

WINNEBAGO COUNTY
Forest City, Iowa

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2005

WINNEBAGO COUNTY
Forest City, Iowa

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WINNEBAGO COUNTY
Forest City, Iowa

OFFICIALS

Before January 2005

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gorden Anderson	Board of Supervisors	January 2005
Robert Jaynt	Board of Supervisors	January 2007
Douglas Yeager	Board of Supervisors	January 2007
Robert D. Paulson	Auditor	January 2005
Ruth Bachman	Treasurer	January 2007*
JoAnn Bartleson	Recorder	January 2007
Thomas Lillquist	Sheriff	January 2005
Lowell Ouverson	Assessor	Appointed
Robert Cooper	Attorney	January 2007

*Ruth Bachman – Retired, Judy Harringa – Appointed

After January 2005

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gorden Anderson	Board of Supervisors	January 2009
Robert Jaynt	Board of Supervisors	January 2007
Douglas Yeager	Board of Supervisors	January 2007
Jennifer Fjelstad	Auditor	January 2009
Julie Swenson	Treasurer	January 2007
Kristin Colby	Recorder	January 2007
Thomas Lillquist	Sheriff	January 2005
Lowell Ouverson	Assessor	Appointed
Robert Cooper	Attorney	January 2007

Independent Auditors' Report

To the Officials of Winnebago County
Forest City, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winnebago County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Winnebago 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Winnebago County at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our reports dated January 20, 2006 on our consideration of Winnebago County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditors' Report (Continued)

Management's Discussion and Analysis and budgetary comparison information on pages 4 - 9 and 37 - 39 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 Winnebago 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, 2004 (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.

January 20, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Winnebago County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. 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 slightly, approximately \$67,602, from fiscal 2004 to fiscal 2005. Property tax increased approximately \$8,097, operating grants, capital grants and contributions decreased approximately \$549,867 and charges for services increased approximately \$630,414.
- Program expenses were 3%, or approximately \$214,272, less in fiscal 2005 than in fiscal 2004.
- The County's net assets increased 9%, or approximately \$915,856 from June 30, 2004 to June 30, 2005.

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 Winnebago 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 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 Worth County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes 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 non-major 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 three kinds of funds:

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

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

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

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

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911 services and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Winnebago County's combined net assets increased from a year ago, from \$9.55 million to \$10.47 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities
(Expressed in Thousands)

	2005	2004
Current and Other Assets	\$8,034	\$7,589
Capital Assets	7,210	6,961
Total Assets	<u>15,244</u>	<u>14,550</u>
Long-Term Debt Outstanding	892	1,318
Other Liabilities	3,882	3,678
Total Liabilities	<u>4,774</u>	<u>4,996</u>
Net Assets:		
Invested in Capital Assets, Net of debt	7,198	6,618
Restricted	2,591	1,805
Unrestricted	681	1,131
Total Net Assets	<u>\$10,470</u>	<u>\$9,554</u>

Net assets of the Winnebago County's governmental activities increased by 9% (\$9.55 million compared to \$10.47 million). The largest portion of the County's net assets is the invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenant, enabling legislation or other legal requirements was \$680,681.

Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	2005	2004
Program Revenues:		
Charges for Service	\$1,811	\$1,181
Operating Grants, Contributions and Restricted Interest	2,928	2,891
Capital Grants, Contributions and Restricted Interest	418	912
General Revenues:		
Property Taxes	3,155	3,147
Penalty and Interest on Property Tax	23	24
State Tax Credits	195	184
Local Option Sales Tax	278	278
Unrestricted Investments Earnings	58	41
Other General Revenues	119	304
Total Revenues	<u>8,985</u>	<u>8,962</u>
Program Expenses:		
Public Safety and Legal Services	1,062	1,113
Physical Health and Social Services	591	646
Mental Health	1,292	1,321
County Environment and Education	596	562
Roads and Transportation	2,769	2,724
Government Services to Residents	365	350
Administration or General Government	747	823
Non-program	639	655
Interest on Long-Term Debt	8	18
Total Expenses	<u>8,069</u>	<u>8,212</u>
Increase in Net Assets	916	750
Net Assets – Beginning of Year	<u>9,554</u>	<u>8,804</u>
Net Assets – End of Year	<u>\$10,470</u>	<u>\$9,554</u>

The results of governmental activities for the year resulted in Winnebago County's net assets increasing by approximately \$915,000. Revenues for governmental activities increased by approximately \$67,602 over the prior year, with property tax revenue up from the prior year by approximately \$8,097.

The cost of all governmental activities this year was \$8,069,391 compared to \$8,212,218 last year. However, as shown in the Statement of Activities on page 11, the amount taxpayers ultimately financed for these activities was only \$3.1 million because of the cost was paid by those directly benefiting from the programs (\$1,811,408) or by other governmental and organizations that subsidized certain programs with grants and contributions (\$3.3 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2005 from approximately \$5.08 million to \$5.157 million. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$3.1 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUNDS

As Winnebago County completed the year, its governmental funds reported a combined fund balance of \$3.605 million, a decrease of more than \$112,517 below last year's total of \$3.717 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased approximately \$141,942 and expenditures increased approximately \$292,747 when compared to the prior year. The ending fund balance showed a decline of \$148,713 from the prior year to \$591,464.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,283,480, a decrease of 3% from the prior year. The Mental Health Fund balance at year end increased by approximately \$240,343 over the prior year.
- Secondary Roads Fund expenditures decreased slightly by approximately \$27,880 over the prior year. The Secondary Roads Fund ending balance increased approximately by \$284,769.
- The Debt Service Fund ending balance decreased by approximately \$208,384 as the remaining funds in this fund were transferred to the General Fund.
- During the year ended June 30, 2005, the County had proceeds of issuance of drainage warrants of \$359,983 and payments of \$788,383, decreasing the Drainage fund balance by approximately \$12,022.

BUDGETARY HIGHLIGHTS

Over the course of the year, Winnebago County amended its budget one time. The amendment was made in May 2005, and resulted in an increase in budgeted disbursements related to Public and Legal Services, Physical Health and Social Services, County Environment and Education, Roads and Transportation, Government Services to Residents, Administration, and Debt Service.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2005, Winnebago County had approximately \$7.2 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$249,211 or 3% over last year.

Capital Assets at Year End of Governmental Activities
(Expressed in Thousands)

	2005	2004
Land	\$702	\$702
Buildings and Improvements	3,129	3,128
Equipment	2,019	2,026
Infrastructure	1,264	59
Construction in Process	96	1,046
Total	<u>\$7,210</u>	<u>\$6,961</u>
This year's major additions include (expressed in thousands)		
Buildings	\$58	\$231
Equipment and Vehicles	420	316
Infrastructure	1,221	0
Construction in Process - Resurfacing	95	960
	<u>\$1,794</u>	<u>\$1,507</u>

The County had depreciation expense of \$521,577 for the year ended June 30, 2005 and total accumulated depreciation of \$4.015 million at June 30, 2005.

The County's fiscal year 2005 capital budget included \$329,166 for capital projects, principally for continued upgrading of secondary roads and bridges. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long – Term Debt

At June 30, 2005, Winnebago County had approximately \$1.016 million in general obligation notes and other debt outstanding compared to approximately \$1.32 million at June 30, 2004, as shown below.

Outstanding Debt at Year-End of Governmental Activities
(Expressed in Thousands)

	2005	2004
General Obligation Notes	\$25	\$357
Capital Lease Purchase Agreements	12	24
Drainage Warrant and Improvement Certificates	855	758
Compensated Absences	124	179
	<u>\$1,016</u>	<u>\$1,318</u>

Debt decreased as a result of redeeming Courthouse Addition Notes.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Winnebago County's outstanding general obligation debt is significantly below its constitutional debt limit of \$28.5 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Winnebago County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates, and the fees that will be charged for various County activities. One of those factors is the economy. The County's nonagricultural employment averaged an increase of 1 percent in 2005. The population in Winnebago County, however, declined again in 2005 by averaging a 1 percent decrease in county population. Unemployment in the County now stands at 4.6 percent versus 3.5 percent a year ago which shows a change of 1.1 percent with more people being unemployed in the county. This compares with the unemployment rate of 4.6 percent for 2005 and the national rate of 4.9 percent for 2005.

Inflation in the State is now even with the national Consumer Price Index increase. The State's CPI increase was 3.4 percent for fiscal year 2005 compared with the national rate of 3.4 percent for 2005. Inflation may have risen in Iowa to become equal with the national rate due in part to the further slowdown of the residential housing market probably caused by the increase in national interest rate indexes and the continued significant increases in energy prices in 2004-2005.

These indicators were taken into account when adopting the budget for fiscal year 2006. Amounts available for appropriation in the operating budget are \$7,860,971 million, a decrease of 5.4 percent under the final 2005 budget. Budgeted disbursements are expected to decrease by approximately \$452,345. The County has added no major new programs or initiatives to the 2006 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Winnebago 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 Winnebago County Auditor's Office, 126 South Clark Street, Forest City, Iowa.

**WINNEBAGO COUNTY
Forest City, Iowa**

**STATEMENT OF NET ASSETS
June 30, 2005**

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$3,184,885
Receivables	
Property Tax	
Delinquent	23,040
Succeeding Year	3,154,705
Interest & Penalty On Property Tax	37
Accounts	59,636
Accrued Interest	5,394
Drainage Assessments	488,728
Due From Other Governments	287,220
Notes Receivable	7,500
Inventories	766,120
Prepaid Insurance	56,102
Capital Assets (Net of Accumulated Depreciation)	7,210,329
TOTAL ASSETS	15,243,696
LIABILITIES	
Accounts Payable	331,174
Accrued Interest Payable	53,654
Salaries & Benefits Payable	33,080
Due To Other Governments	185,403
Deferred Revenue	
Succeeding Year Property Tax	3,154,705
Long Term Liabilities	
Portion Due Or Payable Within One Year	
Capital Lease Purchase Agreement	12,396
Notes & Contracts	12,640
Compensated Absences	123,960
Portion Due Or Payable After One Year	
Notes & Contracts	12,639
Drainage Warrant/Improvement Certificates	854,373
TOTAL LIABILITIES	4,774,021
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	7,197,933
Restricted For:	
Mental Health Purposes	383,848
Secondary Roads Purposes	1,473,790
Drainage Warrants/Improvements	(287,829)
Other Purposes	1,021,252
Unrestricted	680,681
TOTAL NET ASSETS	\$10,469,675

See Notes To Financial Statements

**WINNEBAGO COUNTY
Forest City, Iowa**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2005**

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	\$1,062,454	\$186,133	\$24,545	\$27,300	\$(824,476)
Physical Health & Social Services	591,006	353,070	88,178	5,700	(144,058)
Mental Health	1,292,432	1,534	1,086,764	0	(204,134)
County Environment & Education	596,075	19,680	21,094	31,713	(523,588)
Roads & Transportation	2,768,432	17,380	1,705,712	352,874	(692,466)
Governmental Services to Residents	364,813	194,172	0	0	(170,641)
Administrative Services	747,217	135,813	1,921	0	(609,483)
Non-Program	638,708	903,626	0	0	264,918
Interest on Long-Term Debt	8,254	0	0	0	(8,254)
TOTAL	\$8,069,391	\$1,811,408	\$2,928,214	\$417,587	(2,912,182)
GENERAL REVENUES:					
Property & Other County Tax Levied For:					
General Purposes					3,155,463
Penalty & Interest on Property Tax					23,197
State Tax Credits					195,363
Local Option Sales Tax					278,399
Unrestricted Investment Earnings					57,586
Miscellaneous					120,708
Loss on Disposal of Capital Assets					(2,678)
TOTAL GENERAL REVENUES					3,828,038
CHANGE IN NET ASSETS					915,856
NET ASSETS, BEGINNING OF YEAR					9,553,819
NET ASSETS END OF YEAR					\$10,469,675

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2005

	General	Special Revenue	
		Mental Health	Rural Services
ASSETS			
Cash & Pooled Investments	\$511,488	\$559,645	\$348,085
Receivables			
Property Tax			
Delinquent	14,419	778	7,843
Succeeding Year	1,685,406	407,843	937,665
Interest & Penalty on Property Tax	37	0	0
Accounts	52,174	5,250	0
Accrued Interest	4,600	0	0
Drainage Assessments	0	0	0
Due From Other Funds	8,880	0	0
Due From Other Governments	87,509	0	0
Notes Receivable	0	0	0
Inventories	0	0	0
Prepaid Insurance	34,671	0	0
TOTAL ASSETS	\$2,399,184	\$973,516	\$1,293,593
LIABILITIES & FUND BALANCES			
Liabilities			
Accounts Payable	\$34,524	\$24,844	\$20,854
Interest Payable	0	0	0
Salaries & Benefits Payable	11,647	574	1,905
Due To Other Governments	8,914	156,406	0
Deferred Revenue			
Succeeding Year Property Tax	1,685,406	407,843	937,665
Other	67,229	759	7,776
Total Liabilities	1,807,720	590,426	968,200
Fund Balances			
Reserved For:			
Inventories	0	0	0
Notes Receivable	0	0	0
Unreserved, Reported In:			
General Fund	591,464	0	0
Special Revenue Funds	0	383,090	325,393
Total Fund Balances	591,464	383,090	325,393
TOTAL LIABILITIES & FUND BALANCES	\$2,399,184	\$973,516	\$1,293,593

See Notes To Financial Statements

Exhibit C

<u>Special Revenue</u> Secondary Roads	Drainage	Non-major Special Revenue	Total
\$729,154	\$240,418	\$682,823	\$3,071,613
0	0	0	23,040
0	0	123,791	3,154,705
0	0	0	37
1,076	0	1,136	59,636
0	0	794	5,394
0	488,728	0	488,728
0	0	0	8,880
172,116	0	27,595	287,220
7,500	0	0	7,500
766,120	0	0	766,120
21,431	0	0	56,102
<u>\$1,697,397</u>	<u>\$729,146</u>	<u>\$836,139</u>	<u>\$7,928,975</u>
\$132,296	\$109,289	\$9,364	\$331,171
0	53,313	0	53,313
18,676	0	278	33,080
15,283	0	4,800	185,403
0	0	123,791	3,154,705
0	488,728	2,047	566,539
<u>166,255</u>	<u>651,330</u>	<u>140,280</u>	<u>4,324,211</u>
766,120	0	0	766,120
7,500	0	0	7,500
0	0	0	591,464
<u>757,522</u>	<u>77,816</u>	<u>695,859</u>	<u>2,239,680</u>
<u>1,531,142</u>	<u>77,816</u>	<u>695,859</u>	<u>3,604,764</u>
<u>\$1,697,397</u>	<u>\$729,146</u>	<u>\$836,139</u>	<u>\$7,928,975</u>

**WINNEBAGO COUNTY
Forest City, Iowa**

**RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**

June 30, 2005

Total Governmental Fund Balances (page 12-13) \$3,604,764

*Amounts reported for governmental activities in the Statement of Net Assets
are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is \$11,224,946 and the accumulated depreciation is \$4,014,617 7,210,329

Other long term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 566,539

The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 104,392

Long-term liabilities, including capital lease purchase agreements payable, notes payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (1,016,349)

Net Assets of Governmental Activities (page 10) \$10,469,675

See Notes to Financial Statements.

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General	Special Revenue	
		Mental Health	Rural Services
REVENUES			
Property & Other County Tax	\$1,681,350	\$407,668	\$939,797
Interest & Penalty on Property Tax	23,197	0	0
Intergovernmental	272,527	1,113,983	55,806
Licenses & Permits	5,493	0	240
Charges for Services	472,372	1,234	0
Use of Money & Property	54,922	0	0
Miscellaneous	120,545	938	1,630
Total Revenues	2,630,406	1,523,823	997,473
EXPENDITURES			
Current:			
Public Safety & Legal Services	982,933	0	0
Physical Health & Social Services	638,859	0	0
Mental Health	0	1,283,480	0
County Environment & Education	154,969	0	164,460
Roads & Transportation	0	0	380,110
Governmental Services to Residents	323,997	0	0
Administrative Services	695,455	0	3,564
Non-program	599	0	3,330
Debt Service	327,919	0	0
Capital Projects	0	0	0
Total Expenditures	3,124,731	1,283,480	551,464
Excess (Deficiency) of Revenues Over (Under) Expenditures	(494,325)	240,343	446,009
Other Financing Sources (Uses)			
Sale of Capital Assets	0	0	0
Operating Transfers In	475,375	0	126,743
Operating Transfers Out	(129,763)	0	(754,869)
Proceeds of Issuance of Stamped Warrants	0	0	0
Total Other Financing Sources (Uses)	345,612	0	(628,126)
Net Change in Fund Balances	(148,713)	240,343	(182,117)
Fund Balances – Beginning of Year	740,177	142,747	507,510
Increase In Reserve for Notes Receivable	0	0	0
Increase in Reserve For Inventories	0	0	0
Fund Balances – End of Year	\$591,464	\$383,090	\$325,393

See Notes To Financial Statements

Exhibit E

<u>Special Revenue</u> Secondary Roads	Drainage	Debt Service	Non-major Special Revenue	Total
\$0	\$0	\$0	\$407,753	\$3,436,568
0	0	0	0	23,197
2,058,585	0	0	91,235	3,592,136
955	0	0	0	6,688
9,001	0	0	153,251	635,858
1,500	0	0	7,844	64,266
83,550	416,378	0	49,224	672,265
2,153,591	416,378	0	709,307	8,430,978
0	0	0	45,923	1,028,856
0	0	0	0	638,859
0	0	0	0	1,283,480
0	0	0	209,487	528,916
2,676,068	0	0	0	3,056,178
0	0	0	33,811	357,808
0	0	0	0	699,019
0	788,383	0	71,192	863,504
0	0	0	0	327,919
214,364	0	0	68,206	282,570
2,890,432	788,383	0	428,619	9,067,109
(736,841)	(372,005)	0	280,688	(636,131)
2,500	0	0	0	2,500
820,060	0	0	119,572	1,541,750
0	0	(208,384)	(448,734)	(1,541,750)
0	359,983	0	0	359,983
822,560	359,983	(208,384)	(329,162)	362,483
85,719	(12,022)	(208,384)	(48,474)	(273,648)
1,246,373	89,838	208,384	744,333	3,679,362
7,500	0	0	0	7,500
191,550	0	0	0	191,550
\$1,531,142	\$77,816	\$0	\$695,859	\$3,604,764

**WINNEBAGO COUNTY
Forest City, Iowa**

**RECONCILIATION OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005**

Net change in fund balances - Total governmental funds (page 15-16) \$(74,598)

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

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

Expenditures for capital assets	\$756,166	
Capital assets contributed by the Iowa Department of Transportation	27,300	
Depreciation Expense	<u>(521,577)</u>	261,889

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. (12,678)

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

Property tax	(2,706)	
Other	<u>497,510</u>	494,804

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 issues exceeded repayments as follows:

Issued	(359,983)	
Repaid	<u>606,953</u>	246,970

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

Compensated absences	54,609	
Interest on long-term debt	<u>1,403</u>	56,012

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities (56,543)

Change in Net Assets of Governmental Activities (page 11) \$915,856

See Notes to Financial Statements

**WINNEBAGO COUNTY
Forest City, Iowa**

**STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2005**

	Internal Service Employee Group Health
<hr/>	
ASSETS	
Cash & Cash Equivalents	\$104,392
<hr/>	
LIABILITIES	
Accounts Payable	0
<hr/>	
NET ASSETS	
Unrestricted	\$104,392
<hr/>	

See Notes To Financial Statements

**WINNEBAGO COUNTY
Forest City, Iowa**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2005**

	Internal Service Employee Group Health
<hr/>	
Operating Revenues	
Reimbursements from Operating Funds	\$532,271
Reimbursements from Employees	33,940
<hr/>	
Total Operating Revenues	566,211
Operating Expenses	
Medical Claims	310,070
Insurance Premiums	312,684
<hr/>	
	622,754
Net Loss	(56,543)
Net Assets Beginning of Year	160,935
<hr/>	
Net Assets End of Year	\$104,392
<hr/> <hr/>	

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2005

	Internal Service Employee Group Health
Cash Flows from Operating Activities	
Cash Received from Operating Fund Reimbursements	\$532,271
Cash Received from Employees and Others	33,940
Cash Payments to Suppliers for Services	(622,754)
Net Cash Used in Operating Activities	(56,543)
Net Decrease in Cash and Cash Equivalents	(56,543)
Cash and Cash Equivalents at Beginning of Year	160,935
Cash and Cash Equivalents at End of Year	\$104,392

**Reconciliation of Operating Loss to Net Cash
Used in Operating Activities**

Operating Loss	\$(56,543)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities	0
Net Cash Used in Operating Activities	\$(56,543)

See Notes To Financial Statements

**WINNEBAGO COUNTY
Forest City, Iowa**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2005**

ASSETS

Cash & Pooled Investments	
County Treasurer	\$523,626
Other County Officials	1,251
Receivables	
Property Tax	
Delinquent	296
Succeeding Year	8,192,831
Accounts	290
Accrued Interest	174
Assessments	146,486
TOTAL ASSETS	8,864,954

LIABILITIES

Accounts Payable	4,931
Due To Other Governments	8,851,441
Trusts Payable	8,582
TOTAL LIABILITIES	8,864,954

NET ASSETS	\$0
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See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Winnebago 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 presented in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. REPORTING ENTITY

For financial reporting purposes, Winnebago 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 Winnebago 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.

One hundred 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 Winnebago County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of these drainage districts can be obtained from the Winnebago County Auditor's office.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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 Winnebago County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Winnebago County Assessor's Conference Board and Winnebago 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.

B. BASIS OF PRESENTATION

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

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

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

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary fund 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 non-major governmental funds.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

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.

The Drainage Fund is used to account for special assessments against benefited properties and the payment of drainage warrants and drainage improvement certificates.

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

Additionally, the County reports the followings funds:

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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, 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 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-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

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

The County maintains its financial records on a 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 combined balance sheet:

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

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

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

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 becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2004.

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 Assessment 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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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, 2005, 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.

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	20-50
Infrastructure	30-50
Equipment	2-20

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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 delinquent property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and 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, 2005. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health and Secondary Roads Funds.

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, 2005, disbursements exceeded amounts budgeted in the Debt Service and Non-Program functions and disbursements in certain departments exceed the amounts appropriated.

Notes to Financial Statements (Continued)

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 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; and certain joint investment trusts.

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 inter-fund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency:	
	Auto License and Use Tax	\$8,880

These balances result from the time lag between the dates that inter-fund 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: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2005 is as follows:

Transfer To	Transfer From	Amount
General	Local Option Sales Tax	\$205,482
General	Debt Service	208,384
General	Solid Waste Management	61,509
Special Revenue:		
Secondary Roads	General	65,191
Fair Association	General	31,635
Winnebago/Worth BETCO	General	32,937
	Special Revenue:	
Secondary Roads	Rural Services	754,869
Rural Basic	Local Option Sales Tax	68,495
Rural Basic	Tax Increment Financing	58,248
Housing	Solid Waste Management	55,000
Agency	Agency	
E911 Operating	E911 Surcharge	86,227
Assessor	Assessor FICA	9,500
Assessor	Assessor IPERS	7,200
		<hr/>
Total		<u><u>\$1,644,677</u></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, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$701,528	\$0	\$0	\$701,528
Construction in Progress	1,046,679	95,562	1,046,679	95,562
Total Capital Assets not being Depreciated	1,748,207	95,562	1,046,679	797,090
Capital Assets being Depreciated:				
Buildings	3,277,067	58,279	25,980	3,309,366
Improvements other than Buildings	412,003	34,891	0	446,894
Machinery and Equipment	3,182,838	198,598	6,809	3,374,627
Vehicles	1,794,513	221,649	0	2,016,162
Infrastructure, Road Network	59,640	1,221,167	0	1,280,807
Total Capital Assets being Depreciated	8,726,061	1,734,584	32,789	10,427,856
Less Accumulated Depreciation for:				
Buildings	381,167	66,248	13,812	433,603
Improvements other than Buildings	180,371	13,251	0	193,622
Machinery and Equipment	1,894,941	256,938	6,298	2,145,581
Vehicles	1,056,671	168,991	0	1,225,662
Infrastructure	0	16,149	0	16,149
Total Accumulated Depreciation	3,513,150	521,577	20,110	4,014,617
Total Capital Assets being Depreciated, Net	5,212,911	1,213,007	12,679	6,413,239
Governmental Activities Capital Assets, Net	\$6,961,118	\$1,308,569	\$1,059,358	\$7,210,329

Depreciation expense was charged to the following functions:

Governmental Activities	
Public Safety and Legal Services	\$46,686
Physical Health and Social Services	2,938
Mental Health	1,385
County Environment and Education	16,446
Roads and Transportation	369,681
Governmental Services to Residents Administration	10,854
	73,587
Total Depreciation Expense	
– Governmental Activities	\$521,577

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	\$8,914
Special Revenue		
Mental Health	Services	156,406
Secondary Roads	Services	15,283
County Recorders Electronic Transaction	Services	<u>4,800</u>
Total for governmental funds		<u><u>\$185,403</u></u>
Agency:		
Agricultural Extension	Collections	\$108,641
Assessor		168,529
Schools		5,038,938
Community Colleges		233,209
Corporations		2,591,212
Auto License & Use Tax		224,928
All Others		<u>485,984</u>
Total for agency funds		<u><u>\$8,851,441</u></u>

Note 7: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$183,536	\$0	\$59,576	\$123,960	\$123,960
Drainage Warrants	726,951	359,983	258,752	828,182	0
Drainage Improvement Certificates	30,557	0	4,366	26,191	0
Courthouse Addition Note #1	153,802	0	153,802	0	0
Courthouse Addition Note #2	165,512	0	165,512	0	0
Conservation Lease	24,277	0	11,881	12,396	12,396
Secondary Road	37,919	0	12,640	25,279	12,640
Total	<u>\$1,322,554</u>	<u>\$359,983</u>	<u>\$666,529</u>	<u>\$1,016,008</u>	<u>\$148,996</u>

Notes to Financial Statements (Continued)

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

Courthouse Improvement

On September 17, 2002, the County entered into an agreement with a local bank on a fixed rate promissory note. The purpose of the note was to fund construction of the Courthouse addition. The note is due on May 7, 2007 with interest at 4.25%. Payments during the year totaled \$319,314. Accelerated payments were made in fiscal 2005 which paid the notes in full.

Conservation Lease

During the year ended June 30, 2004, the conservation board entered into a lease agreement for a tractor and loader. The following is a schedule of the future minimum lease payments, including interest at 4.25% and the present value of net minimum lease payments under the agreement in effect at June 30, 2005:

<u>Year Ending June 30, 2006</u>	<u>Total</u>
Total Minimum Lease Payments	\$12,933
Less: Amount Representing Interest	<u>537</u>
Present Value of Net Minimum Lease Payments	<u><u>\$12,396</u></u>

Installment Agreements

During the year ended June 30, 2004, the County entered into an installment agreement for rock crushing. The payments are based on a per ton basis. The agreement has no interest. A summary of payments over the life of the agreement is as follows:

<u>Year Ending</u>	<u>Total</u>
<u>June 30,</u>	
2006	\$12,640
2007	<u>12,639</u>
	<u><u>\$25,279</u></u>

Drainage Warrants/Drainage Improvement Certificates Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

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.

Notes to Financial Statements (Continued)

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

Drainage Warrants/Drainage Improvement Certificates Payable (Continued)

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 warrants and drainage improvement certificates are paid from the Special Revenue Fund solely from drainage assessment against benefited properties.

Note 8: Pension and Retirement Benefits

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

Plan members are required to contribute 3.7% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2005 are 8.535% and 8.535%, respectively. For the year ended June 30, 2004, the contribution rates for law enforcement employees and the County were 4.99% and 7.48%, respectively, and for the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$158,238 and \$156,484, and \$159,144, respectively, equal to the required contributions for each year.

Note 9: Risk Management

Winnebago County is a member in the Iowa Communities Assurance Pool. As allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 504 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. 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 expense due and payable in the current year, plus all of any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

Notes to Financial Statements (Continued)

Note 9: Risk Management (Continued)

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

The County's property and casualty 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, 2005 were \$78,525.

The Pool uses reinsurance and excess risk sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000 such excess coverage is also reinsured. All property risks are also reinsured on an individual member basis.

The Pool's intergovernmental contact with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

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

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

Notes to Financial Statements (Continued)

Note 10: Employee Health Insurance

The Internal Service, Employee Group Health was established to account for the funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark.

Monthly payments of plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the agreement with Wellmark monthly payments of premiums are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2005 was \$532,271.

Note 11: Related Party Transaction

No business transactions between the County and County officials or employees were noted.

Note 12: Budget Over Expenditures

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, 2005, disbursements exceeded the amount budgeted in the Debt Service and Non-Program Functions and disbursements in certain departments exceeded the amounts appropriated.

Note 13: E911 Enhancement Loan

On August 31, 2004, the County entered into an agreement to borrow \$130,000 to improve the E911 service system.

The loan was issued by the Titonka Savings Bank to provide funding for new equipment. The loan is secured by a pledge of surcharge revenues payable to the Joint E911 Service Boards. Loan principal and interest payments are made by the County from the surcharge revenues.

The loan shall not be a general obligation of the E911 Service Board or the County nor shall the County in any manner be liable by reason of the failure of the surcharge revenues or monies available in the fund, to be sufficient for the payment of the loan.

During the year ended June 30, 2005, principal of \$17,974 and interest of \$3,330 were paid for the E911 Service Board. The payments are not included in the County's financial statements.

The following is a schedule of payments under the agreement in effect at June 30, 2005:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2006	3.50%	\$24,882	\$3,524	\$28,406
2007		25,766	2,639	28,405
2008		26,683	1,723	28,406
2009		27,632	774	28,406
2010		7,063	38	7,101
		<u>\$112,026</u>	<u>\$8,698</u>	<u>\$120,724</u>

WINNEBAGO COUNTY
Forest City, 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, 2005

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
RECEIPTS						
Property & Other County Tax	\$3,432,302	\$0	\$3,432,302	\$3,424,019	\$3,424,019	\$8,283
Interest & Penalty on Property Tax	24,105	0	24,105	22,400	22,400	1,705
Intergovernmental	3,704,772	0	3,704,772	3,272,489	3,504,989	199,783
Licenses & Permits	3,303	0	3,303	5,530	5,530	(2,227)
Charges for Services	654,435	0	654,435	543,025	621,241	33,194
Use of Money & Property	62,251	0	62,251	317,984	317,984	(255,733)
Miscellaneous	674,244	416,378	257,866	326,114	333,314	(75,448)
Total Receipts	8,555,412	416,378	8,139,034	7,911,561	8,229,477	(90,443)
DISBURSEMENTS						
Public Safety & Legal Services	1,028,709	0	1,028,709	1,077,741	1,079,891	51,182
Physical Health & Social Services	645,569	0	645,569	665,965	726,607	81,038
Mental Health	1,228,941	0	1,228,941	1,316,309	1,316,309	87,368
County Environment & Education	520,250	0	520,250	689,567	802,197	281,947
Roads & Transportation	3,178,342	0	3,178,342	2,734,000	3,184,000	5,658
Governmental Services to Residents	353,785	0	353,785	363,022	386,088	32,303
Administrative Services	679,722	0	679,722	722,455	725,655	45,933
Non-Program	742,893	667,772	75,121	6,630	6,630	(68,491)
Debt Service	327,919	0	327,919	197,895	327,920	1
Capital Projects	274,594	0	274,594	329,166	329,166	54,572
Total Disbursements	8,980,724	667,772	8,312,952	8,102,750	8,884,463	571,511
Excess (Deficiency) of Receipts Over (Under) Disbursements	(425,312)	(251,394)	(173,918)	(191,189)	(654,986)	481,068
Other Financing Sources, Net	362,483	359,983	2,500	2,500	2,500	0
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements & Other Financing Uses	(62,829)	108,589	(171,418)	(188,689)	(652,486)	481,068
Balance Beginning of Year	3,134,442	131,829	3,002,613	2,243,383	3,138,063	(135,450)
Balance End of Year	\$3,071,613	\$240,418	\$2,831,195	\$2,054,694	\$2,485,577	\$345,618

See Accompanying Independent Auditors' Report

WINNEBAGO COUNTY
Forest City, Iowa

BUDGET COMPARISON SCHEDULE –
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$8,555,412	\$(124,434)	\$8,430,978
Expenditures	8,980,724	86,385	9,067,109
Net	(425,312)	(210,819)	(636,131)
Other Financing Sources, Net	362,483	0	362,483
Beginning Fund Balances	3,134,442	544,920	3,679,632
Increase in Reserve For:			
Notes Receivable	0	7,500	7,500
Inventories	0	191,550	191,550
Ending Fund Balances	\$3,071,613	\$533,151	\$3,604,764

See Accompanying Independent Auditors' Report

**Winnebago County
Forest City, Iowa**

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

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 appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$781,713. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the Debt Service and Non-Program functions and disbursements in certain departments exceeded the amounts appropriated.

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
 June 30, 2005

	Resource Enhancement & Protection	County Recorder's Records Management	Conservation Land Acquisition Trust	County Recorder's Electronic Transaction
ASSETS				
Cash & Pooled Investments	\$15,760	\$4,842	\$19,829	\$14,094
Receivables				
Property Tax				
Succeeding Year	0	0	0	0
Accounts	0	609	185	0
Notes	0	0	0	0
Accrued Interest	7	14	0	15
Drainage Assessments	0	0	0	0
Due from Other Governments	0	0	0	0
TOTAL ASSETS	\$15,767	\$5,465	\$20,014	\$14,109
LIABILITIES & FUND EQUITY				
Liabilities				
Accounts Payable	\$385	\$0	\$8,012	\$0
Interest Payable	0	0	0	0
Salaries & Benefits Payable	0	0	0	0
Due To Other Governments	0	0	0	4,800
Deferred Revenue	0	0	0	0
Total Liabilities	385	0	8,012	4,800
Fund Equity				
Fund Balance				
Unreserved	15,382	5,465	12,002	9,309
TOTAL LIABILITIES & FUND EQUITY	\$15,767	\$5,465	\$20,014	\$14,109

See Accompanying Auditor's Report

Local Option Sales Tax	Tax Increment Financing	Seizure	DARE	Jail Phone Account	Board Prisoners	Sheriff's Reserve	Monument Trust Fund	Fair Association	WinnWorth BETCO	Housing Commission	LHAP	Solid Waste Management	Employee Health & Wellness	EMS Training/ Ambulance	County Home Trust	Emergency	Total
\$0	\$0	\$5,119	\$6,135	\$3,583	\$36,164	\$7,370	\$0	\$0	\$83,420	\$200	\$4,057	\$0	\$15	\$3,734	\$406,316	\$72,185	\$682,823
0	123,791	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	123,791
0	0	0	0	0	334	0	0	0	8	0	0	0	0	0	0	0	1,136
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	6	7	57	6	0	0	0	0	9	5	0	0	668	0	794
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22,989	0	0	0	0	0	0	0	0	0	0	0	0	0	4,606	0	0	27,595
<u>\$22,989</u>	<u>\$123,791</u>	<u>\$5,119</u>	<u>\$6,141</u>	<u>\$3,590</u>	<u>\$36,555</u>	<u>\$7,376</u>	<u>\$0</u>	<u>\$0</u>	<u>\$83,428</u>	<u>\$200</u>	<u>\$4,066</u>	<u>\$5</u>	<u>\$15</u>	<u>\$8,340</u>	<u>\$406,984</u>	<u>\$72,185</u>	<u>\$836,139</u>
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$967	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9,364
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	278	0	0	0	0	0	0	0	278
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4,800
0	123,791	0	0	0	0	0	0	0	0	0	0	0	0	2,047	0	0	125,838
0	123,791	0	0	0	0	0	0	0	1,245	0	0	0	0	2,047	0	0	140,280
22,989	0	5,119	6,141	3,590	36,555	7,376	0	0	82,183	200	4,066	5	15	6,293	406,984	72,185	695,859
<u>\$22,989</u>	<u>\$123,791</u>	<u>\$5,119</u>	<u>\$6,141</u>	<u>\$3,590</u>	<u>\$36,555</u>	<u>\$7,376</u>	<u>\$0</u>	<u>\$0</u>	<u>\$83,428</u>	<u>\$200</u>	<u>\$4,066</u>	<u>\$5</u>	<u>\$15</u>	<u>\$8,340</u>	<u>\$406,984</u>	<u>\$72,185</u>	<u>\$836,139</u>

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2005

	Resource Enhancement & Protection	County Recorder's Records Management	Conservation Land Acquisition Trust	County Recorder's Electronic Transaction
Revenues				
Property and Other County Tax	\$0	\$0	\$0	\$0
Intergovernmental	9,573	0	22,140	0
Charges for Services	0	2,373	952	14,196
Use of Money and Property	44	91	0	238
Miscellaneous	0	0	27,712	0
Total Revenues	9,617	2,464	50,804	14,434
Expenditures				
Operating				
Public Safety and Legal Services	0	0	0	0
Physical Health and Social Services	0	0	0	0
County Environment and Education	2,682	0	0	0
Governmental Services to Residents	0	5,946	0	27,865
Administration	0	0	0	0
Non-Program	0	0	0	0
Debt Services	0	0	0	0
Capital Projects	0	0	68,206	0
Total Expenditures	2,682	5,946	68,206	27,865
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,935	(3,482)	(17,402)	(13,431)
Other Financing Sources (Uses)				
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	0	0	0
Proceeds from Capital Lease	0	0	0	0
	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	6,935	(3,482)	(17,402)	(13,431)
Fund Balances – Beginning of Year	8,447	8,947	29,404	22,740
Fund Balances – End of Year	\$15,382	\$5,465	\$12,002	\$9,309

See Accompanying Auditor's Report

Local Option Sales Tax	Tax Increment Financing	Seizure	DARE	Jail Phone Account	Board Prisoners	Sheriff's Reserve	Monument Trust Fund	Fair Association	WinnWorth BETCO	Housing Commission	LHAP	Solid Waste Management	Employee Health & Wellness	EMS Training/ Ambulance	County Home Trust	Emergency	Total
\$278,400	\$129,353	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$407,753
0	87	0	0	0	0	0	0	0	32,937	0	4,000	0	0	22,498	0	0	91,235
0	0	0	0	1,241	18,454	0	0	0	0	0	0	116,035	0	0	0	0	153,251
0	0	0	50	84	422	92	0	0	0	0	83	418	0	0	6,322	0	7,844
0	0	1,166	51	0	0	10,811	5,700	0	2,584	0	1,200	0	0	0	0	0	49,224
278,400	129,440	1,166	101	1,325	18,876	10,903	5,700	0	35,521	0	5,283	116,453	0	22,498	6,322	0	709,307
0	0	3,285	470	6,264	5,300	11,926	0	0	0	0	0	0	0	18,678	0	0	45,923
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	38,140	31,982	73,283	55,000	8,400	0	0	0	0	0	209,487
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	33,811
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	71,192	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	71,192
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	68,206
0	71,192	3,285	470	6,264	5,300	11,926	38,140	31,982	73,283	55,000	8,400	0	0	18,678	6,322	0	428,619
278,400	58,248	(2,119)	(369)	(4,939)	13,576	(1,023)	(32,440)	(31,982)	(37,762)	(55,000)	(3,117)	116,453	0	3,820	6,322	0	280,688
0	0	0	0	0	0	0	0	31,635	32,937	55,000	0	0	0	0	0	0	119,572
(273,977)	(58,248)	0	0	0	0	0	0	0	0	0	0	(116,509)	0	0	0	0	(448,734)
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(273,977)	(58,248)	0	0	0	0	0	0	31,635	32,937	55,000	0	(116,509)	0	0	0	0	(329,162)
4,423	0	(2,119)	(369)	(4,939)	13,576	(1,023)	(32,440)	(347)	(4,825)	0	(3,117)	(56)	0	3,820	6,322	0	(48,474)
18,566	0	7,238	6,510	8,529	22,979	8,399	32,440	347	87,008	200	7,183	61	15	2,473	400,662	72,185	744,333
\$22,989	\$0	\$5,119	\$6,141	\$3,590	\$36,555	\$7,376	\$0	\$0	\$82,183	\$200	\$4,066	\$5	\$15	\$6,293	\$406,984	\$72,185	\$695,859

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING SCHEDULE OF
 FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash & Pooled Investments				
County Treasurer	\$0	\$1,731	\$52,554	\$78,912
Other County Officials	1,251	0	0	0
Receivables				
Property Tax				
Delinquent	0	5	5	263
Succeeding Year	0	106,905	115,970	4,959,763
Accounts	290	0	0	0
Accrued Interest	0	0	0	0
Assessments	0	0	0	0
TOTAL ASSETS	\$1,541	\$108,641	\$168,529	\$5,038,938
LIABILITIES				
Liabilities				
Accounts Payable	\$0	\$0	\$0	\$0
Due to Other Governments	325	108,641	168,529	5,038,938
Trusts Payable	1,216	0	0	0
TOTAL LIABILITIES	\$1,541	\$108,641	\$168,529	\$5,038,938

See Accompanying Independent Auditors' Report

Schedule 3

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$3,730	\$24,346	\$1,939	\$6,685	\$224,928	\$128,801	\$523,626
0	0	0	0	0	0	1,251
11	0	7	0	0	5	296
229,468	2,566,866	103,781	0	0	110,078	8,192,831
0	0	0	0	0	0	290
0	0	0	0	0	174	174
0	0	10,793	135,693	0	0	146,486
<u>\$233,209</u>	<u>\$2,591,212</u>	<u>\$116,520</u>	<u>\$142,378</u>	<u>\$224,928</u>	<u>\$239,058</u>	<u>\$8,864,954</u>
\$0	\$0	\$0	\$0	\$0	\$4,931	\$4,931
233,209	2,591,212	116,520	142,378	224,928	226,761	8,851,441
0	0	0	0	0	7,366	8,582
<u>\$233,209</u>	<u>\$2,591,212</u>	<u>\$116,520</u>	<u>\$142,378</u>	<u>\$224,928</u>	<u>\$239,058</u>	<u>\$8,864,954</u>

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING SCHEDULE OF CHANGES IN
 FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor
<hr/>			
Assets and Liabilities			
Balances – Beginning of Year	\$7,873	\$108,368	\$165,412
<hr/>			
Additions			
Property and Other County Tax	0	106,558	115,595
E911 Surcharge	0	0	0
State Tax Credits	0	7,119	7,665
Office Fees and Collections	215,310	0	0
Electronic Transaction Fees	0	0	0
Auto License, Use Tax and Postage	0	0	0
Assessments	0	0	0
Trusts	624,522	0	0
Miscellaneous	0	120	1,401
Total Additions	<hr/> 839,832	<hr/> 113,797	<hr/> 124,661
<hr/>			
Deductions			
Agency Remittance			
To Other Funds	104,242	0	0
To Other Governments	651,865	113,524	121,544
Trusts Paid Out	90,057	0	0
Total Deductions	<hr/> 846,164	<hr/> 113,524	<hr/> 121,544
<hr/>			
Balances – End of Year	<hr/> \$1,541	<hr/> \$108,641	<hr/> \$168,529

See Accompanying Independent Auditors' Report

Schedule 4

Schools	Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$4,940,271	\$233,742	\$2,395,824	\$117,633	\$188,944	\$213,641	\$359,639	\$8,731,347
4,938,695	228,718	2,542,161	103,792	0	0	109,744	8,145,263
0	0	0	0	0	0	84,648	84,648
328,360	15,347	150,959	5,890	0	0	6,869	522,209
0	0	0	0	0	0	0	215,310
0	0	0	0	0	0	2,148	2,148
0	0	0	0	0	2,627,686	0	2,627,686
0	0	0	1,048	11,603	0	0	12,651
0	0	0	0	0	0	24,461	648,983
5,313	258	0	142	0	0	285,215	292,449
5,272,368	244,323	2,693,120	110,872	11,603	2,627,686	513,085	12,551,347
0	0	0	0	0	79,856	0	184,098
5,173,701	244,856	2,497,732	111,985	58,169	2,536,543	611,516	12,121,435
0	0	0	0	0	0	22,150	112,207
5,173,701	244,856	2,497,732	111,985	58,169	2,616,399	633,666	12,417,740
\$5,038,938	\$233,209	\$2,591,212	\$116,520	\$142,378	\$224,928	\$239,058	\$8,864,954

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF REVENUES BY SOURCE
AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
For the Last Three Years

	Modified Accrual Basis		
	2005	2004	2003
Revenues			
Property and Other County Tax	\$3,436,568	\$3,425,587	\$3,207,833
Interest and Penalty on Property Tax	23,197	23,710	25,627
Intergovernmental	3,592,136	3,343,500	3,249,146
Licenses and Permits	6,688	4,318	5,437
Charges for Service	635,858	623,015	532,835
Use of Money and Property	64,266	47,350	77,013
Miscellaneous	672,265	553,359	485,504
Total	<u>\$8,430,978</u>	<u>\$8,020,839</u>	<u>\$7,583,395</u>
Expenditures			
Current			
Public Safety and Legal Services	\$1,028,856	\$1,068,430	\$947,793
Physical Health and Social Services	638,859	634,685	595,080
Mental Health	1,283,480	1,319,996	1,425,307
County Environment and Education	528,916	589,841	292,896
Roads and Transportation	3,056,178	2,846,418	3,205,298
Government Services to Residents	357,808	334,201	716,100
Administrative Services	699,019	724,891	2,848
Non-Program	863,504	597,397	812,449
Debt Service	327,919	119,324	0
Capital Projects	282,570	493,070	936,125
Total	<u>\$9,067,109</u>	<u>\$8,728,253</u>	<u>\$8,933,896</u>

See Accompanying Independent Auditors' Report

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 Winnebago County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Winnebago County, Forrest City, Iowa, as of and for the year ended June 30, 2005, and have issued our report thereon dated January 20, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters.

As part of obtaining reasonable assurance about whether Winnebago 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 or other matters 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.

**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
(Continued)**

Compliance and Other Matters. (Continued)

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 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 Winnebago County and other parties to whom Winnebago County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Winnebago 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.

January 20, 2006

WINNEBAGO COUNTY
Forest City, Iowa

Schedule of Findings
Year Ended June 30, 2005

Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

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, 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 separated and spread among the County Official, Deputy and Clerk.

Conclusion – Response accepted.

Other Findings Related to Required Statutory Reporting

1. **Official Depositories** – A resolution naming official depositories has been approved by the County. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005, except for the Treasurer's deposits at Titonka Savings Bank.

Recommendation – A new resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the Board.

Response- We will increase the maximum amount to be deposited to be in compliance.

Conclusion – Response accepted.

2. **Certified Budget** – Disbursements during the year ended June 30, 2005 exceeded the amount budgeted in the Debt Service Function and Non-Program Function. Disbursements in certain departments exceeded the amounts appropriated.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolutions, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

WINNEBAGO COUNTY

Schedule of Findings
Year Ended June 30, 2005

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

Conclusion – Response accepted.

- 3. **Questionable Expenditures** – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion date April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

Paid to	Purpose	Amount
Stoney Creek Inn	Hotel stay for County Employees	\$666
Trophies Unlimited	Retirement gift for a County Employee	\$31

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The Board of Supervisors should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper documentation.

Response – We will document the public purpose of these types of expenditures in the future. We are in the process of establishing written policy.

Conclusion – Response Accepted.

- 4. **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- 5. **Business Transactions** – No business transactions between the County and County officials or employees were noted.
- 6. **Bond Coverage** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.
- 7. **Board Minutes** – No transactions were found that we believe should have been approved in the minutes but were not.

WINNEBAGO COUNTY

Schedule of Findings
Year Ended June 30, 2005

8. **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.

9. **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 additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

10. **Economic Development** – During the year ended June 30, 2005, the County paid \$73,419 to various agencies for economic development for which the public purpose was determined and documented.

11. **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, 2005 for the County Extension Office did not exceed the amount budgeted.

News Release

Gardiner Thomsen, P.C. today released an audit report on Winnebago County, Iowa.

Gardiner Thomsen, P.C. reported that the County had local tax revenue of \$122,999,403 for the year ended June 30, 2005, which included \$717,572 in tax credits from the State. The County then forwarded \$8,371,324 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained \$3,928,079 of the local tax revenue to finance County operations, an 18% decrease from the prior year. Other revenues included charges for service of \$1,811,408, operating grants, contributions and restricted interest of \$2,928,214, unrestricted investment earnings of \$57,586 and other general revenues of \$120,708.

Expenses for the County operations totaled \$8,069,391, a 3% decrease from the prior year. Expenses included \$2,768,432 for Roads and Transportation, \$1,292,432 for Mental Health, and \$1,062,454 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 the Winnebago County Auditor's office.

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