EAGLE MATERIALS INC
Form 11-K
June 24, 2016
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United States

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES

EXCHANGE ACT OF 1934

For the year ended December 31, 2015

Commission file number 1-12984

EAGLE MATERIALS INC. HOURLY PROFIT SHARING PLAN

(Full title of the plan)

EAGLE MATERIALS INC.

3811 Turtle Creek Blvd, Suite 1100

Dallas, Texas 75219

(Name of issuer and address of principal executive office)

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EAGLE MATERIALS INC. HOURLY PROFIT SHARING PLAN

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

AT DECEMBER 31, 2015 AND 2014,

AND FOR THE YEAR ENDED DECEMBER 31, 2015

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Report of Independent Registered Public Accounting Firm

To the Administrative Committee

Eagle Materials Inc. Hourly Profit Sharing Plan:

We have audited the accompanying statements of net assets available for benefits of the Eagle Materials Inc. Hourly Profit Sharing Plan (Plan) as of December 31, 2015 and 2014, and the related statement of changes in net assets available for benefits for the year ended December 31, 2015. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Eagle Materials Inc. Hourly Profit Sharing Plan as of December 31, 2015 and 2014, and changes in its net assets available for benefits for the year ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

The supplemental Schedule H, Part IV Schedule of Assets (Held at End of Year) as of December 31, 2015 has been subjected to audit procedures performed in conjunction with the audit of the Plan s financial statements. The supplemental schedule is the responsibility of the Plan s management. Our audit procedures included determining whether the information presented in the supplemental schedule reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental schedule is fairly stated in all material respects in relation to the financial statements as a whole.

/s/ SUTTON FROST CARY LLP

June 24, 2016

Arlington, Texas

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Eagle Materials Inc. Hourly Profit Sharing Plan

Statements of Net Assets Available for Benefits

At December 31, 2015 and 2014

	December 31, 2015	December 31, 2014
Assets:		
Investments in the Eagle Materials Inc. Plans Master Trust, at fair value	$ 26,938,885	$ 25,349,293
Adjustment from fair value to contract value for fully benefit-responsive investment contracts held by a common/collective trust (Note 2)	(6,027)	(11,804)
Total Investments	26,932,858	25,337,489
Employers contribution receivable	1,361,901	1,062,099
Total Assets	28,294,759	26,399,588
Excess contributions payable	(6,133)	(7,177)
Net Assets Available for Benefits	$ 28,288,626	$ 26,392,411

See accompanying notes to financial statements.

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Eagle Materials Inc. Hourly Profit Sharing Plan

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2015

Additions:	
Participating Employers contributions	$ 1,648,066
Participant contributions	2,310,641
Participant rollovers	70,921
Other income	19,891
Total additions	4,049,519
Deductions:	
Benefits paid to participants	(1,728,327)
Interest in the Eagle Materials Inc. Plans Master Trust investment loss	(422,852)
Administrative expenses	(2,125)
Total deductions	(2,153,304)
Net increase	1,896,215
Net assets available for benefits:	
Beginning of year	26,392,411
End of year	$ 28,288,626

See accompanying notes to financial statements.

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EAGLE MATERIALS INC. HOURLY PROFIT SHARING PLAN

Notes to Financial Statements

December 31, 2015

NOTE 1. DESCRIPTION OF THE PLAN

The following description of the Eagle Materials Inc. Hourly Profit Sharing Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan s provisions.

General

The Plan, established April 1, 1994 and amended and restated January 1, 2014, is a defined contribution retirement plan covering eligible employees of Eagle Materials Inc. (the Company or Employer) and eligible employees of other related corporations which adopt the Plan with the Company s consent. The Company and certain subsidiaries collectively comprise the Participating Employers. The Plan is administered by the Administrative Committee (the Committee) appointed by the Board of Directors of the Company. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Eligibility

The Plan has three distinct types of eligible employees: (1) employees eligible to participate in the employer profit sharing contributions, (2) employees eligible to participate in employer matching contributions or (3) employees not eligible to participate in any employer contribution. Eligible employees may not participate in both employer profit sharing and matching contributions, except as provided by Plan exception. Certain hourly employees of the Participating Employers participate in profit sharing contributions on the earlier of January 1 or July 1 after completing one year of service, as defined. One year of service, for purposes of eligibility, is defined as a consecutive twelve month period during which the employee worked 1,000 hours, ending on the first anniversary of the employee s date of hire. Hourly employees of Republic Paperboard Company, LLC, a subsidiary of the Company, may participate in matching contributions on the date the employee first performs an hour of service for the Employer, as defined. Hourly employees of Mathews Ready Mix LLC, Audubon Materials, Tulsa Cement Company, Illinois Cement Company and Western Aggregates LLC, subsidiaries of the Company, may also participate in matching contributions during the calendar year.

A member of a group or class of employees covered by a collective bargaining agreement is not eligible to participate in the Plan unless such agreement extends the Plan to such group or class of employees.

Contributions

The Plan permits participants to contribute pre-tax up to 70% of their compensation, up to a statutory limit, as defined, to a 401(k) account upon the date of hire. Participants may contribute a portion of their compensation, as defined by the Plan, limited to the maximum amount permitted under the applicable Internal Revenue Code (the Code) regulations and the Plan document. Participants may also contribute amounts representing distributions from other qualified defined benefit and defined contribution plans.

EAGLE MATERIALS INC. HOURLY PROFIT SHARING PLAN

Notes to Consolidated Financial Statements

December 31, 2015

NOTE 1. DESCRIPTION OF THE PLAN (continued)

Matching and profit sharing contributions are made by the Participating Employers as determined by the Company s Board of Directors. Profit sharing contributions are made to all participants employed on December 31 of each year, and are allocated to participant accounts on a pro rata basis determined by each participant s number of hours worked. Eligible employees of certain subsidiaries receive Employer nondiscretionary matching contributions. These matching contributions are generally allocated to each employee s participant account based on a certain percentage of each employee s eligible contribution, up to a certain percentage or dollar amount annually, as defined by the Plan. Participating Employers, at their sole discretion, may make qualified non-elective contributions to the Plan. No such contributions were made for the 2014 Plan year. Forfeitures may be used to reduce employer profit sharing contributions or administrative expenses of the Plan. Accrued discretionary employer profit sharing contributions to the Plan were reduced by assumed forfeitures of $10,000 at December 31, 2015.

Participants direct the investment of their accounts into various registered investment company funds, a common/collective trust fund or the Eagle Materials Common Stock Fund (EXPSF). The EXPSF is a unitized stock fund.

Participants may allocate up to 15% of employer and participant contributions to the EXPSF, whereas up to 100% may be allocated to any other investment option offered by the Plan.

Excess Contributions Payable

During the years ended December 31, 2015 and 2014, the Plan failed the non-discrimination testing. Excess contributions totaling $6,133 and $7,177 are recorded as a liability in the accompanying statements of net assets available for benefits and as a reduction of participant-directed contributions for the year ended December 31, 2015 and December 31, 2014, respectively. The Plan reimbursed these excess contributions to its participants during the following year.

Vesting

Matching Contributions Participants Employer nondiscretionary matching contributions do not vest until the completion of three years of vesting service, as defined.

Profit Sharing Contributions Participants Employer profit sharing contributions do not vest until the completion of three years of vesting service, as defined.

Participants are fully vested in all contributions upon retirement, full and permanent disability, or death.

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EAGLE MATERIALS INC. HOURLY PROFIT SHARING PLAN

Notes to Consolidated Financial Statements

December 31, 2015

NOTE 1. DESCRIPTION OF THE PLAN (continued)

The Plan provides for distributions when a participant terminates employment and the fair value of the participant s vested accrued benefit is equal to or less than $5,000. A summary of such provisions follows:

Upon termination of service, if the fair value of a participant s vested accrued benefit is $5,000 or less, the Committee shall direct Fidelity Management Trust Company (Trustee) to distribute the fair value of the participant s vested balance in a single sum. In the event of a mandatory distribution greater than $1,000 (but less than $5,000), if the participant does not elect to have such distribution paid directly to an eligible retirement plan or to receive the distribution, then the Committee will pay the distribution in a direct rollover to an individual retirement plan designated by the Committee.

If a participant terminates service when the participant s vested accrued benefit is zero, the participant is deemed to receive a distribution of his entire vested accrued benefit as of the day of termination.

Participants are always fully vested in their participant contributions, related earnings and participant rollovers.

Participant Loans

Loans by participants are not permitted.

Distributions

In accordance with the Plan document, distribution of a participant s vested account is available upon the participant s retirement, death, disability, termination of employment, or attainment of age 59 ½; or distribution is available to satisfy a financial hardship meeting the requirements of the Internal Revenue Service (IRS) regulations. Distributions are made in a lump-sum payment, a direct rollover distribution, or a combination thereof.

Termination of the Plan

Although the Employer has not expressed intent to terminate the Plan, it may do so at any time subject to the requirements of ERISA. If the Plan is terminated, participants will become fully vested in their Participating Employers contributions, and the method of distribution of assets will be in accordance with the provisions of ERISA.

Administrative Expenses

Certain administrative expenses of the Plan are paid by the Company. The Plan is not required to reimburse the Company for any administrative expenses paid by the Company. Expenses not paid by the Company are paid by the Plan.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. Distributions to participants are recorded when paid.

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EAGLE MATERIALS INC. HOURLY PROFIT SHARING PLAN

Notes to Consolidated Financial Statements

December 31, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

All of the Plan s investments are commingled with the investments of the Profit Sharing and Retirement Plan of Eagle Materials Inc. (the Eagle Salaried Plan) in the Eagle Materials Inc. Plans Master Trust (the Master Trust). The Master Trust is governed by a trust agreement with the Trustee which is held accountable by and reports to the Committee.

Investments included in the Master Trust are valued at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Plan presents the net change in fair value of common stock, mutual funds and common and collective trusts, which consists of realized gains or losses, unrealized appreciation (depreciation), and any income or capital gain distributions from such investments, in the accompanying statement of changes in net assets available for benefits.

Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts, because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in investment contracts through a collective trust. Contract value for this collective trust is based on the net asset value of the fund as reported by the investment advisor. The Statements of Net Assets Available for Benefits present the fair value of the investment in the collective trust as well as the adjustment of the investment in the collective trust from fair value to contract value relating to the investment contracts. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

Under the Fair Value Measurements and Disclosures topic of the Codification, ASC 820, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included in level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

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EAGLE MATERIALS INC. HOURLY PROFIT SHARING PLAN

Notes to Consolidated Financial Statements

December 31, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

A financial instrument s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Common Stock

Common stock is valued at the closing price reported on the New York Stock Exchange Composite Listing and is classified within level 1 of the valuation hierarchy.

Mutual Funds

These investments are public investment vehicles valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within level 1 of the valuation hierarchy.

Common/Collective Investment Trust

The Plan holds an investment in the Fidelity Managed Income Portfolio (Fund), which is managed by Fidelity Management Trust Company and invests in assets (typically fixed-income securities or bond funds and may include derivative instruments such as futures contracts and swap agreements), enters into wrap contracts (Wrap) issued by third parties and invests in cash equivalents represented by shares in money market funds. A Wrap is a contract with an insurance company or bank, which absorbs any gains or losses caused by market fluctuations. The Wrap allows investors to hold their investments at the original par or book value plus accrued interest, resulting in stable rates of return. The fair value of the units of this investment is based on the fair value of the underlying investments, and a NAV can be calculated for this Fund. Audited financial statements are available for this investment. The Fund intends to hold only assets whose fair market value is the contract value of the investment. Income is calculated daily and the amount of income is dependent on contract interest rates, contract maturities, and new investments in the Fund. This investment is a fully benefit-responsive fund; however, it does contain several redemption restrictions: redemptions by Plan participants to reinvest in options that compete with the Fund may be delayed for up to 90 days, and full or partial Plan sponsor directed redemptions or terminations may be delayed for up to 365 days.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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EAGLE MATERIALS INC. HOURLY PROFIT SHARING PLAN

Notes to Consolidated Financial Statements

December 31, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Below is the Plan s share of Master Trust investments at fair value on a recurring basis by the fair value hierarchy levels described above:

	At December 31, 2015			
	Level 1	Level 2	Level 3	Total
Common stock:				
Building materials	$ 1,045,889	$	$	$ 1,045,889
Total common stock	1,045,889			1,045,889
Mutual funds:				
Index funds	2,462,383			2,462,383
Lifestyle funds	16,310,573			16,310,573
Fixed income funds	921,501	199,575		1,121,076
Growth funds	4,549,996			4,549,996
International growth funds	560,376			560,376
Total mutual funds	24,804,829	199,575		25,004,404
Common/Collective trust		882,565		882,565
	$ 25,850,718	$ 1,082,140	$	$ 26,932,858

	At December 31, 2014			
	Level 1	Level 2	Level 3	Total
Common stock:				
Building materials	$ 1,270,053	$	$	$ 1,270,053
Total common stock	1,270,053			1,270,053
Mutual funds:				
Index funds	2,475,764			2,475,764

Lifestyle funds	14,462,024			14,462,024
Fixed income funds	925,594	111,804		1,037,398
Growth funds	4,738,773			4,738,773
International growth funds	557,766			557,766
Total mutual funds	23,159,921	111,804		23,271,725
Common/Collective trust		795,711		795,711
	$ 24,429,974	$ 907,515	$	$ 25,337,489

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EAGLE MATERIALS INC. HOURLY PROFIT SHARING PLAN

Notes to Consolidated Financial Statements

December 31, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

All security transactions are recorded on the trade date. Gains and losses on the disposals of investments are determined based on the average cost of all securities. Dividend income is recorded on the effective date of a declared dividend. Income from other investments is recorded as earned on an accrual basis.

The Master Trust allocates net investment income/(loss) to the Plan based on the ratio of fair values of the Plan s investment in each Master Trust account. Net investment income is then allocated to participants on a pro rata basis. Administrative expenses for the year ended December 31, 2015 include Trustee and record keeper fees. Fund management fees are charged directly to the Master Trust and therefore are included in the net change in fair value of investments for the Master Trust. Administrative expenses are allocated pro rata to the Plan and the Eagle Salaried Plan.

Recent Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent),* (ASU 2015-07). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy investments for which fair values are estimated using the net asset value practical expedient provided by Accounting Standards Codification 820, *Fair Value Measurement*. Disclosures about investments in certain entities that calculate net asset value per share are limited under ASU 2015-07 to those investments for which the entity has elected to estimate the fair value using the net asset value practical expedient. ASU 2015-07 is effective for entities (other than public business entities) for fiscal years beginning after December 15, 2015, with retrospective application to all periods presented. We do not believe the adoption of this standard will have a material impact on our financial statement.

In July 2015, FASB issued ASU 2015-12, *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient*. Part I of ASU 2015-12 eliminates the requirements to measure the fair value of fully benefit-responsive investment contracts and provide certain disclosures. Contract value is the only required measure for fully benefit-responsive investment contracts. Part II of ASU 2015-12 eliminates the requirements to disclose individual investments that represent 5 percent or more of net assets available for benefits and the net appreciation or depreciation in fair value of investments by general type. It also simplifies the level of disaggregation of investments that are measured using fair value. Plans will continue to disaggregate investments that are measured using fair value by general type; however, plans are no longer required to also disaggregate investments by nature, characteristics and risks. Further, the disclosure of information about fair value measurements shall be provided by general type of plan asset. Part III of ASU 2015-12 allows a plan with a fiscal year end that doesn t coincide with the end of a calendar month to measure its investments and investment-related accounts using the month end closest to its fiscal year end.

ASU 2015-12 is effective for fiscal years beginning after December 15, 2015. Parts I and II are to be applied retrospectively, while Part III is to be applied prospectively. We do not believe the adoption of Parts I and II will have a material impact on our financial statements. Part III is not applicable to the Plan.

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EAGLE MATERIALS INC. HOURLY PROFIT SHARING PLAN

Notes to Consolidated Financial Statements

December 31, 2015

NOTE 3. INTEREST IN THE MASTER TRUST

The fair value of the commingled investments of the participating plans in the Master Trust accounts at December 31, 2015 and 2014, and the undivided percentage interests the Plan holds in each of the Master Trust accounts are summarized as follows:

	2015		2014	
	Fair Value	Percentage Interest	Fair Value	Percentage Interest
Registered Investment Companies				
American Beacon Funds Large Cap Value Institutional	$ 2,598,098	41.3%	$ 2,974,140	39.9%
American Beacon Funds Small Cap Value Intitutional	1,928,121	17.5%	2,084,523	18.1%
Baron Small Cap Institutional	1,297,367	15.1%	1,205,122	17.7%
Brokerage Link	1,146,334	2.0%	1,566,030	1.4%
CBA Aggressive Growth 1	1,495,421	22.6%	1,526,291	29.6%
Fidelity Freedom K 2010 Fund	5,732,306	19.0%		
Fidelity Freedom K 2020 Fund	15,887,300	28.2%		
	12,335,408	37.2%		

Fidelity Freedom K 2030 Fund				
Fidelity Freedom K 2040 Fund	8,137,878	40.4%		
Fidelity Freedom K 2050 Fund	615,743	55.7%		
Fidelity Freedom K 2060 Fund	6,325	10.8%		
Fidelity Freedom K Income Fund	4,771,922	52.9%		
Fidelity Low-Priced Stock Fund	5,936,109	19.0%	6,341,193	19.6%
FMMT Retirement Gov II	1,853,876	10.8%		
Harbor International Administrative	2,610,752	19.4%	2,690,730	19.2%
JPMorgan Mid Cap Growth Select	4,547,321	28.4%	4,051,268	29.2%
Mainstay Large Capital Growth I	1,219,018	15.2%	504,480	16.2%
Spartan 500 Index Institution	9,281,482	20.9%	8,672,557	22.9%
Spartan Extended Market Index Fund Adv	2,421,029	21.6%	2,460,131	20.0%
Spartan International Index Adv	430,944	12.5%	226,905	17.9%
Spartan U.S. Bond Index Adv	3,748,541	20.6%	3,143,745	24.4%
Vanguard Inflation Protected Securities	730,204	20.2%	812,902	19.6%
Fidelity Freedom Income Fund	$ (3,933)	$ 315,733		

Issuance of stock for cash	3,530,872	458,330	-	-	-	458,330
Issuance of stock for accounts payable	355,000	60,750	-	-	-	60,750
Amortization of deferred compensation	-	-	-	-	1,751	1,751
Net (loss)	-	-	-	(719,622)	-	(719,622)
Balance December 31, 2005	17,959,954	9,271,465	1,714,954	(10,867,295)	(2,182)	116,942
Issuance of stock for accounts payable	227,000	27,240	-	-	-	27,240
Issuance of stock for cash	4,595,604	531,996	-	-	-	531,996
Amortization of deferred compensation	-	-	-	-	1,750	1,750
Net (loss)	-	-	-	(619,850)	-	(619,850)
Balance December 31, 2006	22,782,558	$ 9,830,701	$ 1,714,954	$ (11,487,145)	$ (432)	$ 58,078

The accompanying notes are an integral part of these financial statements

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MIRENCO, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31,

	2006	2005
Cash flows from operating activities		
Net (loss)	$ (619,850)	$ (719,622)
Adjustments to reconcile net (loss) to net cash and cash equivalents used in operating activities:		
Depreciation and amortization	41,703	44,945
Dividends	32	-
Gain on settlement of accounts payable	(19,601)	-
Amortization of deferred compensation	1,750	1,751
(Increase) decrease in assets		
Accounts receivable	(8,046)	36,006
Inventories	13,911	(6,353)
Other	5,373	(10,398)
Increase (decrease) in liabilities		
Accounts payable	1,578	83,130
Due to officers and affiliates	32,825	104,821
Accrued expenses	34,569	(175)
Net cash (used in) operating activities	(515,756)	(465,895)
Cash flows from investing activities		
Purchase of property and equipment	-	(10,397)
Capitalization of patent expense	(50)	(6,407)
Net cash (used in) investing activities	(50)	(16,804)
Cash flows from financing activities		
Proceeds from capital lease	-	10,021
Payments capital leases	(2,886)	(1,406)
Proceeds from issuance of common stock	531,996	458,330
Proceeds from issuance of redeemable preferred stock	13,900	-

Principal payments on long-term debt:				
Banks and others		(7,676)		(7,862)
Related parties		(4,843)		(4,527)
Net cash provided by financing activities		530,491		454,556
Increase (decrease) in cash and cash equivalents		14,685		(28,143)
Cash and cash equivalents, beginning of year		4,984		33,127
Cash and cash equivalents, end of year	$	19,669	$	4,984
Suplementary disclosure of cash flow information:				
Cash paid during the year for interest	$	22,291	$	20,521
Cash paid during the year for income taxes	$	-	$	-
Suplementary disclosure of significant non-cash and financing investing activities:				
Issuance of stock for accounts payable	$	27,240	$	60,750
Gain from settlemet of accounts payable	$	19,601	$	-
Transfer of inventory to property, plant, & equipment	$	-	$	4,530

The accompanying notes are an integral part of these financial statements.

MIRENCO, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1.

Nature of Business

MIRENCO, Inc. (the Company) was organized and incorporated as an Iowa corporation on February 21, 1997. The Company develops, markets and distributes certain technologically advanced products for which it has exclusive licensing rights. These products are for throttle control of internal combustion vehicles, primarily to improve fuel efficiency, reduce vehicle maintenance costs, reduce environmental emissions and improve overall vehicle performance. The Company's products are sold primarily in the domestic market.

2.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of 3 months or less to be cash equivalents.

3.

Revenue Recognition

In general, the Company records revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured. The following policies reflect specific criteria for the various revenues streams of the Company:

Revenue is recognized from sales when a product is shipped and from services when they are performed.

4.

Accounts Receivable

Accounts receivable are stated at estimated net realizable value. Accounts receivable are comprised of balances due from customers net of estimated allowances for uncollectible accounts. In determining collectability, historical trends are evaluated and specific customer issues are reviewed to arrive at appropriate allowances.

5.

Inventories

Inventories, consisting of purchased finished goods ready for sale, are stated at the lower of cost (as determined by the first-in, first-out method) or market.

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6.

Income Taxes

The Company accounts for income taxes under the asset and liability method, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are recognized to the extent management believes that it is more likely than not that they will be realized.

7.

Patents and Trademarks

Patents and trademarks will be amortized on the straight-line method over their remaining legal lives of 7 years as of December 31, 2006. The Company recorded patent amortization expense of $1,443 and $908, respectively, in 2006 and 2005. Patents are stated net of amortization of $8,078.

8.

Property and Equipment

Property and equipment are stated at cost. The Company provides for depreciation on the straight-line method over the estimated useful lives of 3 years for computer equipment, 5 years for manufacturing and test equipment and other equipment, and 39 years for buildings.

9.

Impairment of Long-Lived Assets

The carrying value of long-lived assets is reviewed on a regular basis for the existence of facts and circumstances that suggest impairment. During 2006 and 2005, no material impairment has been indicated. Should there be an impairment, in the future, the Company will measure the amount of the impairment based on the amount that the carrying value of the impaired assets exceed the undiscounted cash flows expected to result from the use and eventual disposal of the from the impaired assets.

10.

Stock-Based Compensation

The Company accounts for equity instruments issued to employees for services based on the fair value of the equity instruments issued and accounts for equity instruments issued to other than employees based on the fair value of the consideration received or the fair value of the equity instruments, whichever is more reliably measurable.

The Company accounts for stock based compensation in accordance with SFAS 123, "Accounting for Stock-Based Compensation." The provisions of SFAS 123 allow companies to either expense the estimated fair value of stock options or to continue to follow the intrinsic value method set forth in APB Opinion 25, "Accounting for Stock Issued to Employees" (APB 25) but disclose the pro forma effects on net income (loss) had the fair value of the options been expensed. The Company has elected to continue to apply APB 25 in accounting for its stock option incentive plans.

In December 2004, the FASB issued SFAS 123R (revised 2004) Share-Based Payment . This statement requires that the cost resulting from all share-based transactions be recorded in the financial statements. This statement establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a fair-value-based measurement in accounting for share-based payment transactions with employees. The Statement also establishes fair value as the measurement objective for transactions in which an entity acquires goods or services from non-employees in share-based transactions. The Statement replaces SFAS 123 Accounting for Stock-Based Compensation and supercedes APB Opinion No.25 Accounting for Stock Issued to Employees . The provisions of this Statement were effective for the Company beginning with its fiscal year ended December 31, 2006.

11.

Net Loss Per Share

The Company calculates net income (loss) per share as required by Statement of Financial Accounting Standards (SFAS) 128, "Earnings per Share." Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares and dilutive common stock equivalents outstanding. During periods in which the Company incurs losses common stock equivalents, if any, are not considered, as their effect would be anti dilutive.

12.

Fair Value of Financial Instruments

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2006. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and notes payable. Fair values were assumed to approximate carrying values for these financial instruments because they are short term in nature and their carrying amounts approximate fair values.

The carrying value of the Company s long-term debt approximated its fair value based on the current market conditions for similar debt instruments.

13.

Royalty Expense

Royalty expense is recorded and paid based upon the sale of products, services, and rights related to patents according to a contractual agreement (see Note J).

14.

Advertising

Advertising costs are charged to expense as incurred and were $12,095 and $17,027 for the years ended December 31, 2006 and 2005, respectively.

15. *Software Development Costs*

In connection with the development of software, the Company will incur external costs for software, and consulting services, and internal costs for payroll and related expenses of its technology employees directly involved in the development. Purchased software costs will be capitalized in accordance with Statement of Position 98-1 Accounting for the Costs of Computer Software Developed or Obtained for Internal Use . All other costs will be reviewed for determination of whether capitalization or expense as product development cost is appropriate in accordance with

Statement of Position 98-1.

16. *Research and Development*

The Company expenses research and development costs as incurred. Such costs include certain prototype products, test parts, consulting fees, and costs incurred with third parties to determine feasibility of products. Costs incurred for research and development were $64,642 and $60,898 in 2006 and 2005, respectively.

17. *Use of Estimates*

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates are used when accounting for the Company s carrying value of inventory, fixed assets, depreciation, accruals, taxes and contingencies, which are discussed in the respective notes to the financial statements.

18. *Segment Information*

The Company follows SFAS 131, Disclosures about Segments of an Enterprise and Related Information." Certain information is disclosed, per SFAS 131, based on the way management organizes financial information for making operating decisions and assessing performance. The Company currently operates in a single segment and will evaluate additional segment disclosure requirements as it expands its operations.

19. *Recent Pronouncements*

In August 2005, the FASB issued SFAS 154, "Accounting Changes and Error Corrections." This statement applies to all voluntary changes in accounting principle and to changes required by an accounting pronouncement if the pronouncement does not include specific transition provisions, and it changes the requirements for accounting for and reporting them. Unless it is impractical, the statement requires retrospective application of the changes to prior periods' financial statements. This statement is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005.

SFAS 155 - "Accounting for Certain Hybrid Financial Instruments--an amendment of FASB Statements No. 133 and 140" This Statement, issued in February 2006, amends FASB Statements No. 133, "Accounting for Derivative Instruments and Hedging Activities", and No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". This Statement resolves issues addressed in Statement 133 Implementation Issue No. D1, "Application of Statement 133 to Beneficial Interests in Securitized Financial Assets."

This Statement:

a. Permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation

b. Clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133

c. Establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation

d. Clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives

Amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument.

This Statement is effective for the Company for all financial instruments acquired or issued after the beginning of the Company s fiscal year beginning January 1, 2007.

The fair value election provided for in paragraph 4(c) of this Statement may also be applied upon adoption of this Statement for hybrid financial instruments that had been bifurcated under paragraph 12 of Statement 133 prior to the adoption of this Statement. Earlier adoption is permitted as of the beginning of our fiscal year, provided we have not yet issued financial statements, including financial statements for any interim period, for that fiscal year. Provisions of this Statement may be applied to instruments that we hold at the date of adoption on an instrument-by-instrument basis.

The Company is currently reviewing the effects of adoption of this statement but it is not expected to have a material impact on our financial statements.

SFAS 156 - "Accounting for Servicing of Financial Assets--an amendment of FASB Statement No. 140"

This Statement, issued in March 2006, amends FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", with respect to the accounting for separately recognized servicing assets and servicing liabilities. This Statement:

1. Requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in certain situations.

2. Requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable.

3. Permits an entity to choose either the amortization method or the fair value measurement method for each class of separately recognized servicing assets and servicing liabilities.

4. At its initial adoption, permits a one-time reclassification of available-for-sale securities to trading securities by entities with recognized servicing rights, without calling into question the treatment of other available-for-sale securities under Statement 115, provided that the available-for-sale securities are identified in some manner as offsetting the entity's exposure to changes in fair value of servicing assets or servicing liabilities that a servicer elects to subsequently measure at fair value.

5. Requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the statement of financial position and additional disclosures for all separately recognized servicing assets and servicing liabilities.

Adoption of this Statement is required as of the beginning of the fiscal year beginning January 1, 2007. The adoption of this statement is not expected to have a material impact on our financial statements.

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements". This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosure about fair value measurement. The implementation of this guidance is not expected to have any impact on the Company's financial statements.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 106, and 132(R)" ("SFAS No. 158"). SFAS No. 158 requires companies to recognize a net liability or asset and an offsetting adjustment to accumulated other comprehensive income to report the funded status of defined benefit pension and other postretirement benefit plans. SFAS No. 158 requires prospective application, recognition and disclosure requirements effective for the Company's fiscal year ending December 31, 2007. Additionally, SFAS No. 158 requires companies to measure plan assets and obligations at their year-end balance sheet date. This requirement is effective for the Company's fiscal year ending December 31, 2009. The Company does not expect that it will have a material impact on its financial statements.

In September 2006, the United States Securities and Exchange Commission ("SEC") SAB No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." This SAB provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB 108 establishes an approach that requires quantification of financial statement errors based on the effects of each of the company's balance sheet and statement of operations financial statements and the related financial statement disclosures. The SAB permits existing public companies to record the cumulative effect of initially applying this approach in the first year ending after November 15, 2006 by recording the necessary correcting adjustments to the carrying values of assets and liabilities as of the beginning of that year with the offsetting adjustment recorded to the opening balance of retained earnings. Additionally, the use of the cumulative effect transition method requires detailed disclosure of the nature and amount of each individual error being corrected through the cumulative adjustment and how and when it arose. The Company is currently evaluating the impact, if any, that SAB 108 may have on the Company's results of operations or financial position.

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109." This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Interpretation is effective for fiscal years beginning after December 15, 2006 and the Company is currently evaluating the impact, if any, that FASB No. 48 may have on the Company's results of operations or financial position.

NOTE B - BASIS OF PRESENTATION

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern.

However, the Company has incurred and may continue to incur net losses in the future. Net losses for the years ending December 31, 2006 and 2005 were ($619,850) and ($719,622) respectively, and the company had negative working capital of ($290,955) at December 31, 2006. If revenues do not increase substantially in the near future, additional sources of funds will be needed to maintain operations. These matters give rise to substantial doubt about the Company s ability to continue as a going concern.

Management and other personnel have been focused on product and service development in lieu of product marketing. The Company s management team has diligently explored several market segments relative to the Company s product and service lines over the past 3 years. From that exploration, the Company has decided it is in its best interests to explore the use of existing, well-established distribution channels for marketing and selling the DriverMax® product line. Management also believes a large market exists for the Company s testing services and the information provided by those services. A combination of the products and services has been developed as a long-term program for current and potential customers, particularly in regulated markets. Management will focus on the Company s efforts on the sales of products, services, and programs with sensible controls over expenses. Management believes these steps, if successful, will improve the Company s liquidity and operating results, allowing it to continue in existence.

The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2006:

Land and building	$ 569,748
Computer equipment	81,241
Manufacturing and test equipment	85,799
Tool and die	29,025
Other equipment	122,678
	888,491
Less accumulated depreciation	392,631
	$ 495,860

The Company recorded $40,239 and $43,965 respectively, of depreciation expense for the years ended December 31, 2006 and 2005.

NOTE D - ACCRUED EXPENSES

Accrued expenses consisted of the following at December 31, 2006:

Royalty	$	4,254
Payroll and payroll taxes		58,808
Other		817
	$	63,879

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NOTE E - NOTES PAYABLE

Notes payable consisted of the following at December 31, 2006:

	Total	Current Portion	Long-term Portion
Note payable to bank in monthly installments of $1,621, including principal and variable interest, currently 11%, guaranteed by stockholder, guaranteed by Small Business Administration	$ 105,087	$ 9,103	$ 95,984
Capital lease payable to leasing company in monthly installments of $376, including principal and interest of 20.625%, maturing in in July 2008.	5,728	3,553	2,175
	$ 110,816	$ 12,656	$ 98,159

Maturities of notes payable are as follows:

2007	$ 12,656	2008	$ 11,213	2009	$ 9,002
2010	$ 10,218	2011	$ 11,598	Thereafter	$ 56,129

NOTE F NOTES PAYABLE TO RELATED PARTIES

Notes payable to related parties consisted of the following a December 31, 2006:

	Total	Current Portion	Long-term Portion
Notes payable to investors, 9% interest payable quarterly, principal due in March and April 2007	$ 30,000	$ 30,000	$ -
Note payable to related Company in monthly installments of $689, including principal and interest of 6.75% maturing May 2009	48,126	5,179	42,947
	$ 78,126	$ 35,179	$ 42,947

Maturities of related party notes payable are as follows:

2007	$ 35,179	2008	$ 5,540	2009	$ 37,407

NOTE G - CONCENTRATION OF CUSTOMERS

The Company had 3 customers that accounted for 81% of 2006 sales and 2 customers that accounted for 46% of 2005 sales. At December 31, 2006, the Company had 5 customers that accounted for 98% of sales.

NOTE H - LEASES

The Company entered into a lease agreement with its majority stockholder for the land on which the Company had constructed a new facility. The lease established a perpetual term commencing October 1, 2000 at no rental cost to the Company. The Company purchased the land in 2003. (See Note J).

NOTE I - INCOME TAXES

The Company accounts for income taxes under SFAS 109 which requires use of the liability method. SFAS 109 provides that deferred tax assets and liabilities are recorded based on the differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes, referred to as temporary differences. Deferred tax assets and liabilities at the end of each period are determined using the currently enacted tax rates applied to taxable income in the periods in which the deferred tax assets and liabilities are expected to be settled or realized.

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before provision for income taxes. The sources and tax effects of the differences are as follows:

Income tax provision at federal statutory rate	34%
Effect of Operating Losses	(34%)
	---%

As of December 31, 2006, the Company has a net operating loss carryforward of approximately $8,359,850. This loss carryforward will be available to offset future taxable income. If not used, this carryforward will expire through 2026. The deferred tax asset of approximately $2,800,000 relating to the operating loss carryforward has been fully reserved as of December 31, 2006. The increase the valuation allowance related to the deferred tax asset was approximately $300,000 during 2006. The principal difference between the accumulated deficit for income tax purposes and for financial reporting purposes is related to stock based compensation.

NOTE J - RELATED PARTY TRANSACTIONS

In 2006 the Company incurred rent expense in the amount of $9,600 payable to an officer and majority stockholder, which is included in due to officers and affiliates at December 31, 2006. Payments to related parties in 2005 amounted to $3,108 for interest.

On April 30, 1999, the Company entered into an agreement to acquire patents and trademarks for an initial price of $25,000 from a company whose stockholders have controlling ownership in the Company. The patents and trademarks were recorded as a lump-sum purchase at the affiliate s carrying value, $9,800, at the date of purchase. The remaining $15,200 was recorded as a distribution to stockholders. In July 2000, upon the completed sale of 1,000,000 shares of stock to the public and in accordance with the patent purchase agreement a payment of $225,000 was paid and was accounted for as a distribution to stockholders. Also, the agreement provides for royalty payments in the amount of 3% of gross sales (including product sales, service revenues, and all revenues from sales of patent rights) for the 20 years which began November 1, 1999. This agreement can be terminated by the seller if the Company fails to make the above payments or becomes insolvent. From January 1, 1999 to October 31, 1999, the Company paid royalties for the use and potential marketing of the patents to the company that owned the patents based on 3% of sales calculated at an established unit price ($495) and minimum quantities (40 to 80 units per month), with payments generally made quarterly. The Company incurred royalty expense to a company partially owned by the majority stockholder of the Company for the years ended December 31, 2006 and 2005, in the amounts of $17,696 and $21,604 respectively.

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NOTE K - COMMON STOCK OPTIONS AND WARRANTS

Options

During 1998, the Company established a nonqualified stock option plan (the 1998 Plan) pursuant to which options for up to 1,200,000 shares of the Company s authorized but unissued common stock may be granted to employees and certain non-employees. During 1999, the Company adopted the 1999 Stock Option Plan (the 1999 Plan), which provides for granting of options to officers, employees, advisors, and consultants of the Company, for the purchase of up to a total of 750,000 shares of the Company s authorized but unissued common stock. During 2001, the Company adopted the 2001 Stock Option Plan (the 2001 Plan), which provides for the granting of up to a total of 250,000 shares of the Company s authorized but unissued common stock. During 2004, the Company adopted the 2004 Stock Option Plan (the 2004 Plan) which provides for the granting up to a total of 1,000,000 shares of the Company s authorized but unissued common stock.

SFAS 123 requires the Company to provide proforma information regarding net income and earnings per share as if compensation cost for the Company s stock option plans had been determined in accordance with the fair value based method prescribed in SFAS 123. The fair value of the option grants is estimated on the date of grant utilizing the Black-Scholes optionpricing model. The following weighted average assumptions were used for grants during 2005: expected life of options of 10 years, expected volatility of 150%, risk-free interest rate of 3.0% and no dividend yield.

During 2005 the Company granted a total of 1,086,500 options. The options are fully vested. Of these, 36,500 are exercisable at $.31, the fair market value at the date of grant, and expire nine years from the date of grant. In addition, in 2005, the Company granted 1,050,000 options to officers, with an exercise price of $.15 per share. Substantially all of the options were granted to employees, officers and directors. No compensation costs have been recorded in conjunction with the issuances of the options. Management of the Company believes there is no material difference between the reported net loss and the pro-forma net loss.

During 2006 the Company granted 165,000 options as shown below. The options are fully vested. Of these, 135,000 were issued to employees and are exercisable at $.1525, the fair market value at the date of grant, and expire eight years from the date of grant. During the year ended December 31, 2006, the Company issued 5,000 options to directors to purchase common stock at $.15625 per share, 5,000 options at $.2750 per share, 5,000 options at $.3750 per share, and 5,000 options at $.2625 per share. These options are exercisable at that price until January 31, 2014. In addition, 10,000 options to purchase common stock at $.3375 per share were issued to an employee, also exercisable through January 31, 2014. No compensation costs have been recorded in conjunction with the issuances of the options. Management of the Company believes there is no material difference between the reported net loss and the pro-forma net loss.

Weighted-

	Number of shares		average exercise price
	Outstanding	Exercisable	per share
Outstanding, January 1, 2005	1,022,710	1,022,710	$ 2.37
Granted	1,086,500	1,086,500	0.15
Exercised	-	-	-
Outstanding, December 31, 2005	2,109,210	2,109,210	1.23
Granted	165,000	165,000	0.18
Exercised	-	-	-
Outstanding, December 31, 2006	2,274,210	2,274,210	$ 1.15

The following table summarizes information about options outstanding at December 31, 2006 under the Compensatory Stock Option Plans:

Options outstanding		Options exercisable
Weighted-average		

Range of exercise prices	Number outstanding	(in years) remaining contractual life	Weighted-average exercise price	Number exercisable	Weighted-average exercise price
$0.12-$5.00	2,274,210	6.21	$ 1.15	2,274,210	$ 1.15

Warrants

The Company extended the expiration date of 275,116 warrants which were to expire on June 25, 2006, to December 31, 2006 at which time they expired. The warrants entitle the warrant holders to acquire one common share for each warrant at $1.00 per share.

In conjunction with the return of 1,000,000 common shares in 2004 the Company issued 1,000,000 warrants to purchase common stock at $.25 per share to an officer. The warrants have no expiration date.

In addition, in conjunction with the cash sale of common shares discussed in Note L the Company issued 366,580 warrants to purchase common stock at $.20 per share. These warrants expire on June 30, 2006. The Company extended the expiration date of these warrants to March 31, 2007 at which time they expired.

NOTE L - STOCKHOLDERS' EQUITY

During 2004, the Company issued 12,500 shares of common stock in conjunction with a private placement debt offering to qualified investors only. The fair market value of these shares of $5,250 has been recorded as deferred compensation and is being amortized over the term of the debt of 36 months. Amortization of $1,750 and $1,751 was recorded in 2006 and 2005, respectively. In 2006, the Company sold 4,595,604 shares for $531,966 cash. In 2005, the Company sold 5,596,212 shares for $519,801. In addition, during the year ended December 31, 2006, the Company issued 227,000 shares of its common stock to an officer for notes and accounts payable in the aggregate amount of $27,240. The shares were issued at $0.12 per share, the fair market value on the date of issue.

NOTE M REDEEMABLE, CONVERTIBLE PREFERRED STOCK

In December 2006, Mirenco offered minimum $3,000 investments for 25,000 shares of its common stock at $0.12 per share, plus 500 shares of convertible, redeemable preferred stock valued by the Company at $1 per share. In connection with this offering, 13,900 shares of the convertible, redeemable preferred stock were issued. Each preferred share is convertible at the holder s option, to five shares of the Company s common stock, and carries a cumulative 6% dividend rate through December 31, 2011. The preferred shares may be redeemed by the Company any time after December 31, 2009, and must be fully redeemed on December 31, 2011, together with all cumulative dividends in arrears. Accordingly, the preferred shares are presented as shares subject to mandatory redemption in the accompanying financial statements.

NOTE N SUBSEQUENT EVENTS

Through April 24, 2007, the Company issued an aggregate of 2,212,800 shares of common stock for cash aggregating $208,380. The shares sold for cash were restricted and were sold at a discount from the trading price of the common shares on the subscription dates.

ITEM 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None

ITEM 8A. Controls and procedures

With the participation of management, the Company's chief executive officer and chief financial officer evaluated the Company's disclosure controls and procedures as of the date of this report. Based upon this evaluation, the chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures are effective in ensuring that material information required to be disclosed is included in the reports that it files with the Securities and Exchange Commission.

There were no significant changes in the Company's internal controls or, to the knowledge of the management of the Company, in other factors that could significantly affect these controls subsequent to the evaluation date.

ITEM 8 A. Other Information Required to be Reported on Form 8-K

PART III

ITEM 9. Directors, Executive Officers, Promoters and Control Persons, Compliance With Section 16(a) of the Exchange Act

As of the date of this Annual Report, based solely upon a review of copies of Forms 3, 4 and 5 and amendments thereto furnished to the Company during its most recent fiscal year, management believes that all directors and officers, both past and present, are in compliance with the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934. Biographical summaries concerning individuals serving on the Board of Directors, the Company's executive officers and significant employees, are shown below.

Dwayne L. Fosseen, age 61, is founder, Chief Executive Officer, Chairman of the Board of Directors, and Principal (controlling) Stockholder of Mirenco, Inc. Mr. Fosseen has personally been involved in major projects with the U.S. Department of Agriculture, the U.S. Department of Energy, the Iowa Corn Growers Board, the National BioDiesel Board and the Iowa Soybean Promotions Board. Mr. Fosseen has over 15 years' experience in the field of heavy-duty engines and has directed major EPA testing efforts at Ortech Corporation, an international emissions testing company.

Richard A. Musal, age 60, became Chief Financial Officer in December, 2002. Mr. Musal graduated from Central Missouri State University in 1972 and became a certified public accountant in 1973. Mr. Musal, formerly a partner with McGladrey and Pullen has served as CFO and COO at several companies throughout his career. In August, 2003 he was elected a Director, Chief Financial Officer and Chief Operating Officer.

Director Tim Neugent is a graduate of Marquette University and has is currently Vice President of American Auto Finance and has owned and operated several companies in central Iowa. Mr. Neugent brings valuable marketing expertise to the Board of Directors.

Merlin Hanson, Director is a Certified Public Accountant and a graduate of the University of Minnesota. Mr. Hanson is a retired partner with McGladrey and Pullen with over 35 years with the firm. Mr. Hanson has served on many boards and most significantly, was the Chairman of the Board for Goodwill Industries, International.

Don D. Williams, age 72, a lifelong resident of Williams, Iowa, has been involved in the grain business and is a major producer of livestock. Mr. Williams has also been associated with real estate as a licensed associate. Mr. Williams has served as an officer of the County Farm Bureau Board, Heart of Iowa Realtors Board, and the County Compensation and Extension Board. A director of Mirenco, Inc. since June 1, 1998, Mr. Williams is also a veteran of the Korean War.

Mr. Hanson, Mr. Williams and Mr. Musal serve on the Company s Audit Committee. Mr. Hanson qualifies as a financial expert with his long career as a Certified Public Accountant with practice experience in reporting matters for publicly held companies.

As of the filing of this report, the Registrant has not adopted a code of ethics for its Chief Executive Officer or its Chief Financial Officer because of the financial constraints. The Company s Board of Directors intends to provide a code of ethics in 2007.

ITEM 10. Executive Compensation

The following table sets forth the compensation of the named executive officers for each of the Company's last three completed fiscal years.

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Options Awarded	All Other Compensation
Dwayne Fosseen, CEO					
	2006	$ 31,904	$ -	4,000	$ 3,600
	2005	$ 38,697	$ -	6,000	$ -
	2004	$ 75,000	$ -	4,000	$ -
Richard A. Musal, COO & CFO	2006	$ 39,250	$ -	4,000	$ 10,810
	2005	$ 89,092	$ -	3,000	$ 5,574
	2004	$ -	$ -	181,000	$ 88,000

Option Grants

There were 4,000 grants of stock options made to Mr. Musal and 4,000 grants of options made to Mr. Fosseen during the Year Ended December 31, 2006 and 3,000 grants of stock options made to Mr. Musal and 3,000 grants of options made to Mr. Fosseen during the year ended December 31, 2005.

Aggregate Option Exercises and Fiscal Year-End Option Value

No stock options were exercised during the year ended December 31, 2006, and no stock options wee exercised during the year ended December 31, 2005.

Compensation of Directors

In 2006 Directors were awarded stock options for 20,000 shares, compared to stock options for 14,000 shares in 2005.

ITEM 11. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth the individuals serving on the Board of Directors, the Company s executive officers and significant employees, and information with respect to the number of shares of the Company s common stock beneficially owned by each of them directly or indirectly, as of March 31, 2007. The number of shares beneficially owned includes shares, if any, held in the name of the spouse, minor children, or other relatives of the individual living in his home, as well as shares, if any, held in the name of another person under an arrangement whereby the individual enjoys the right to vote or the use of the income, or whereby the individual can vest or re-vest title in himself or herself at once or at some future time.

Name, Position and Address of Beneficial Owner	Amount Beneficially Owned		Percent of Class
Dwayne Fosseen, Director, Chairman of the Board and Chief Executive Officer 206 May Street Radcliffe, IA 50230	9,797,695	(a)	38.30%
Richard A. Musal, Director, Chief Operating Officer and Chief Financial Officer 206 May Street Radcliffe, IA 50230	1,329,500	(b)	5.20%
Don Williams, Director 206 May Street Radcliffe, IA 50230	415,700	(c)	1.62%
Tim Neugent, Director 206 May Street Radcliffe, IA 50230	44,000	(d)	0.17%
Merlin Hanson, Director 206 May Street Radcliffe, IA 50230	16,000	(e)	0.06%
All Directors and Officers as a group (5 persons)	11,602,895		45.35%

(a)

Dwayne Fosseen's beneficial ownership includes 1,439,150 shares which are acquirable pursuant to the exercise of outstanding stock options and warrants, 2,000 shares owned by family members in his household and 35,450 shares, which are acquirable pursuant to the exercise of outstanding stock options owned by his spouse.

(b)

Richard Musal s beneficial ownership includes 872,000 shares which are acquirable pursuant to the exercise of outstanding stock options.

(c)

Don William s beneficial ownership includes 17,000 shares, which are acquirable pursuant to the exercise of outstanding stock options.

(d)

Tim Neugent s beneficial ownership includes 19,000 shares, which are acquirable pursuant to the exercise of outstanding stock options.

(e)

Merlin Hanson s beneficial ownership includes 16,000 shares, which are acquirable pursuant to the exercise of outstanding stock options.

(f)

The beneficial ownership of all directors and officers as a group includes 300,950 shares which are acquirable pursuant to the exercise of outstanding stock options and 2,095,000 shares which are acquirable pursuant to the exercise of outstanding warrants.

ITEM 12. Certain Relationships and Related Transactions

In 2006 the Company incurred rent expense in the amount of $9,600 payable to an officer and majority stockholder. Payments to related parties in 2005 amounted to $3,810 for interest.

On April 30, 1999, the Company entered into an agreement to acquire patents and trademarks from a company that Mr. Fosseen has a controlling ownership in the Company for an initial price of $25,000. The patents and trademarks were recorded as a lump-sum purchase at the affiliate's carrying value, $9,800, at the date of purchase. The remaining $15,200 was recorded as a distribution to stockholders. Another payment per terms of the patent purchase agreement, $225,000, was paid in July 2000 and accounted for as a distribution to stockholders upon the completed sale of 1,000,000 shares of stock offered to the public. Also, the agreement provides for royalty payments in the amount of 3% of gross sales (including product sales, service revenues, and all revenues from sales of patent rights) for 20 years, which began November 1, 1999. This agreement can be terminated by the seller if the Company fails to make the above payments or becomes insolvent. From January 1 to October 31, 1999, the Company paid royalties for the use and potential marketing of the patents to the company that owned the patents based on 3% of sales calculated at an established unit price ($495) and minimum quantities (40 to 80 units per month), with payments generally made quarterly. The Company incurred royalty expense to a company partially owned by the majority stockholder of the Company for the years ended December 31, 2006 and 2005 in the amounts of $17,696 and $21,604 respectively.

ITEM 13. Exhibits

(a) Exhibits

The following are the exhibits to this annual report.

3.2(a)

Articles of Amendment to Articles of Incorporation (Incorporated by reference to the Company s 10QSB for the quarter ended June 30, 2004 filed on August 10, 2004)

3.2(b)

Certificate of Incorporation and Certificates of Amendment to the Certification of Incorporation of Registrant (incorporated by reference to the Company s Registration Statement filed on July 10, 2000).

3.3

Bylaws of Registrant (incorporated by reference to the Company s Registration Statement filed on July 10, 2000).

10.2(d)

Stock Option Agreement between Registrant and Betty Fosseen (incorporated by reference to the Company s Registration Statement filed on July 10, 2000).

10.2(f)

Stock Option Agreement between Registrant and J. Richard Relick (incorporated by reference to the Company s Registration Statement filed on July 10, 2000).

10.4

Purchase Agreement Between Registrant and American Technologies, LLC (incorporated by reference to the Company s Registration Statement filed on July 10, 2000).

10.5

Environmental Regulatory Approvals with the U.S. Environment Protection Agency and California Air Resources Board (incorporated by reference to the Company s Registration Statement filed on July 10, 2000).

10.6

Summary of Patents and Associated Service Marks (incorporated by reference to the Company s Registration Statement filed on July 10, 2000).

10.7

Copies of U.S. and Canadian Patents Issued to Dwayne L. Fosseen (incorporated by reference to the Company s Registration Statement filed on July 10, 2000).

10.8

Summary of Mexican Patents and Associated Protections Issued to Dwayne L. Fosseen (incorporated by reference to the Company s Registration Statement filed on July 10, 2000).

10.9

Rental Agreement Between Registrant and Fosseen Manufacturing & Development, Inc (incorporated by reference to the Company s Registration Statement filed on July 10, 2000).

10.13(a)

Stock Option Agreement between Registrant and Betty Fosseen (incorporated by reference to the Company s Registration Statement Amendment filed on April 17, 2001).

1.14

2001 Common Stock Compensation Plan (incorporated by reference to the Company s 10KSB for the fiscal year ended December 31, 2001).

10.29

Employment Agreement with Richard A. Musal. (Incorporated by reference to the Company s 10QSB filed November 19, 2004)

10.30 2004 Common Stock Compensation Plan (Incorporated by reference to the Company s 10KSB, filed April 15, 2005).

10.34

Reseller agreement with Network Car, Inc. dated April 12, 2006. (incorporated by reference to the Company s 10QSB filed May 22, 2006.).

* 31.1

Certificate of Principal Executive Officer dated April 25, 2007.

* 31.2

Certificate of Principal Financial Officer dated April 25, 2007.

* 32.1

Dwayne Fosseen s Certification dated April 25, 2007 pursuant to 18 U.S.C. SECTION 1350, as adopted pursuant to, SECTION 906 of the Sarbanes-Oxley Act of 2002

* 32.2

Glynis M. Hendrickson s Certification dated April 25, 2007pursuant to 18 U.S.C. SECTION 1350, as adopted pursuant to SECTION 906 of the Sarbanes-Oxley Act of 2002

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Filed with this report.

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ITEM 14.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The Company s board of directors reviews and approves audit and permissible non-audit services performed by its independent accountants, as well as the fees charged for such services. In its review of non-audit service fees and its appointment of Stark Winter Schenkein & Co., LLP as the Company's independent accountants, the board of directors considered whether the provision of such services is compatible with maintaining independence. All of the services provided and fees charged by Stark Winter Schenkein & Co., LLP in 2006 and 2005 were approved by the board of directors.

Audit Fees

The aggregate fees billed by for professional services for the audit of the annual financial statements of the Company and the reviews of the financial statements included in the Company's quarterly reports on Form 10-QSB for 2006 and 2005 were $20,100 and $29,950, respectively, net of expenses.

Audit-Related Fees

There were no other fees billed by during the last two fiscal years for assurance and related services that were reasonably related to the performance of the audit or review of the Company's financial statements and not reported under "Audit Fees" above.

Tax Fees

There were no fees billed during the last two fiscal years for professional services rendered for tax compliance.

All Other Fees

There were no other fees billed by during the last two fiscal years for products and services provided.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Mirenco, Inc.
(Registrant)

By: /s/ Glynis M. Hendrickson

Glynis M. Hendrickson

Chief Financial Officer

Date: April 25, 2007

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Dwayne Fosseen

Dwayne Fosseen

Chairman of the Board,

Chief Executive Officer

and Director

Date: April 25, 2007

By:: /s/ Don Williams

Don Williams

Director

Date: April 25, 2007

By:: /s/ Richard A. Musal

Richard A. Musal

Director

and Secretary

EXHIBIT 31.1

PRINCIPAL EXECUTIVE OFFICER CERTIFICATION

I, Dwayne Fosseen, Chief Executive Officer and President of Mirenco, Inc. (the Small business issuer) certify that:

1.

I have reviewed this report on Form 10-KSB of Small business issuer

2.

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.

Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

4.

The small business issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

(a)

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b)

Evaluated the effectiveness of the small business issuer s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c)

Disclosed in this report any change in the small business issuer s internal control over financial reporting that occurred during the small business issuers most recent fiscal quarter (the small business issuers fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuers internal control over financial reporting; and

5.

The small business issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

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Date: April 25, 2007

/s/Dwayne Fosseen

Dwayne Fosseen,

President and Chief Executive Officer

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EXHIBIT 31.2

CERTIFICATE OF PRINCIPAL FINANCIAL OFFICER

I, Glynis M. Hendrickson, Chief Financial Officer of Mirenco, Inc. (the Small business issuer) certify that:

1.

I have reviewed this report on Form 10-KSB of Small business issuer

2.

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.

Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

4.

The small business issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15 (f) and 15d-15(f)) for the small business issuer and have:

(a)

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

;

(b) Evaluated the effectiveness of the small business issuer s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c)

Disclosed in this report any change in the small business issuer s internal control over financial reporting that occurred during the small business issuers most recent fiscal quarter (the small business issuers fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuers internal control over financial reporting; and

5.

The small business issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: April 25, 2007

/s/ Glynis M. Hendrickson

Glynis M. Hendrickson,

Chief Financial Officer

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EXHIBIT 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Dwayne Fosseen, Chief Executive Officer of Mirenco, Inc. (the Company), certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1)

The Company s Annual Report on Form 10-KSB for the period ended December 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the Report), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2)

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dwayne Fosseen

Dwayne Fosseen

Chief Executive Officer and President

April 25, 2007

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EXHIBIT 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Glynis M. Hendrickson, Chief Financial Officer of Mirenco, Inc. (the   Company), certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1)

The Company s Annual Report on Form 10-KSB for the period ended December 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the   Report), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2)

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Glynis M. Hendrickson

Glynis M. Hendrickson

Chief Financial Officer

April 25, 2007

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