u>	<u>\$141,772</u>	<u>\$941,772</u>

Notes to Financial Statements (Continued)

Note 7: Changes in Long-Term Liabilities (Continued)

On October 31, 2002, the County issued \$825,370.23 of General Obligation Capital Loan Notes, Series 2002, to finance the purchase of six new Volvo motor graders. Principal and interest payments are due annually commencing on October 31, 2003. The notes include interest at a rate of 3.75% per year on the unpaid balance. Details on the note agreement are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$117,591	\$18,656	\$136,247
2008	122,001	14,246	136,247
2009	126,576	9,671	136,247
2010	131,322	4,925	136,247
	<u>\$497,490</u>	<u>\$47,498</u>	<u>\$544,988</u>

Loan Agreements

On December 13, 2005, the County issued \$21,000 of Notes to finance the purchase of 13 acres of land as an addition to Riverside Park. Principal and interest payments are due annually on December 14. Interest is at a rate of 5.95%. Details on the loan agreement are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$3,723	\$1,267	\$4,990
2008	3,948	1,042	4,990
2009	4,184	806	4,990
2010	4,439	551	4,990
2011	106	284	390
	<u>\$16,400</u>	<u>\$3,950</u>	<u>\$20,350</u>

On December 21, 2005, the County issued \$164,500 of Notes to finance the purchase of 180 acres of land in Otranto township. Principal and interest payments are due annually on December 21. Interest is at a rate of 6.35%. Details on the loan agreement are as follows.

Year Ending June 30,	Principal	Interest	Total
2007	\$ 0	\$5,455	\$5,455
2008	4,255	10,150	14,405
2009	7,722	9,708	17,430
2010	8,246	9,184	17,430
2011	8,776	8,654	17,430
2012	9,341	8,089	17,430
2013	9,922	7,508	17,430
2014	10,582	6,848	17,430
2015	11,263	6,167	17,430
2016	11,988	5,442	17,430
2017	12,747	4,683	17,430
2018	13,581	3,849	17,430
2019	14,455	2,975	17,430
2020	15,385	2,045	17,430
2021	16,373	1,057	17,430
	<u>\$154,636</u>	<u>\$91,814</u>	<u>\$246,450</u>

Notes to Financial Statements (Continued)

Note 7: Changes in Long-Term Liabilities (Continued)

On March 31, 2006, the County issued \$23,250 of Notes to finance the purchase of 30 acres of land in Burr Oak township. Principal and interest payments are due annually on March 31. Interest is at a rate of 5.95%. Details on the loan agreement are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$1,762	\$1,402	\$3,164
2008	1,864	1,300	3,164
2009	1,981	1,183	3,164
2010	2,100	1,064	3,164
2011	2,227	937	3,164
2012	2,359	805	3,164
2013	2,504	660	3,164
2014	2,654	510	3,164
2015	2,815	349	3,164
2016	2,984	180	3,164
	<u>\$23,250</u>	<u>\$8,390</u>	<u>\$31,640</u>

Drainage Improvement Certificates Payable

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing those assessments or installments due from the landowner are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest paid to the bearer of the certificate upon receipt of the installment payment plus interest, from the landowner.

Drainage improvement certificates are paid from the Special Fund solely from drainage assessments against benefited properties.

Note 8: Township Fire Equipment

In June 1999, the County entered into a loan agreement for \$53,000 for the purchase of township fire equipment. The loan is payable from the continuing annual levy of taxes against all the taxable property within the certain townships. The loan is to be repaid at an amount of \$7,043 annually, with a final payment due June 15, 2009. The payment includes interest at a rate of 5.75% on the unpaid balance. During the past fiscal years, more funds were collected to pay down the principal, and the County anticipates this debt to be paid in full during the next fiscal year. Details of the loan agreement are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	<u>\$4,996</u>	<u>\$154</u>	<u>\$5,150</u>

Notes to Financial Statements (Continued)

Note 8: Township Fire Equipment (Continued)

In January 1999, the County entered into a lease agreement for a township fire truck totaling \$129,946. The lease purchase is payable from a continuing annual levy of taxes against all taxable property within certain townships. The agreement requires annual payments of \$17,350, which includes 5.63% per annum interest on the unpaid balance with final payment due April 15, 2009. Minimum future obligations on the lease obligations in effect at June 30, 2006 are as follows:

Year Ending June 30,	
2007	\$17,350
2008	17,350
2009	17,350
	<u>52,050</u>
Less: Amount Representing Interest	5,111
	<u>\$46,939</u>

Note 9: Closure and Postclosure Care Costs

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

State and Federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near an after the date that the landfill stops accepting waste, state laws require the Agency to submit a closure and postclosure plan detailing the schedule for and the methods by which the operator will meet the conditions for proper closure and postclosure. The Agency is in compliance with this requirement.

Note 10: Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$169,734, \$164,796, and \$163,320, respectively, equal to the required contributions for each year.

Notes to Financial Statements (Continued)

Note 11: Risk Management

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

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 of any portion of any deficiency in capital.

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

The County's property and casualty contribution to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2006 were \$195,776.

The Pool uses reinsurance and excess sharing agreements to reduce its exposure to large losses. The Pool retains automobile and general liability risks in excess of \$250,000 up to \$2,000,000 per claim. The Pool retains workers' compensation risks in excess of \$350,000 up to \$2,000,000 per claim. Automobile and general liability claims exceeding \$1,000,000 are reinsured in an amount not to exceed \$3,000,000 per claim. Workers' compensation claims exceeding \$1,000,000 are reinsured in an amount not to exceed \$2,000,000. Crime lines of business risks are retained by the Pool up to \$25,000 per occurrence. Automobile physical damage risks are retained by the Pool up to the replacement cost of the vehicle. All property, inland marine, boiler, public officials errors and omissions, business income and expense, and law enforcement liability risks are also reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificate, or in the event the 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 losses can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the County's financial statement. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance company coverage in any of the past three fiscal years.

Notes to Financial Statements (Continued)

Note 11: Risk Management (Continued)

Members agree to continue membership in the Pool for a period of not less than three full years. Subsequent to this initial term, the member may withdraw at the end of the third fiscal year of any three year term, only after at least 60 days prior written notice. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution, which the withdrawing member would have made for the one year period following withdrawal and the member's proportionate share of any capital deficiency.

Note 12: Budget Overexpenditures

Per the Code of Iowa, disbursements may not legally exceed amount budgeted by function or amounts appropriated by department. During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the Roads & Transportation and Debt Service Functions.

Note 13: Subsequent Events

On July 18, 2006, the County authorized the issuance of \$465,000 Road Use Tax Anticipation Capital Loan Notes, Series 2006 for the purpose of providing funds to pay the costs of equipping the Road Department.

MITCHELL COUNTY
Osage, Iowa

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2006**

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
RECEIPTS:						
Property & Other County Tax	\$4,009,309	\$ 0	\$4,009,309	\$3,951,890	\$3,951,890	\$57,419
Interest & Penalty on Property Tax	21,931	0	21,931	18,650	18,650	3,281
Intergovernmental	3,574,966	0	3,574,966	3,797,517	3,697,930	(122,964)
Licenses & Permits	5,475	0	5,475	4,000	4,000	1,475
Charges for Services	815,967	0	815,967	566,517	709,357	106,610
Use of Money & Property	179,006	0	179,006	83,530	297,280	(118,274)
Miscellaneous	86,810	7,619	79,191	24,000	219,000	(139,809)
Total Receipts	8,693,464	7,619	8,685,845	8,446,104	8,898,107	(212,262)
DISBURSEMENTS:						
Public Safety & Legal Services	1,242,142	0	1,242,142	1,157,810	1,261,732	19,590
Physical Health & Social Services	766,543	0	766,543	1,175,887	874,887	108,344
Mental Health	1,317,531	0	1,317,531	1,442,781	1,442,781	125,250
County Environment & Education	802,146	0	802,146	599,056	830,866	28,720
Roads & Transportation	2,707,577	0	2,707,577	2,565,000	2,765,000	57,423
Governmental Services to Residents	375,566	0	375,566	294,800	423,440	47,874
Administration	918,566	0	918,566	717,564	970,764	52,198
Non-program	3,257	3,257	0	500	500	500
Debt Service	1,910,474	0	1,910,474	336,790	208,465	(1,702,009)
Capital Projects	871,619	0	871,619	1,345,000	1,500,000	628,381
Total Disbursements	10,915,421	3,257	10,912,164	9,635,188	10,278,435	(633,729)
Excess (Deficiency) of Receipts Over (Under) Disbursements	(2,221,957)	4,362	(2,226,319)	(1,189,084)	(1,380,328)	(845,991)
Other Financing Sources, Net	2,699,868	0	2,699,868	606,500	406,500	2,293,368
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements & Other Financing Uses	477,911	4,362	473,549	(582,584)	(973,828)	1,447,377
Balance Beginning of Year	2,692,313	10,838	2,681,475	2,216,534	2,216,534	464,941
Balance End of Year	\$3,170,224	\$15,200	\$3,155,024	\$1,633,950	\$1,242,706	\$1,912,318

See Accompanying Independent Auditors' Report

MITCHELL COUNTY
Osage, Iowa

**BUDGETARY COMPARISON SCHEDULE –
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2006**

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$8,693,464	\$77,825	\$8,771,289
Expenditures	10,915,421	(28,822)	10,886,599
Net	(2,221,957)	106,647	(2,115,310)
Other Financing Sources, Net	2,699,868	0	2,699,868
Beginning Fund Balances	2,692,313	112,955	2,805,268
Decrease in Reserve For: Inventories	0	(40,644)	(40,644)
Ending Fund Balances	<u>\$3,170,224</u>	<u>\$178,958</u>	<u>\$3,349,182</u>

See Accompanying Independent Auditors' Report

Mitchell County
Osage, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund and Capital Project Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$643,247. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the Roads & Transportation and Debt Service Functions.

MITCHELL COUNTY
Osage, Iowa

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2006

	County Disposal Closure	Senior Health Clinic	Home Health Capital Improvement	Drug Enforcement
ASSETS				
Cash & Pooled Investments	\$4,109	\$8,447	\$43,397	\$17,313
Receivables:				
Accounts	0	0	52	0
Accrued Interest	14	0	152	307
Drainage Assessments	0	0	0	0
Due From Other Governments	0	0	0	0
TOTAL ASSETS	\$4,123	\$8,447	\$43,601	\$17,620
LIABILITIES & FUND BALANCES				
Liabilities:				
Deferred Revenue	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balances:				
Reserved for:				
Closure	4,123	0	0	0
Unreserved	0	8,447	43,601	17,620
	4,123	8,447	43,601	17,620
TOTAL LIABILITIES & FUND BALANCES	\$4,123	\$8,447	\$43,601	\$17,620

See Accompanying Independent Auditors' Report

Schedule 1

Resource Enhancement & Protection	County Recorder's Electronic Transaction Fee	County Recorder's Records Management	Drainage Districts	Conservation Land Acquisition Trust	Total
\$60	\$ 6	\$5,601	\$15,200	\$100,646	\$194,779
0	0	610	0	0	662
0	0	14	0	244	731
0	0	0	21,552	0	21,552
5,019	0	0	0	0	5,019
<u>\$5,079</u>	<u>\$ 6</u>	<u>\$6,225</u>	<u>\$36,752</u>	<u>\$100,890</u>	<u>\$222,743</u>
\$ 0	\$ 0	\$ 0	\$21,552	\$ 0	\$21,552
0	0	0	0	0	4,123
5,079	6	6,225	15,200	100,890	197,068
5,079	6	6,225	15,200	100,890	201,191
<u>\$5,079</u>	<u>\$ 6</u>	<u>\$6,225</u>	<u>\$36,752</u>	<u>\$100,890</u>	<u>\$222,743</u>

MITCHELL COUNTY
Osage, Iowa

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

	County Disposal Closure	Senior Health Clinic	Home Health Capital Improvement	Drug Enforcement
REVENUES:				
Intergovernmental	\$ 0	\$382	\$ 0	\$ 0
Charges for Services	0	0	0	0
Use of Money & Property	151	0	1,523	783
Miscellaneous	0	0	5,647	0
Total Revenues	151	382	7,170	783
EXPENDITURES:				
Operating:				
Physical Health & Social Services	0	118	75	0
County Environment & Education	0	0	0	0
Governmental Services to Residents	0	0	0	0
Non-program	0	0	0	0
Total Expenditures	0	118	75	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	151	264	7,095	783
Other Financing Sources (Uses):				
Operating Transfers In	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	151	264	7,095	783
Fund Balances – Beginning of Year	3,972	8,183	36,506	16,837
Fund Balances – End of Year	\$4,123	\$8,447	\$43,601	\$17,620

See Accompanying Independent Auditors' Report

Schedule 2

Resource Enhancement & Protection	County Recorder's Electronic Transaction Fee	County Recorder's Records Management	Drainage Districts	Conservation Land Acquisition Trust	Total
\$9,640	\$ 0	\$ 0	\$ 0	\$15,000	\$25,022
0	0	2,471	0	1,960	4,431
26	0	138	0	32,242	34,863
0	0	0	7,588	2,366	15,601
9,666	0	2,609	7,588	51,568	79,917
0	0	0	0	0	193
4,600	0	0	0	32,979	37,579
0	0	500	0	0	500
0	0	0	3,257	0	3,257
4,600	0	500	3,257	32,979	41,529
5,066	0	2,109	4,331	18,589	38,388
0	0	0	0	15,000	15,000
5,066	0	2,109	4,331	33,589	53,388
13	6	4,116	10,869	67,301	147,803
\$5,079	\$ 6	\$6,225	\$15,200	\$100,890	\$201,191

MITCHELL COUNTY
Osage, Iowa

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

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash & Pooled Investments:				
County Treasurer	\$ 0	\$1,930	\$55,769	\$80,601
Other County Officials	44,779	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	10	10	414
Succeeding Year	0	126,071	125,638	5,389,291
Accounts	302	0	0	0
Accrued Interest	0	0	0	0
TOTAL ASSETS	\$45,081	\$128,011	\$181,417	\$5,470,306
LIABILITIES				
Accounts Payable	\$ 0	\$ 0	\$63	\$ 0
Salaries & Benefit Payable	0	0	1,760	0
Due to Other Governments	349	128,011	167,447	5,470,306
Trusts Payable	44,732	0	0	0
Compensated Absences	0	0	12,147	0
TOTAL LIABILITIES	\$45,081	\$128,011	\$181,417	\$5,470,306

See Accompanying Independent Auditors' Report

Schedule 3

Community Colleges	Corporation	Townships	City Special Assessments	Auto Licenses & Use Tax	Other	Total
\$3,995	\$25,217	\$1,698	\$5,023	\$196,512	\$167,507	\$538,252
0	0	0	0	0	29,141	73,920
21	482	0	0	0	45	982
261,437	1,877,246	100,462	0	0	613,804	8,493,949
0	0	0	0	0	3	305
0	0	0	0	0	42	42
<u>\$265,453</u>	<u>\$1,902,945</u>	<u>\$102,160</u>	<u>\$5,023</u>	<u>\$196,512</u>	<u>\$810,542</u>	<u>\$9,107,450</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$1,816	\$1,879
0	0	0	0	0	813	2,573
265,453	1,902,945	102,160	5,023	196,512	774,135	9,012,341
0	0	0	0	0	31,335	76,067
0	0	0	0	0	2,443	14,590
<u>\$265,453</u>	<u>\$1,902,945</u>	<u>\$102,160</u>	<u>\$5,023</u>	<u>\$196,512</u>	<u>\$810,542</u>	<u>\$9,107,450</u>

MITCHELL COUNTY
Osage, Iowa

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

ASSETS AND LIABILITIES	County Offices	Agricultural Extension Education	County Assessor	Schools
Balances – Beginning of Year	\$20,217	\$123,156	\$179,509	\$5,142,049
Additions:				
Property & Other County Tax	0	128,209	127,653	5,474,838
E911 Surcharge	0	0	0	0
State Tax Credits	0	7,780	7,629	325,370
Driver License Fees	0	0	0	0
Office Fees & Collections	627,715	0	0	0
Electronic Transaction Fees	0	0	0	0
Auto Licenses, Use Tax & Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	68,832	0	0	0
Miscellaneous	0	0	10	0
Total Additions	696,547	135,989	135,292	5,800,208
Deductions:				
Agency Remittances:				
To County Funds	453,925	0	0	0
To Other Governments	116,043	131,134	184,786	5,471,951
Trusts Paid Out	101,715	0	0	0
Total Deductions	671,683	131,134	184,786	5,471,951
Other Financing Sources (Uses)				
Operating Transfers In (Out)	0	0	51,402	0
Balances – End of Year	\$45,081	\$128,011	\$181,417	\$5,470,306

See Accompanying Independent Auditors' Report

Schedule 4

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$255,175	\$1,887,988	\$100,621	\$1,804	\$169,858	\$798,939	\$8,679,316
265,687	1,893,771	102,550	0	0	623,855	8,616,563
0	0	0	0	0	58,739	58,739
16,120	119,586	5,949	0	0	36,940	519,374
0	0	0	0	32,654	0	32,654
0	0	0	0	0	0	627,715
0	0	0	0	0	2,257	2,257
0	0	0	0	2,373,353	0	2,373,353
0	0	0	69,033	0	0	69,033
0	0	0	0	0	173,385	242,217
0	0	0	0	0	55,948	55,958
281,807	2,013,357	108,499	69,033	2,406,007	951,124	12,597,863
0	0	0	0	95,774	0	549,699
271,529	1,998,400	106,960	65,814	2,283,579	697,397	11,327,593
0	0	0	0	0	190,722	292,437
271,529	1,998,400	106,960	65,814	2,379,353	888,119	12,169,729
0	0	0	0	0	(51,402)	0
\$265,453	\$1,902,945	\$102,160	\$5,023	\$196,512	\$810,542	\$9,107,450

MITCHELL COUNTY
Osage, Iowa

**SCHEDULE OF REVENUES BY SOURCE AND
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS**

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
Revenues:				
Property & Other County Tax	\$4,010,883	\$3,259,499	\$3,375,423	\$3,481,525
Interest & Penalty On Property Tax	22,033	22,511	20,380	22,043
Intergovernmental	3,626,941	3,580,887	3,431,000	3,442,863
Licenses & Permits	5,475	4,965	4,445	4,698
Charges For Service	826,869	847,642	695,362	832,773
Use of Money & Property	192,282	109,334	82,143	103,358
Miscellaneous	86,806	56,755	40,424	101,679
Total	<u>\$8,771,289</u>	<u>\$7,881,593</u>	<u>\$7,649,177</u>	<u>\$7,968,939</u>
Expenditures:				
Operating:				
Public Safety & Legal Services	\$1,261,404	\$1,178,288	\$1,124,200	\$1,081,302
Physical Health & Social Services	768,857	694,819	717,634	611,694
Mental Health	1,277,208	1,344,854	1,525,248	1,449,681
County Environment & Education	805,665	577,426	608,744	686,286
Roads & Transportation	2,686,256	2,659,391	2,269,216	2,982,794
Government Services To Residents	374,699	232,922	240,475	211,603
Administration	920,800	745,282	702,140	89,244
Non-program	3,257	26,763	43,329	106,104
Debt Service	1,910,474	208,365	203,765	204,015
Capital Projects	877,979	174,489	644,901	237,359
Total	<u>\$10,886,599</u>	<u>\$7,842,599</u>	<u>\$8,079,652</u>	<u>\$7,660,082</u>

See Accompanying Independent Auditors' Report



Gardiner Thomsen
Certified Public Accountants

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Officials of Mitchell County
Osage, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mitchell 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 April 10, 2007. 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 Mitchell 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 Mitchell 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 the accompanying Schedule of Findings.

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

Compliance

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

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

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

April 10, 2007

Gardiner Thomsen, P.C.

MITCHELL COUNTY
Osage, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2006

Findings Related to the Financial Statements

REPORTABLE CONDITIONS

- (A) **Segregation of Duties** – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

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

Response – We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the custody, record-keeping and reconciling function currently performed by each office will be separate and spread among the County Official, Deputy and Clerk.

Conclusion – Response accepted.

- (B) **Bank Accounts Maintained** – Separate bank accounts were maintained for the collections and expenditures of the Special Law Enforcement Proceeds from Forfeited Property. The collections and expenditures were not reflected in the County's accounting system and have not been included in the County's annual budget or financial report.

Recommendation – All collections for the Special Law Enforcement Proceeds from Forfeited Property should be remitted to the County Treasurer and all expenditures should be reflected in the County's accounting system, annual budget, and financial report. Additionally, all expenditures should be presented to the Board of Supervisors for approval and charged against the budget.

Response – I am continuing to give serious consideration to this matter.

Conclusion – Recommendation stands.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

Other Findings Related to Required Statutory Reporting:

- 1 **Certified Budget** – Disbursements during the year ended June 30, 2006, exceeded the amounts budgeted in the Roads & Transportation and the Debt Service functions. Also, the Emergency Management disbursements exceeded the amounts budgeted at June 30, 2006. The notice of public hearing was not published as required for the third County budget amendment or for the E911 budget amendment.

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 of the Code of Iowa requires notice of public hearing for a budget to be published not less than ten nor more than twenty days before the hearing.

Response – We will amend the budget when required and will publish notice of public hearing in accordance with Chapter 331.434 of the Code of Iowa.

Conclusion – Response accepted.

Schedule of Findings (Continued)

- 2 **Questionable Expenditures** – We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have been clearly documented.
- 3 **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- 4 **Business Transactions** – No business transactions between the County and County officials or employees were noted.
- 5 **Bond Coverage** – Surety bond coverage of County officials and employees is in accordance with statutory provisions.
- 6 **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 7 **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- 8 **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).
- 9 **Economic Development** – During the year ended June 30, 2006, the County paid \$20,699 for economic development, which appears to be appropriate expenditures of public funds since the public benefits to be derived have been clearly documented.
- 10 **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.

News Release

Gardiner Thomsen today released an audit report on Mitchell County, Iowa.

The County had local tax revenue of \$13,390,171 for the year ended June 30, 2006, which included \$740,113 in tax credits from the State. The County then forwarded \$8,715,303 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained \$4,254,234 of the local tax revenue to finance county operations, a 10% increase from the prior year. Other revenues included charges for service of \$1,216,682, operating grants, contributions and restricted interest of \$3,079,583, capital grants, contributions and restricted interest of \$1,025,321, unrestricted investment earnings of \$142,216 and other general revenues of \$67,885.

Expenses for the County operations totaled \$8,526,084, an 11% increase from the prior year. Expenses included \$3,028,382 for Roads and Transportation, \$1,286,552 for Mental Health, and \$1,298,546 for Public Safety and Legal Services.

A copy of the audit report is available for review in the office of the Auditor of State and County Auditor's office.

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