

WINNESHIEK COUNTY
DECORAH, IOWA

FINANCIAL REPORT

JUNE 30, 2005

TABLE OF CONTENTS

		<u>Page</u>
OFFICIALS		1
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS		2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)		4
BASIC FINANCIAL STATEMENTS	<u>Exhibit</u>	
Government-Wide Financial Statements		
Statement of Net Assets	A	5
Statement of Activities	B	6
Governmental Fund Financial Statements		
Balance Sheet	C	7-8
Statement of Revenues, Expenditures and Changes in Fund Balances	D	9-10
Proprietary Fund Financial Statements		
Statement of Net Assets	E	11
Statement of Revenues, Expenses and Changes in Net Assets	F	12
Statement of Cash Flows	G	13
Fiduciary Fund Financial Statements		
Statement of Fiduciary Net Assets		
Agency Funds	H	14
Notes to Financial Statements		15-35
Required Supplementary Information		
Budgetary Comparison Schedule		
Statement of Receipts, Disbursements, and Changes in Balance - Budget and Actual (Cash Basis) - All Governmental Funds		36
Budget to GAAP Reconciliation		37
Notes to Required Supplementary Information - Budgetary Reporting		38
INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION		39
OTHER SUPPLEMENTARY INFORMATION	<u>Schedule</u>	
Governmental Activities		
Nonmajor Governmental Funds		
Combining Balance Sheet	1	40
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	41
Nonmajor Special Revenue Funds		
Combining Balance Sheet	3	42
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	43
Business-Type Activities		
Nonmajor Proprietary Funds		
Combining Schedule of Net Assets	5	44
Combining Schedule of Revenues, Expenses and Changes in Net Assets	6	45
Agency Funds		
Combining Schedule of Fiduciary Assets and Liabilities	7	46
Combining Schedule of Changes in Fiduciary Assets and Liabilities	8	47
Comparative Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	9	48
Schedule of Findings and Questioned Costs	10	49-50
Schedule of Expenditures of Federal Awards	11	51-52
Notes to the Schedule of Expenditures of Federal Awards		53

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	54-55
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	56-57
MANAGEMENT LETTER	58-62

WINNEBAGO COUNTY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dean Darling	Chairperson	December 2006
Les Askelson	Vice-Chairperson	December 2008
Gordon Hunter, Jr.	Supervisor	December 2008
Steve Bouska	Supervisor	December 2008
John Logsdon	Supervisor	December 2006
Georgiann Schweinefus	County Auditor	December 2008
Wayne Walter	County Treasurer	December 2006
LaVonne Bjergum	County Recorder	December 2006
Leon Bohr	County Sheriff	December 2008
Andrew Van Der Maaten	County Attorney	December 2006
James Alstad	County Assessor	
Lee Bjerke	County Engineer	

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INDEPENDENT AUDITOR'S REPORT ON THE
THE FINANCIAL STATEMENTS

To the Board of Supervisors
Winneshiek County
Decorah, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Winneshiek County as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Winneshiek County's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 that our audit provides a reasonable basis for our opinions.

The County has not maintained a record of all equipment used within the County; therefore, the amount that should be recorded is not known and not recorded in the governmental activities. U.S. generally accepted accounting principles require that all capital assets, net depreciation, be reported in the governmental activities.

In our opinion, except for the effects on the financial statements of the omission of some capital assets, net depreciation which results in an incomplete presentation for the governmental activities as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities information of Winneshiek County as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of Winneshiek County as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2005, on our consideration of Winneshiek County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on page 4 and pages 36 through 38, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
October 27, 2005

**WINNESHIEK COUNTY
DECORAH, IOWA**

**Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2005**

Management of Winneshiek County provides this Management's Discussion and Analysis of Winneshiek County's annual 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 decreased 12.6%, or approximately \$2,285,000, from fiscal 2004 to fiscal 2005. Operating grants and contributions increased approximately \$305,000 and capital grants and contributions decreased approximately \$2,477,000.
- Program expenses were 6.2%, or approximately \$801,000, more in fiscal 2005 than in fiscal 2004. Mental health expenses decreased approximately \$140,700 and roads and transportation, administration, and nonprogram expenses increased approximately \$333,300, \$223,800, and \$358,700, respectively.
- The County's net assets increased 6%, or approximately \$2,224,000, from June 30, 2004 to June 30, 2005.

USING THE BASIC FINANCIAL STATEMENTS

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Winneshiek County as a financial whole, or as an entire operating entity.

The government-wide financial statements consist of a statement of net assets and a statement of activities. These provide information about the activities of Winneshiek County as a whole and present an overall view of the County's finances and a longer-term view of those 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 Winneshiek County's operations in more detail than the government-wide statements by providing information about the most significant funds with all other non-major funds presented in total in a single column. For Winneshiek County, the general fund, MH/DD-special revenue fund, rural services-special revenue fund, and secondary roads-special revenue fund are the most significant funds. The remaining statements provide financial information about activities for which Winneshiek County acts solely as an agent or custodian for the benefit of those outside of the government.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's budget for the year.

Supplementary information provides detailed information about the nonmajor special revenue, nonmajor debt service, nonmajor enterprise, and the individual fiduciary funds.

Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus 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.

In the statement of net assets and statement of activities, the County is divided into two distinct kinds of activities:

Governmental Activities: Most of the County's programs and services are reported here, including public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, interest on long-term debt and other non-program activities. Property tax, state tax credits and state and federal grants finance most of these activities.

Business-Type Activities: These services are provided on a charge for goods or services basis to recover all of the expenses for the goods or services provided.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial reports provide detailed information about the County's major funds. The County uses different funds in accordance with the Uniform Financial Accounting for Iowa County Governments to record its financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the general fund, MH/DD-special revenue fund, rural services-special revenue fund, and secondary roads-special revenue fund.

Governmental Funds

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. These governmental funds includes: 1) the general fund, 2) the special revenue funds such as mental health, rural service, and secondary roads, 3) the debt service fund, and 4) the capital projects fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

Proprietary Funds

Proprietary funds account for the County's landfill fund, Burr Oak and Festina Sanitary Systems-Enterprise funds and employee group health insurance-internal service fund. The enterprise funds account for the charges for goods and services received to recover expenses for goods or services provided. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

Fiduciary Funds

Fiduciary funds are used to report assets held in an agency capacity for others and cannot be used to support the government's own programs. The County has agency funds that account for emergency management services, the county assessor, and E911 service board are some examples.

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

A summary reconciliation between the government-wide financial statements and the fund financial statements follows the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets.

Condensed Statement of Net Assets (Expressed in Thousands)			
Governmental Activities			
	2005	2004	Percent Change
Current and other assets	\$ 12,954	\$ 12,902	0.40%
Capital assets	36,130	34,080	6.02%
Total assets	49,084	46,982	4.47%
Long-term debt outstanding	2,972	3,441	-13.63%
Other liabilities	6,884	6,584	4.56%
Total liabilities	9,856	10,025	-1.69%
Net assets			
Invested in capital assets, net of related debt	33,338	30,817	8.18%
Restricted	3,575	3,603	-0.78%
Unrestricted	2,315	2,537	-8.75%
Total net assets	\$ 39,228	\$ 36,957	6.14%
Business-type Activities			
	2005	2004	Percent Change
Current and other assets	\$ 61	\$ 53	15.09%
Capital assets	1,718	1,804	-4.77%
Total assets	1,779	1,857	-4.20%
Long-term debt outstanding	217	218	-0.46%
Other liabilities	19	25	-24.00%
Total liabilities	236	243	-2.88%
Net assets			
Invested in capital assets, net of related debt	1,500	1,583	-5.24%
Restricted	213	190	12.11%
Unrestricted	(170)	(159)	-6.92%
Total net assets	\$ 1,543	\$ 1,614	-4.40%

The largest portion of the County's net assets is 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 the 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 constraints established by debt covenants, enabling legislation or other legal requirements-decreased for the governmental activities approximately \$222,900 or 8.8% and decreased for the business-type activities approximately \$11,000.

The increase in net assets for the governmental activities is due to an increase in operating grants and contributions. The decrease in net assets for the business-type activities is due to the Burr Oak sewer fund and Festina sewer fund paying of bonds and increasing the amount restricted in net assets invested in capital assets.

The following analysis shows the change in net assets for the year ending June 30, 2005:

	Changes in Net Assets		
	(Expressed in Thousands)		
	Governmental Activities		
	2005	2004	Percent Change
Revenues:			
Program revenue			
Charges for service	\$ 1,092	\$ 1,120	-2.50%
Operating grants	5,290	4,985	6.12%
Capital grants	2,206	4,684	-52.90%
General revenue			
Property taxes	5,488	5,721	-4.07%
Local option sales tax	1,144	958	19.42%
Penalty and interest on property taxes	51	66	-22.73%
State tax credits	315	386	-18.39%
Franchise tax	-	55	-100.00%
Rents	111	101	9.90%
Unrestricted investment earnings	148	117	26.50%
Other	21	(42)	-150.00%
Total revenues	15,866	18,151	-12.59%
Program expenses:			
Public safety and legal services	1,630	1,632	-0.12%
Physical health and social services	1,475	1,407	4.83%
Mental health	1,983	2,124	-6.64%
County environment and education	1,015	1,002	1.30%
Roads and transportation	5,309	4,976	6.69%
Government services to residents	271	284	-4.58%
Administration or general government	1,179	956	23.33%
Non-program	625	266	134.96%
Interest on long-term debt	155	195	-20.51%
Total expenses	13,642	12,842	6.23%
Increase in net assets	2,224	5,309	-58.11%
Net assets beginning of year	37,004	31,648	16.92%
Net assets end of year	\$ 39,228	\$ 36,957	6.14%

	Business-type activities		
	2005	2004	Percent Change
Revenues:			
Program revenue			
Charges for service	\$ 197	\$ 342	-42.40%
Total revenues	197	342	-42.40%
Program expenses:			
Operating expenses	268	275	-2.55%
Total expenses	268	275	-2.55%
Increase (decrease) in net assets	(71)	67	-205.97%
Net assets beginning of year	1,614	1,547	4.33%
Net assets end of year	\$ 1,543	\$ 1,614	-4.40%

INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$5,860,709, approximately \$200,000 decrease of the 2004 fiscal year end balance of \$6,098,849. The County spent approximately \$125,620 more than the prior fiscal year.

- The general fund received more revenues during fiscal year 2005 through use of money and property and intergovernmental revenue. The ending fund balance showed a decrease from the prior year of \$2,179,698 to \$1,930,519, due primarily to an increase in the capital project expenditures of \$348,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,973,600, a decrease of 6.6% from the prior year. The mental health fund balance at year end increased by approximately \$208,000 over the prior year.
- Secondary roads fund revenues decreased approximately \$257,000 over the prior year, due principally to a decrease in intergovernmental revenue. This decrease in revenues results in a decrease in the secondary roads fund ending balance approximately \$289,000, or 16.6%.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget once. The amendment was made in May 2005 and resulted in an increase in secondary roads and transportation disbursements. However, this did not require an increase in taxes as the County received more intergovernmental revenues than originally projected.

The amendment made during the 2005 fiscal year should have no impact on the 2006 fiscal year's budget.

The following chart shows the original and amended budget for fiscal 2005 as well as the actual revenue and expenditures for the year:

Budgetary Comparison Schedule (Expressed in Thousands)				
	Budget Basis	Budget Amounts		Variance
		Original	Final	
REVENUES				
Property and other County tax	\$ 6,598	\$ 6,618	\$ 6,619	\$ (21)
Interest and penalty on property tax	52	45	45	7
Intergovernmental	6,022	6,768	6,312	(290)
Licenses and permits	15	13	13	2
Charges for service	527	497	542	(15)
Use of money and property	245	219	225	20
Miscellaneous	115	134	108	7
Total revenues	\$ 13,574	\$ 14,294	\$ 13,864	\$ (290)
EXPENDITURES				
Public safety and legal services	\$ 1,553	\$ 1,685	\$ 1,681	\$ 128
Physical health and social services	1,367	1,445	1,451	84
Mental health	1,985	2,196	2,196	211
County environment and education services	954	1,166	1,027	73
Roads and transportation	4,525	4,018	4,825	300
Governmental services to residents	276	361	297	21
Administrative services	1,178	1,245	1,244	66
Non-program	3	8	6	3
Debt service	570	578	578	8
Capital project	1,266	1,833	1,544	278
Total expenditures	\$ 13,677	\$ 14,535	\$ 14,849	\$ 1,172

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2005, Winneshiek County had \$36,129,984 invested in a broad range of capital assets, including large road equipment, infrastructure and construction in progress for the governmental activities. For the enterprise funds, the County had \$1,718,062 invested in land, landfill and sewer systems. The County is still in the process of recording all capital assets for the governmental activities.

The County had depreciation expense of \$1,651,363 for fiscal year 2005 and total accumulated depreciation of \$16,466,349 as of June 30, 2005 for the governmental activities. The County had depreciation/depletion expense of \$86,228 for fiscal year 2005 and total accumulated depreciation/depletion of \$1,124,203 as of June 30, 2005 for the business-type activities. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Debt

At year-end, the County had approximately \$3,191,000 in bonds and other debt compared to approximately \$3,483,000 last year. More detail is presented in Note 9 to the financial statements.

The County's general obligation bond rating continues to carry the fourth highest rating possible, a rating that has been assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this \$55,426,080 limit.

Other obligations include accrued vacation pay. More detailed information about the County's long-term liabilities is presented in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Winneshiek County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates, and the few that will be charged for various County activities. One of those factors is the economy.

The County continues to receive additional local option sales tax due to the opening of the Super Walmart in Decorah.

The County is anticipating not receiving 100% replacement for Homestead Credit therefore; the difference will need to be paid by the local taxpayers. Winneshiek County has a very small amount of delinquent property taxes due to the fact that the local taxpayers pay their property taxes in a timely manner.

Amounts available for appropriation in the operating budget are \$16,036,000, a increase of 15.0% over the final 2005 budget. Property tax (benefiting from the 2006 rate decrease and increase in assessed valuations) and grant receipts are expected to lead the increase. The increase in receipts will help defray the increase of expenditures for fiscal year 2006.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Winneshiek County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Winneshiek County, 201 West Main St, Decorah, IA 52101.

WINNESETEK COUNTY

STATEMENT OF NET ASSETS
June 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 6,217,902	\$ 47,819	\$ 6,265,721
Receivables			
Property tax			
Delinquent	7,792		7,792
Succeeding year	5,568,219		5,568,219
Accounts	36,265	1,172	37,437
Accrued interest	12,471		12,471
Due from other governments	773,066	12,366	785,432
Inventories	289,225		289,225
Prepaid expenses	38,481		38,481
Investment in insurance pool	10,590		10,590
Nondepreciable assets	2,131,352	9,792	2,141,144
Capital assets, net of accumulated depreciation/depletion	33,998,632	1,708,270	35,706,902
Total assets	\$ 49,083,995	\$ 1,779,419	\$ 50,863,414
LIABILITIES AND NET ASSETS			
Accounts payable	\$ 809,519		\$ 809,519
Salaries and benefits payable	176,483	\$ 774	177,257
Accrued interest payable	11,997	111	12,108
Due to (from) other funds	(16,683)	16,683	-
Due to other governments	334,649		334,649
Deferred revenue			
Succeeding year property tax	5,568,219		5,568,219
Long-term liabilities			
Portion due within one year			
Bonds payable	380,000		380,000
Notes payable	84,834	-	84,834
Compensated absences	180,305	1,451	181,756
Portion due after one year			
Bonds payable	2,185,000		2,185,000
Notes payable	141,658	217,719	359,377
Total liabilities	9,855,981	236,738	10,092,719
NET ASSETS			
Invested in capital assets, net of related debt	33,338,492	1,500,343	34,838,835
Restricted for			
Mental health	1,468,801		1,468,801
Rural service	670,497		670,497
Secondary roads	1,145,430		1,145,430
Other special revenue	264,456		264,456
Other purposes	25,959	213,112	239,071
Unrestricted	2,314,379	(170,774)	2,143,605
Total net assets	39,228,014	1,542,681	40,770,695
Total liabilities and net assets	\$ 49,083,995	\$ 1,779,419	\$ 50,863,414

See Notes to Financial Statements.

WINNEBAGO COUNTY

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

Functions and Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-type Activities
Governmental activities						
Public safety and legal services	\$ 1,629,569	\$ 23,565	\$ 14,433		\$ (1,591,571)	\$ (1,591,571)
Physical health and social services	1,475,278	295,189	672,230	\$ 2,347	(505,512)	(505,512)
Mental health	1,982,980		856,440		(1,126,540)	(1,126,540)
County environment and education	1,015,289	38,054	181,949	13,125	(782,161)	(782,161)
Roads and transportation	5,308,945	106,084	3,325,753	2,173,389	296,281	296,281
Government services to residents	270,790	464,736	239,275	17,517	450,738	450,738
Administration or general government	1,179,654				(1,179,654)	(1,179,654)
Nonprogram	625,049	164,065			(460,984)	(460,984)
Long-term debt interest	155,051				(155,051)	(155,051)
Total governmental activities	13,642,605	1,091,693	5,290,080	2,206,378	(5,054,454)	\$ -
Business-type activities						
Landfill	221,615	163,358				(58,257)
Burr Oak sewer	24,398	17,835				(6,563)
Festina sewer	22,532	14,987				(7,545)
Total business-type activities	268,545	196,180	-	-	-	(72,365)
Total	\$ 13,911,150	\$ 1,287,873	\$ 5,290,080	\$ 2,206,378	(5,054,454)	(72,365)
General revenues						
Property taxes levied for						
General purposes					5,233,016	5,233,016
Debt service					254,544	254,544
Local option sales tax					1,144,299	1,144,299
Penalty and interest on property taxes					51,129	51,129
State tax credits					314,771	314,771
Franchise tax					-	-
Rents					110,522	110,522
Unrestricted investment earnings					148,434	362
Gain on sale of capital assets					21,347	21,347
Total general revenues					7,278,061	362
Change in net assets					2,223,607	(72,003)
Net assets, beginning of year, restated					37,004,407	1,614,684
Net assets, end of year					\$ 39,228,014	\$ 1,542,681

See Notes to Financial Statements.

WINNEBIEK COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	General	Special Revenue			Other Governmental Funds	Total Governmental Funds
		Mental Health	Rural Services	Secondary Roads		
ASSETS						
Cash and pooled investments	\$ 2,018,595	\$ 1,729,803	\$ 503,188	\$ 1,143,364	\$ 332,001	\$ 5,726,951
Receivables						
Property tax						
Delinquent	6,687	571	397		137	7,792
Succeeding year	3,487,759	1,124,433	692,649		263,378	5,568,219
Accounts	29,196	20	-	7,049		36,265
Accrued interest	11,548				341	11,889
Due from other funds	88,682		16,683		2,266	107,631
Due from other governments	275,070	4,284	162,363	326,579	4,770	773,066
Prepaid expenditures	19,632	719	3,330	14,800		38,481
Inventories				289,225		289,225
Investment in insurance pool	10,590					10,590
Total assets	\$ 5,947,759	\$ 2,859,830	\$ 1,378,610	\$ 1,781,017	\$ 602,893	\$ 12,570,109
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 262,300	\$ 64,815	\$ 8,322	\$ 262,828	\$ 1,200	\$ 599,465
Salaries and benefits payable	101,284	2,653	3,812	68,734		176,483
Due to other governments	136,240	198,409				334,649
Deferred revenue						
Succeeding year property tax	3,487,759	1,124,433	692,649		263,378	5,568,219
Other	29,657	487	322		118	30,584
Total liabilities	4,017,240	1,390,797	705,105	331,562	264,696	6,709,400
Fund balances						
Reserved for						
Inventories				289,225		289,225
Prepaid expenditures	19,632	719	3,330	14,800		38,481
Other	25,959					25,959
Debt service					14,272	14,272
Special revenue funds					323,925	323,925
Unreserved						
General fund	1,884,928					1,884,928
Special revenue funds		1,468,314	670,175	1,145,430		3,283,919
Total fund balances	1,930,519	1,469,033	673,505	1,449,455	338,197	5,860,709
Total liabilities and fund balances	\$ 5,947,759	\$ 2,859,830	\$ 1,378,610	\$ 1,781,017	\$ 602,893	\$ 12,570,109

See Notes to Financial Statements.

WINNECHEEK COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

Reconciliation of governmental fund balances to net assets	
Total governmental fund balances	\$ 5,860,709
Amounts reported for governmental activities	
in the statement of net assets are different because:	
Capital assets used in governmental activities are not	
financial resources and therefore are not reported as assets	
in the governmental funds, net of accumulated depreciation of	
\$ 16,466,349	36,129,984
Other long-term assets are not available to pay for current	
period expenditures and therefore are deferred in the funds	30,584
Internal service funds are 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	190,531
Other liabilities, including bonds payable and accrued	
interest, are not due and payable in the current period and	
therefore are not reported as liabilities in the funds	
Bonds payable	(2,565,000)
Notes payable	(226,492)
Compensated absences	(180,305)
Accrued interest	(11,997)
Net assets of governmental activities	<u>\$ 39,228,014</u>
Cash and pooled investments of governmental activities include the following reclassifications:	
Internal service fund cash at June 30, 2005	<u>\$ 400,003</u>

See Notes to Financial Statements.

WINNESHLEK COUNTY

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

	General	Special Revenue			Other Governmental Funds	Total Governmental Funds
		Mental Health	Rural Services	Secondary Roads		
REVENUES						
Property and other County tax	\$ 2,905,777	\$ 1,257,043	\$ 2,189,067		\$ 255,367	\$ 6,607,254
Interest and penalty on property tax	51,129					51,129
Intergovernmental	1,277,438	923,747	229,011	\$ 3,522,741	43,441	5,996,378
Licenses and permits	950		13,125	894		14,969
Charges for service	529,181		8,627	194	16,533	554,535
Use of money and property	249,263				3,701	252,964
Miscellaneous	74,082	1,116	11,237	18,155		104,590
Total revenues	5,087,820	2,181,906	2,451,067	3,541,984	319,042	13,581,819
EXPENDITURES						
Current						
Public safety and legal services	1,220,379		347,991			1,568,370
Physical health and social services	1,296,532		44,669		9,646	1,350,847
Mental health		1,973,584				1,973,584
County environment and education services	502,799		466,613			969,412
Roads and transportation			95,788	4,369,157		4,464,945
Governmental services to residents	245,235		8,594		22,023	275,852
Administrative services	1,213,439					1,213,439
Nonprogram	3,317					3,317
Debt service					569,658	569,658
Capital project	420,191			1,059,176		1,479,367
Total expenditures	4,901,892	1,973,584	963,655	5,428,333	601,327	13,868,791
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	185,928	208,322	1,487,412	(1,886,349)	(282,285)	(286,972)
OTHER FINANCING SOURCES (USES)						
Transfers in				1,548,540	309,923	1,858,463
Proceeds from disposal of capital assets	502			48,330		48,832
Transfers out	(435,609)		(1,422,854)			(1,858,463)
	(435,107)		(1,422,854)	1,596,870	309,923	48,832
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(249,179)	208,322	64,558	(289,479)	27,638	(238,140)
FUND BALANCES, beginning of year, restated	2,179,698	1,260,711	608,947	1,738,934	310,559	6,098,849
FUND BALANCES, end of year	\$ 1,930,519	\$ 1,469,033	\$ 673,505	\$ 1,449,455	\$ 338,197	\$ 5,860,709

See Notes to Financial Statements.

WINNEBAGO COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2005

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of governmental funds to the statement of activities		
Net change in fund balances - total governmental funds		\$ (238,140)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period		
Depreciation	\$ (1,651,363)	
Capital outlays	<u>3,732,442</u>	2,081,079
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		24,604
The net effect of disposal of capital assets		(31,120)
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities		
		471,084
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due		
		1,650
The internal service fund is used by management to charge the costs of employee health benefits to individual funds. The net revenue of the internal service fund is reported with governmental activities		
		(36,404)
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		<u>(49,146)</u>
Change in net assets of governmental activities		<u>\$ 2,223,607</u>

See Notes to Financial Statements.

WINNEBAGO COUNTY
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2005

	Business-type Activities			Governmental
	Landfill	Nonmajor Enterprise Funds	Total	Internal Service
ASSETS				
Cash and pooled investments		\$ 47,819	\$ 47,819	\$ 400,003
Receivables				
Accounts		1,172	1,172	
Accrued interest receivable				582
Due from other governments	\$ 12,366		12,366	
Total current assets	<u>12,366</u>	<u>48,991</u>	<u>61,357</u>	<u>400,585</u>
Noncurrent assets				
Land		9,792	9,792	
Net capital assets	732,294	975,976	1,708,270	
Total noncurrent assets	<u>732,294</u>	<u>985,768</u>	<u>1,718,062</u>	<u>-</u>
Total assets	<u>\$ 744,660</u>	<u>\$ 1,034,759</u>	<u>\$ 1,779,419</u>	<u>\$ 400,585</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Salaries and benefits payable	\$ 774		\$ 774	\$ 210,054
Accrued interest payable		\$ 111	111	
Due to other funds	16,683		16,683	
Long-term liabilities				
Notes payable		-	-	
Compensated absences	1,451		1,451	
Total current liabilities	<u>18,908</u>	<u>111</u>	<u>19,019</u>	<u>210,054</u>
Noncurrent liabilities				
Long-term debt		217,719	217,719	
Total liabilities	<u>18,908</u>	<u>217,830</u>	<u>236,738</u>	<u>210,054</u>
Net assets				
Invested in capital assets, net of related debt	732,294	768,049	1,500,343	
Restricted		213,112	213,112	
Unrestricted	(6,542)	(164,232)	(170,774)	190,531
Total net assets	<u>725,752</u>	<u>816,929</u>	<u>1,542,681</u>	<u>190,531</u>
Total liabilities and net assets	<u>\$ 744,660</u>	<u>\$ 1,034,759</u>	<u>\$ 1,779,419</u>	<u>\$ 400,585</u>

See Notes to Financial Statements.

WINNEBAGO COUNTY

EXHIBIT F

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2005

	Business-type Activities			Governmental
	Landfill	Nonmajor Enterprise Funds	Total	Internal Service
OPERATING REVENUES				
Charges for service		\$ 32,822	\$ 32,822	\$ 626,981
Contract services	\$ 163,358		163,358	
Total operating revenues	163,358	32,822	196,180	626,981
OPERATING EXPENSES				
Wages and benefits	160,033	4,264	164,297	
Depletion	61,582		61,582	
Depreciation		24,646	24,646	
Other		7,612	7,612	
Insurance claims paid				446,984
Administrative fees				227,342
Total operating expenses	221,615	36,522	258,137	674,326
Operating loss	(58,257)	(3,700)	(61,957)	(47,345)
NONOPERATING REVENUES (EXPENSES)				
Interest income		362	362	10,941
Interest expense		(10,408)	(10,408)	
Net nonoperating revenues (expenses)	-	(10,046)	(10,046)	10,941
Income before contributions and transfers	(58,257)	(13,746)	(72,003)	(36,404)
TRANSFERS				
Transfer in		28,520	28,520	
Transfer out		(28,520)	(28,520)	
	-	-	-	-
Change in net assets	(58,257)	(13,746)	(72,003)	(36,404)
NET ASSETS, beginning of year	784,009	830,675	1,614,684	226,935
NET ASSETS, end of year	\$ 725,752	\$ 816,929	\$ 1,542,681	\$ 190,531

See Notes to Financial Statements.

WINNEBAGO COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2005

	Business-type Activities			Governmental Activities
	Landfill	Nonmajor Enterprise Funds	Total	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from contract labor	\$ 160,033		\$ 160,033	
Cash received from charges for services		\$ 36,609	36,609	\$ 628,751
Cash payments to employees for services	(160,033)	(4,264)	(164,297)	
Cash payments to suppliers for services		(7,612)	(7,612)	(641,502)
Net cash provided by (used in) operating activities	-	24,733	24,733	(12,751)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating transfers in		28,520	28,520	
Operating transfers (out)		(28,520)	(28,520)	
Net cash provided by noncapital financing activities		-	-	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal payments on notes payable		(3,165)	(3,165)	
Interest paid on long-term borrowing		(10,401)	(10,401)	
Net cash used in capital and related financing activities	-	(13,566)	(13,566)	
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments		361	361	11,879
Net increase (decrease) in cash and cash equivalents	-	11,528	11,528	(872)
CASH and CASH EQUIVALENTS, beginning of year	-	36,291	36,291	400,875
CASH and CASH EQUIVALENTS, end of year	\$ -	\$ 47,819	\$ 47,819	\$ 400,003
Reconciliation of operating loss to net cash provided by (used in) operating activities				
Operating loss	\$ (56,257)	\$ (3,700)	\$ (61,957)	\$ (47,345)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities				
Depreciation and depletion	61,582	24,646	86,228	
Decrease in accounts receivable		3,787	3,787	
Increase in accounts payable				32,823
(Increase) in due from other governments	(425)		(425)	
Increase in salaries and benefits payable	1,599		1,599	
Increase in deferred revenue				1,771
Decrease in accrued compensated absences	(4,499)		(4,499)	
Net cash provided by (used in) operating activities	\$ -	\$ 24,733	\$ 24,733	\$ (12,751)

See Notes to Financial Statements.

WINNEBEG COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2005

ASSETS

Cash and pooled investments	
County Treasurer	\$ 1,109,195
Other County officials	7,326
Receivables	
Property tax	
Delinquent	7,907
Succeeding year	15,491,547
Accounts	21,038
Accrued interest	207
Due from other governments	9,994
Prepaid insurance	1,480
	<hr/>
Total assets	\$ 16,648,694

LIABILITIES

Accounts payable	\$ 3,818
Salaries and benefits payable	6,667
Due to other governments	16,635,737
Trusts payable	1,403
Compensated absences	1,069
	<hr/>
Total liabilities	\$ 16,648,694

NET ASSETS

	<hr/>
	\$ None
	<hr/>

See Notes to Financial Statements.

WINNESHIEK COUNTY

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

Winneshiek 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.

b. Significant Accounting Policies

Scope of Reporting Entity

For financial reporting purposes, Winneshiek County has included all funds, organizations, account groups, 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; or the organization is fiscally dependent on the primary government. Also, any other organizations that due to the nature of significance of their relationship with the County should be included in the financial statements as component units. The County has no component units which meet the Governmental Accounting Standards Board criteria.

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 County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Winneshiek County Assessor's Conference Board, Northeast Iowa Mental Health Center, Emergency Management Services, Winneshiek County Area Solid Waste Agency and Winneshiek County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in agency funds of the County.

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. Governmental activities are supported by property tax and intergovernmental revenues and other non-exchange transactions are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. For the most part, the effect of interfund activity has been removed from these statements.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Government-wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest 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, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as other nonmajor governmental and other nonmajor enterprise funds. The internal service fund is presented in a single column on the face of the proprietary fund statements.

The funds of the financial reporting entity are described below:

Governmental

General Fund

The general fund accounts for all the financial resources of the County, except for those required to be accounted for by other funds. The revenues of the general fund are primarily derived from general property taxes, charges for services, licenses and permits, and certain revenues from state and federal sources. The expenditures of the general fund primarily relate to general administration, public safety and legal services, physical health and social services, county environment and education services, governmental services to residents and administrative services.

Special Revenue Funds

The special revenue funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds. The funds in this category are rural services, secondary roads, and Mental Health/Development Disabilities (MH/DD) Services.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Proprietary Fund Types

Enterprise Fund

Enterprise funds are used to account for operations and activities that are financed and operated in a manner similar to a private business enterprise and where the costs of providing goods or services to the general public on a continuing basis are expected to be financed or recovered primarily through user charges or where the County has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. One enterprise fund of the County is used to account for the lease of the landfill to the Winneshiek County Area Solid Waste Agency and contract labor provided to the Agency by the County.

Internal Service Fund

Internal service fund is utilized to account for the financing of health insurance provided to the employees of the various departments of the County.

Fiduciary Fund Types

Agency Funds

The agency funds are used to account for assets held by the County in a trustee or custodial capacity for other entities, such as individual, or other governmental units.

Measurement Focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements.

On the government-wide statement of net assets and the statement of activities, both governmental and business-type activities are presented using the "economic resources" measurement focus as defined below in item b.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental fund financial statements are accounted for on current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available spendable resources." Governmental fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in fund balances. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Measurement Focus (Continued)

- b. The proprietary funds are accounted for on economic resources measurement focus. This means that all assets and all liabilities, whether current or non-current, associated with their activity are included on their statements of net assets. In reporting the financial activity on the proprietary fund statements, the County applies all applicable GASB pronouncements. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the County has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized as earned, and expenses are recognized when incurred. Property tax is recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

Revenues susceptible to accrual under the modified accrual basis of accounting are property tax, intergovernmental revenue (shared revenues, grants and reimbursements from other governments), and charges for service and interest revenue. Revenues from licenses and permits, fines and forfeitures, refunds and reimbursements and other miscellaneous sources are generally recognized when received in cash as they are generally not measurable until actually received.

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

Assets, Liabilities and Fund Equity

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

Cash Management, Cash Equivalents, and Investments

The County Treasurer maintains two primary demand deposit accounts through which the majority of the County's cash resources are processed.

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

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

Property Tax Receivable

Property taxes in the governmental funds are accounted for using the modified accrual basis of accounting.

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

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Interfund Transactions

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. Most of the interfund transactions have been eliminated on the government-wide 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 costs of inventory items are recorded as expenditures in the governmental fund types and expenses in the proprietary fund types when used. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Prepaid Expenditures

Payments made for insurance for a future period beyond June 30, 2005 are recorded as prepaid insurance. The fund balances in the governmental fund types have been reserved for the prepaid expenditures recorded in those funds. This reflects the amount of net assets not currently available for expenditure.

Capital Assets

Capital assets, which include property, equipment and vehicles, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Capital assets in the proprietary fund are capitalized in the fund in which they are utilized. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The County is in the process of gathering information and has not included equipment used within the county offices. 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:

Land, buildings and improvements	\$25,000
Equipment and vehicles	5,000
Infrastructure, road networks	50,000

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Capital Assets (Continued)

Property and equipment of the County is depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	25-50
Land improvements	10-50
Equipment	3-20
Vehicles	5-15
Infrastructure, road network	10-65

For the year ended June 30, 2005, depletion is recorded on the landfill using the useful life of 27 years.

Due to Other Governments

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

Trusts Payable

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

Deferred Revenue

In the fund financial statements certain revenues are measurable they are not available. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable as well as delinquent property tax receivables and other receivables not collected within sixty days after year end. Deferred revenue on the statement of net assets consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

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.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Compensated Absences

County employees receive vacation leave at the following rates:

<u>Years of Service</u>	<u>Vacation Credited on Anniversary Date</u>
After 1	35 hours - 1 week
2	70 hours - 2 weeks
8	105 hours - 3 weeks
12	140 hours - 4 weeks

Employees may accumulate up to 20 days vacation. Sick leave accrues at the rate of two days per month and employees may accumulate up to 120 days sick leave. These accumulations are not recognized as expenditures by the County until used. The County's policy prohibits payoff of accumulated sick leave at termination of employment. Consequently, no liability for accumulated sick leave at June 30, 2005 has been determined or presented. In accordance with GASB Statement 16, the County has accrued the liability for accrued vacation leave in the accompanying fund financial statements. A liability is recorded when incurred in the government wide and fiduciary fund financial statements. The County's approximate maximum liability for accrued vacation pay at June 30, 2005 is \$182,825.

In accordance with the Code of Iowa Chapter 509A.13 the County provides post-employment health care benefits. Employees retiring before attaining sixty-five years of age may continue participation in the plan at their own expense until the employee attains sixty-five years of age.

Fund Balance

In the governmental fund financial statements, reservation of fund balances are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Reserved fund balances are used first when an expenditure is incurred for purposes for both reserved and unreserved fund balances.

Net Assets

Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consists of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted net assets are used first when an expense is incurred for purposes for both restricted and unrestricted net assets.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information.

Revenues, Expenditures and Expenses

Property tax revenue recognized in the governmental funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 represents the amount of interest and penalty that was due and payable but has not been collected.

Federal and state grants, primarily capital grants, are recorded as revenue when the expenditures for the purpose of the grant have been incurred. Substantially all other shared revenues are recorded during the period when received from the collecting authority, the State of Iowa.

2. Deposits and 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; certain joint investment trusts; and warrants and improvement certificates of a drainage district.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$504,007 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to credit risk categorization.

NOTES TO FINANCIAL STATEMENTS

2. Deposits and Investments (Continued)

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.

Credit risk

The investment in Iowa Public Agency Investment Trust is unrated.

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2005:

Governmental

General fund

Department of Human Service reimbursement	\$ 1,244
Medicaid	38,278
Medicare	28,011
Other	<u>207,537</u>

275,070

Special revenue

Mental health fund

Other	<u>4,284</u>
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Rural service fund

Local option sales tax	<u>162,363</u>
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Secondary roads fund

Road use tax	324,487
Other	<u>2,092</u>

326,579

Nonmajor governmental fund

Winneshiek County sanitarian	<u>4,770</u>
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Total governmental	<u>773,066</u>
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Business-type

Proprietary

Finance agreement landfill	<u>12,366</u>
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\$ 785,432

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets

Capital assets activity for the year ended June 30, 2005, was as follows:

	<u>Balance June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Governmental activities				
Land	\$ 450,125	\$ 37,800	\$ 3,635	\$ 484,290
Infrastructure in progress	<u>1,634,000</u>	<u>1,647,062</u>	<u>1,634,000</u>	<u>1,647,062</u>
	<u>2,084,125</u>	<u>1,684,862</u>	<u>1,637,635</u>	<u>2,131,352</u>
Capital assets being depreciated				
Buildings	7,480,710	296,490	29,200	7,748,000
Equipment	5,542,040	423,075	108,149	5,856,966
Infrastructure	<u>33,898,000</u>	<u>2,962,015</u>	<u> </u>	<u>36,860,015</u>
Total capital assets being depreciated	<u>46,920,750</u>	<u>3,681,580</u>	<u>137,349</u>	<u>50,464,981</u>
Less accumulated depreciation				
Buildings	2,331,688	180,432	26,645	2,485,475
Equipment	2,178,507	341,490	83,219	2,436,778
Infrastructure	<u>10,414,655</u>	<u>1,129,441</u>	<u> </u>	<u>11,544,096</u>
Total accumulated depreciation	<u>14,924,850</u>	<u>1,651,363</u>	<u>109,864</u>	<u>16,466,349</u>
Total capital assets being depreciated, net	<u>31,995,900</u>	<u>2,030,217</u>	<u>27,485</u>	<u>33,998,632</u>
Governmental activities Capital assets, net	<u>\$34,080,025</u>	<u>\$3,715,079</u>	<u>\$1,665,120</u>	<u>\$36,129,984</u>
Business-type activities				
Land	<u>\$ 9,792</u>			<u>\$ 9,792</u>
Capital assets being depreciated or depleted				
Equipment	1,178,773			1,178,773
Landfill	<u>1,653,700</u>	<u> </u>	<u> </u>	<u>1,653,700</u>
Total capital assets being depreciated or depleted	<u>2,832,473</u>	<u> </u>	<u> </u>	<u>2,832,473</u>
Less accumulated depreciation or depletion				
Equipment	178,150	\$ 24,646		202,796
Landfill	<u>859,825</u>	<u>61,582</u>	<u> </u>	<u>921,407</u>
Total accumulated depreciation or depletion	<u>1,037,975</u>	<u>86,228</u>	<u> </u>	<u>1,124,203</u>
Total capital assets being depreciated or depleted, net	<u>1,794,498</u>	<u>(86,228)</u>	<u> </u>	<u>1,708,270</u>
Business-type activities Capital assets, net	<u>\$ 1,804,290</u>	<u>\$ (86,228)</u>	<u>\$ None</u>	<u>\$ 1,718,062</u>

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities		
Public safety and legal services	\$	101,625
Physical health and social services		86,689
Mental health		12,429
County environment and education		5,873
Roads and transportation		<u>1,444,747</u>
	<u>\$</u>	<u>1,651,363</u>
Business-type activities		
Burr Oak sewer fund	\$	12,830
Festina sewer fund		<u>11,816</u>
	<u>\$</u>	<u>24,646</u>

5. Due to Other Governments

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

Governmental		
General fund	Services	\$ <u>136,240</u>
Special revenue fund		
MH/DD	Services	<u>198,409</u>
Total for governmental		<u>\$ 334,649</u>
Fiduciary		
Agency		
County assessor	Collections	\$ 320,117
Schools		10,874,571
Area schools		456,192
Corporations		3,209,021
Auto license and use tax		358,935
Other		<u>1,416,901</u>
Total for agency funds		<u>\$16,635,737</u>

6. 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.

NOTES TO FINANCIAL STATEMENTS

6. Pension and Retirement Benefits (Continued)

Plan members are required to contribute 3.70% 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 5.10% and 7.66%, 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 7.48%, 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 \$237,578, \$229,340, and \$221,374, respectively, equal to the required contributions for each year.

7. Construction, Purchase and Other Commitments

The total outstanding construction and purchase commitments of the County at June 30, 2005 amount to \$860,212.

The Board of Supervisors has agreed to provide Oneota Riverview Care Facility financial support of \$46,000 per year for repairs and maintenance for the period July 1, 2005 through June 30, 2006.

The County has entered into an agreement with the City of Decorah for an aerial fire truck. The County will contribute \$5,000 a year through June 30, 2008.

The County entered into a 28E Agreement with Allamakee County to share the cost of the CPC personnel. Each county will pay fifty percent of wages and benefits. The agreement shall remain in full force and effect until such time as the Board of Supervisors for one of the participating counties passes a resolution withdrawing from the agreement and provides at least sixty days notice before the withdrawal is effective.

The County entered into an agreement to administer a \$500,000 CDBG grant to help fund a child care center for NICC Calmar Campus.

The County entered into a union contract with the Sheriff's department that is in effect from July 1, 2005 through June 30, 2006.

The County has entered into an agreement with Vesterheim Museum to pay \$10,000 over the next two years to fulfill a match requirement for a grant.

8. Leases

The City of Decorah has leased land to Winneshiek County under a 99 year lease for \$1 per year for the Sheriff's office and jail.

The City of Decorah has leased space to Winneshiek County within the City's Police Department for \$94,303 from July 1, 2005 through June 30, 2006.

The County has agreed to lease the recycling building to Spectrum Industries, Inc. for 99 years starting October 1, 1995. The lease requires \$1 payments each year.

The County has agreed to lease land to Winneshiek County Area Solid Waste Agency until December 2013.

The County is leasing land to various entities for a nominal fee over long-term arrangements in association with the health campus.

Future lease payments under these agreements are as follows:

Year ended June 30, 2005	<u>\$ 94,303</u>
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NOTES TO FINANCIAL STATEMENTS

9. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2005 was as follows:

	Balance June 30, 2004	Issued	(Paid)	Balance June 30, 2005	Amounts Due Within One Year
Governmental activities					
General Obligation Bonds					
County refunding	\$1,535,000		\$ (190,000)	\$1,345,000	\$ 195,000
County jail bonds	1,395,000		(175,000)	1,220,000	185,000
Total bonds	2,930,000		(365,000)	2,565,000	380,000
Other liabilities					
Notes/leases payable	332,576		(106,084)	226,492	84,834
Compensated absences	131,159	\$180,305	(131,159)	180,305	180,305
Total other liabilities	463,735	180,305	(237,243)	406,797	265,139
Governmental activities					
Long-term liabilities	\$3,393,735	\$180,305	\$ (602,243)	\$2,971,797	\$ 645,139
Business-type activities					
Other liabilities					
Notes payable	\$ 220,857		\$ (3,138)	\$ 217,719	
Compensated absences	5,950	\$ 1,451	(5,950)	1,451	\$ 1,451
Total other liabilities	226,807	1,451	(9,088)	219,170	1,451
Business-type activities					
Long-term liabilities	\$ 226,807	\$ 1,451	\$ (9,088)	\$ 219,170	\$ 1,451

General Obligation Bonds

On December 1, 1993 the County issued \$2,210,000 of General Obligation County Refunding Bonds. The proceeds of these bonds were used to refinance existing debt. The issue of bonds bears interest ranging from 4.75% to 5.75% and matures from June 2006 to June 2011. The County's intent in the sale was to take advantage of lower interest rates.

On April 1, 1999 the County issued General Obligation County Jail Bonds worth \$2,165,000. The proceeds from this issue were used to finance construction of the new jail. The issue of bonds bears interest ranging from 4.15% to 4.55% and matures from June 1, 2006 to June 1, 2011.

Notes Payable

Department of Natural Resources

In September 1995, the County entered into an agreement with the Department of Natural Resources (DNR) to finance construction of a recycling building for Spectrum Industries, Inc. The note is non-interest bearing and requires quarterly payments of \$6,208 from July 15, 2005 to October 15, 2006.

NOTES TO FINANCIAL STATEMENTS

9. Long-term Debt Obligations (Continued)

Notes Payable (Continued)

USDA Rural Development

In April 1993 the County issued revenue notes totaling \$105,000 at 5% interest due in annual payments of \$6,226 starting July 1995 through 2032. These notes were used to partially finance the Burr Oak Sewer Project, and are recorded in the enterprise fund. Interest expense of \$4,635 is reported in the Burr Oak Sewer enterprise fund. The County prepaid the payment in June 2005.

In April 2000 the County issued revenue notes totaling \$132,500 at 4.5% interest due in annual payments of \$7,342 starting July 2003 through 2039. These notes were issued to partially finance the Festina Wastewater Collection and Treatment System Project. Interest expense of \$5,773 is reported in the Festina Sewer enterprise fund. The County prepaid the payment in June 2005.

Security State Bank

In May 2004 the County entered an agreement with Security State Bank to partially finance construction of the new County jail. The note was for \$245,000 at 2.4% interest and matures from June 1, 2006 to June 1, 2008.

A summary of the principal and interest maturities by type of debt is as follows:

Year ending June 30,	Governmental Activities			
	Notes/Leases Payable		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2006	\$ 84,834	\$ 4,623	\$ 380,000	\$ 127,409
2007	76,658	3,163	395,000	109,889
2008	65,000	1,586	420,000	90,955
2009			435,000	70,155
2010			455,000	48,254
2011			480,000	24,905
Subtotal	<u>226,492</u>	<u>9,372</u>	<u>2,565,000</u>	<u>471,567</u>
Year ending June 30,	Business-type Activities			
	Notes/Leases Payable		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2007	\$ 3,315	\$ 10,253		
2008	3,473	10,095		
2009	3,638	9,930		
2010	3,810	9,758		
2011	3,992	9,576		
2012-2016	22,995	44,846		
2017-2021	29,009	38,831		
2022-2026	36,606	31,234		
2027-2031	46,191	21,649		
2032-2036	38,446	11,964		
2037-2041	26,244	4,469		
Subtotal	<u>217,719</u>	<u>202,605</u>	<u>\$ None</u>	<u>\$ None</u>
	<u>\$ 444,211</u>	<u>\$ 211,977</u>	<u>\$ 2,565,000</u>	<u>\$ 471,567</u>

NOTES TO FINANCIAL STATEMENTS

9. Long-term Debt Obligations (Continued)

At June 30, 2005, the debt issued by the County did not exceed its legal debt margin compiled as follows:

Total assessed valuation	<u>\$1,108,521,601</u>
Debt limit - 5% of total assessed valuation	\$ 55,426,080
Debt applicable to debt limit	
General obligation bonded debt outstanding	(2,565,000)
Other debt	<u>(559,046)</u>
Legal debt margin	<u>\$ 52,302,034</u>

10. Due to/from Other Funds

As of June 30, 2005, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 88,682	
Special revenue funds		
Rural services	16,683	
Nonmajor governmental funds	2,266	
Enterprise funds		
Landfill		\$ 16,683
Agency funds		<u>90,948</u>
	<u>\$ 107,631</u>	<u>\$ 107,631</u>

11. Interfund Transfers

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

	Transfers In	Transfers Out
General fund		
Secondary roads		\$ 125,686
Nonmajor governmental		<u>309,923</u>
		<u>435,609</u>
Special revenue		
Rural services		1,422,854
Secondary roads	<u>\$ 1,548,540</u>	
	<u>1,548,540</u>	<u>1,422,854</u>
Nonmajor governmental	<u>309,923</u>	None
Total	<u>\$ 1,858,463</u>	<u>\$ 1,858,463</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

12. Fund Equity

The amounts restricted at June 30, 2005 are as follows:

Restricted net assets	
General fund	
Equity in insurance pool	\$ 10,589
Forfeiture	<u>15,370</u>
	<u>25,959</u>
Special revenue fund	
Mental health	1,468,801
Rural services	670,497
Secondary roads	1,145,430
Nonmajor governmental funds	<u>264,456</u>
	<u>3,549,184</u>
	<u>\$ 3,575,143</u>
Restricted net assets	
Proprietary funds	
Nonmajor proprietary funds	<u>\$ 213,112</u>

The amounts reserved at June 30, 2005 are as follows:

Reserved fund balances	
General fund	
Prepaid expenditures	\$ 19,632
Equity in insurance pool	10,589
Forfeiture	<u>15,370</u>
	<u>45,591</u>
Special revenue fund	
Mental health	
Prepaid expenditures	719
Rural services	
Prepaid expenditures	3,330
Secondary roads	
Inventories	289,225
Prepaid expenditures	<u>14,800</u>
	<u>308,074</u>
	<u>\$ 353,665</u>

13. Joint Venture

The County is a participant in the Winneshiek County Area Solid Waste Agency. The County has agreed to guarantee revenue to the agency from County residents. The guarantee equals base year usage by County residents as a percentage of all base year usage sufficient to fund \$2,000,000 of bonded indebtedness amortized over 12 years. The guarantee is an automatically renewable 5 year commitment. The County appoints a member to the agency board and is guaranteed access to the landfill so long as it is a member. The agency board sets tonnage fee rates which are charged to contracted haulers who are responsible for garbage collection and billing and collecting from local residents. Audited financial statements of Winneshiek County Area Solid Waste Agency are available at the Agency's office located at 2000 140th Avenue, Decorah, IA 52101.

NOTES TO FINANCIAL STATEMENTS

14. Accrued Closure and Postclosure Care Costs

Since the County owns the land and leases it to the Winneshiek County Area Solid Waste Agency, it is ultimately responsible for the closure and postclosure cost of the landfill. The County is under the understanding that the Agency will cover these costs through their operations. The landfill site is currently regulated by the Iowa Department of Natural Resources (DNR).

DNR regulations require that the Agency place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$2,674,610 as of June 30, 2005, which is based on 43% usage (filled) of the landfill. It is estimated that an additional \$3,204,640 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2025).

The estimated total current cost of the landfill closure and postclosure care (\$5,879,250), as prepared by the Agency's engineering consultant, is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2005. Closure and postclosure care costs charged to operations for the year ended June 30, 2005 were \$189,672. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. This estimate is reviewed annually by the Agency.

Additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to landfill users and/or Agency equity.

Management believes that the Agency has materially complied with all state laws and regulations regarding closure and postclosure care financial assurance requirements. The Agency has demonstrated financial assurance for closure and postclosure care costs by using the bond rating test as provided in Chapter 111.6(6) of the Iowa Administrative Code; accordingly, no County assets have been specifically restricted for this purpose. Management intends to fund these costs throughout the life of the landfill.

15. Contingent Liabilities

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of June 30, 2005 significant amounts of grant expenditures have not been audited by granting authorities but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

NOTES TO FINANCIAL STATEMENTS

15. Contingent Liabilities (Continued)

The County is currently contingently liable to perform environmental clean up at two locations due to the Iowa Department of Natural Resources (DNR) classifying them as high risk sites. Proposals have been submitted to the Iowa DNR outlining the County's plans for clean up. As of June 30, 2005, no ruling has been made by the Iowa DNR. As a result, no estimate can be made of future clean up costs. Funds may be available from the Iowa Comprehensive Petroleum Underground Storage Tank fund to offset some of these potential costs.

The County has certain contingent liabilities resulting from litigation and claims incident to the ordinary course of business. Management believes that the probable resolution of such contingencies will not materially affect the financial position or results of operations of the County.

16. Risk Management

Winneshiek 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 509 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 expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2005 were \$141,795.

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 \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

NOTES TO FINANCIAL STATEMENTS

16. Risk Management (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 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 membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation, the farm, the boiler and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for workers compensation and employee blanket bond claims in excess of \$500,000 and \$100,000, respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

17. Employee Health Insurance Plan

Winneshiek County is partially self-insured for health insurance coverage. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark Blue Cross and Blue Shield of Iowa. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$20,000 and \$821,811 overall annually. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the County's health fund are recorded as expenditures from the operating funds. Under administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark Blue Cross and Blue Shield of Iowa from the County's health fund. The County records the plan assets and related liabilities of Winneshiek County health insurance fund as an internal service fund. The County's contribution to the fund for the year ended June 30, 2005 was \$545,240.

NOTES TO FINANCIAL STATEMENTS

17. Employee Health Insurance Plan (Continued)

Amounts payable from the health insurance fund at June 30, 2005 total \$210,054 which is for incurred but unpaid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims, and to establish a reserve for catastrophic losses. A liability has been established based on the requirements of Government Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. An analysis of claims activity in the internal service fund follows:

	2005	2004
Beginning liability	\$ 175,459	\$ 139,807
Claims and changes in estimates	476,811	311,605
Claim payments	(442,216)	(275,953)
Ending liability	\$ 210,054	\$ 175,459

18. Restatement

Beginning net assets were restated due to correction of recording compensated absences of \$40,812 in liabilities for the governmental funds.

WINNEBIEK COUNTY

BUDGETARY COMPARISON SCHEDULE
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 June 30, 2005

	Actual	Less Amounts not Budgeted	Budget Basis	Budget Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
RECEIPTS						
Property and other County tax	\$ 6,598,428		\$ 6,598,428	\$ 6,618,547	\$ 6,618,547	\$ (20,119)
Interest and penalty on property tax	51,687		51,687	45,210	45,210	6,477
Intergovernmental	6,022,334		6,022,334	6,768,138	6,311,827	(289,493)
Licenses and permits	14,969		14,969	12,850	12,850	2,119
Charges for service	527,391		527,391	496,649	542,049	(14,658)
Use of money and property	244,745		244,745	218,738	225,098	19,647
Miscellaneous	129,884	\$ 15,370	114,514	133,788	108,288	6,226
Total receipts	13,589,438	15,370	13,574,068	14,293,920	13,863,869	(289,801)
DISBURSEMENTS						
Public safety and legal services	1,553,184		1,553,184	1,685,437	1,681,346	128,162
Physical health and social services	1,367,014		1,367,014	1,444,525	1,451,337	84,323
Mental health	1,984,796		1,984,796	2,195,663	2,195,663	210,867
County environment and education services	954,603		954,603	1,166,429	1,026,938	72,335
Roads and transportation	4,524,680		4,524,680	4,017,623	4,824,623	299,943
Governmental services to residents	275,811		275,811	360,919	297,119	21,308
Administrative services	1,178,288		1,178,288	1,244,777	1,244,477	66,189
Nonprogram	3,317		3,317	8,150	5,500	2,183
Debt service	569,658		569,658	577,783	577,783	8,125
Capital project	1,265,512		1,265,512	1,833,250	1,544,250	278,738
Total disbursements	13,676,863	-	13,676,863	14,534,556	14,849,036	1,172,173
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(87,425)	15,370	(102,795)	(240,636)	(985,167)	882,372
OTHER FINANCING SOURCES, NET	8,832		8,832	3,000	8,330	502
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	(78,593)	15,370	(93,963)	(237,636)	(976,837)	882,874
BALANCE, beginning of year	5,805,544		5,805,544	5,112,317	5,805,544	-
BALANCE, end of year	\$ 5,726,951	\$ 15,370	\$ 5,711,581	\$ 4,874,681	\$ 4,828,707	\$ 882,874

See Notes to Required Supplementary Information.

WINNESHIEK COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 BUDGET TO GAAP RECONCILIATION

For the Year Ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 13,589,438	\$ (7,619)	\$ 13,581,819
Expenditures	13,676,863	191,928	13,868,791
Net	(87,425)	(199,547)	(286,972)
Other financing sources, net	8,832	40,000	48,832
Beginning fund balance	5,805,544	293,305	6,098,849
Ending fund balance	\$ 5,726,951	\$ 133,758	\$ 5,860,709

See Notes to Required Supplementary Information.

WINNESHIEK COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
June 30, 2005

The 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 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, nonprogram, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, and debt service fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$314,480. 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 E-911 System by the Joint E-911 Service Board, and for Emergency Management Services by the County Emergency Management Commission.

Included in the amounts not budgeted is the forfeiture account used by the Sheriff's department.

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**INDEPENDENT AUDITOR'S REPORT ON THE
SUPPLEMENTARY INFORMATION**

To the Board of Supervisors
Winneshiek County
Decorah, Iowa

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winneshiek County's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects on the information on the governmental activities explained in the third paragraph of our report on page 2, such information is fairly stated in all material respects, in relation to the basic financial statements as of and for the year ended June 30, 2005, taken as a whole.

We have previously audited, in accordance with U.S. generally accepted auditing standards, the basic financial statements of Winneshiek County as of and for the years ending June 30, 2003 and June 30, 2004, (none of which is presented herein). We expressed qualified opinions on the governmental activities due to the omission of certain capital assets, net depreciation. We expressed unqualified opinions on the business-type activities, each major fund, and aggregate remaining fund information.

We have previously audited, in accordance with U.S. generally accepted auditing standards, the general purpose financial statements of Winneshiek County as of and for the year ending June 30, 2002, (none of which is presented herein). We expressed a qualified opinion on the 2002 general purpose financial statements due to the omission of the general fixed asset account group and certain inventories of the special revenue funds. In our opinion, the information set forth in the required supplementary information for each of the four years in the period ended June 30, 2005, appearing on page 48, is fairly stated, in all material respects in relation to the basic and general purpose financial statements from which it has been derived.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
October 27, 2005

WINNESHIEK COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2005

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
ASSETS			
Cash and pooled investments	\$ 317,748	\$ 14,253	\$ 332,001
Receivables			
Property tax			
Delinquent		137	137
Succeeding year		263,378	263,378
Accrued interest	341		341
Due from other funds	2,266		2,266
Due from other governments	4,770		4,770
Total assets	\$ 325,125	\$ 277,768	\$ 602,893
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 1,200		\$ 1,200
Deferred revenue			
Succeeding year property tax		\$ 263,378	263,378
Other		118	118
Total liabilities	1,200	263,496	264,696
Fund balances			
Reserved			
Debt service		14,272	14,272
Special revenue funds	323,925		323,925
Total fund balances	323,925	14,272	338,197
Total liabilities and fund balances	\$ 325,125	\$ 277,768	\$ 602,893

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
REVENUES			
Property and other County tax		\$ 255,367	\$ 255,367
Intergovernmental	\$ 29,168	14,273	43,441
Charges for service	16,533		16,533
Use of money and property	3,701		3,701
Total revenues	49,402	269,640	319,042
EXPENDITURES			
Current			
Physical health and social services	9,646		9,646
Governmental services to residents	22,023		22,023
Debt service		569,658	569,658
Total expenditures	31,669	569,658	601,327
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	17,733	(300,018)	(282,285)
OTHER FINANCING SOURCES			
Transfers in	5,000	304,923	309,923
	5,000	304,923	309,923
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	22,733	4,905	27,638
FUND BALANCES, beginning of year	301,192	9,367	310,559
FUND BALANCES, end of year	\$ 323,925	\$ 14,272	\$ 338,197

See Independent Auditor's Report on the Supplementary Information.

WINNEBAGO COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2005

	REAP Grant	Water Testing Grant	Conservation Land Acquisition Fund	Recorder's Records Management	Recorder's Transaction Fund	Total Nonmajor Special Revenue Funds
ASSETS						
Cash and pooled investments	\$ 181,944	\$ 78,609	\$ 36,259	\$ 6,456	\$ 14,480	\$ 317,748
Receivables						
Accrued interest	333			8		341
Due from other funds				2,266	-	2,266
Due from other governments		4,770				4,770
Total assets	\$ 182,277	\$ 83,379	\$ 36,259	\$ 8,730	\$ 14,480	\$ 325,125
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ 1,200	\$ -	\$ -	\$ -	\$ 1,200
Total liabilities	-	1,200	-	-	-	1,200
Fund balances						
Reserved	182,277	82,179	36,259	8,730	14,480	323,925
Total fund balances	182,277	82,179	36,259	8,730	14,480	323,925
Total liabilities and fund balances	\$ 182,277	\$ 83,379	\$ 36,259	\$ 8,730	\$ 14,480	\$ 325,125

See Independent Auditor's Report on the Supplementary Information.

WINNEBAGO COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2005

	REAP Grant	Water Testing Grant	Conservation Land Acquisition Fund	Recorder's Records Management	Recorder's Transaction Fund	Total Nonmajor Special Revenue Funds
REVENUES						
Intergovernmental	\$ 11,838	\$ 17,330				\$ 29,168
Charges for service				\$ 4,537	\$ 11,996	16,533
Use of money and property	3,340			149	212	3,701
Total revenues	15,178	17,330	\$ -	4,686	12,208	49,402
EXPENDITURES						
Current						
Physical health and social services		9,646				9,646
Governmental services to residents				4,659	17,364	22,023
Total expenditures	-	9,646	-	4,659	17,364	31,669
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	15,178	7,684	-	27	(5,156)	17,733
OTHER FINANCING SOURCES						
Transfers in			5,000			5,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	15,178	7,684	5,000	27	(5,156)	22,733
FUND BALANCES, beginning of year	167,099	74,495	31,259	8,703	19,636	301,192
FUND BALANCES, end of year	\$ 182,277	\$ 82,179	\$ 36,259	\$ 8,730	\$ 14,480	\$ 323,925

See Independent Auditor's Report on the Supplementary Information.

WINNEBAG COUNTY
 COMBINING SCHEDULE OF NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 June 30, 2005

	Burr Oak Sewer Fund	Festina Sewer Fund	Burr Oak Sewer Sinking Fund	Festina Sewer Sinking Fund	Burr Oak Sewer Reserve Fund	Festina Sewer Reserve Fund	Total Nonmajor Enterprise Funds
ASSETS							
Cash and pooled investments	\$ 25,217	\$ 9,297	\$ 556	\$ 8	\$ 7,897	\$ 3,844	\$ 47,819
Receivables							
Accounts	975	197					1,172
Total current assets	27,192	9,494	556	8	7,897	3,844	48,991
Noncurrent assets							
Land	6,292	3,500					9,792
Net capital assets	481,736	494,240					975,976
Total noncurrent assets	488,028	497,740	-	-	-	-	985,768
Total assets	\$ 515,220	\$ 507,234	\$ 556	\$ 8	\$ 7,897	\$ 3,844	\$ 1,034,759
LIABILITIES AND NET ASSETS							
Liabilities							
Accrued interest payable	\$ 50	\$ 61	\$ -	\$ -	\$ -	\$ -	\$ 111
Notes payable	-	-					-
Total current liabilities	50	61					111
Noncurrent liabilities							
Long-term debt	91,142	126,577					217,719
Total liabilities	91,192	126,638					217,830
Net assets							
Invested in capital assets, net of related debt	396,886	371,163					768,049
Restricted	136,407	64,400	556	8	7,897	3,844	213,112
Unrestricted	(109,265)	(54,967)					(164,232)
Total net assets	424,028	380,596	556	8	7,897	3,844	816,929
Total liabilities and net assets	\$ 515,220	\$ 507,234	\$ 556	\$ 8	\$ 7,897	\$ 3,844	\$ 1,034,759

See Independent Auditor's Report on the Supplementary Information.

WINNEBAGO COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 For the Year Ended June 30, 2005

	Burr Oak Sewer Fund	Festina Sewer Fund	Burr Oak Sewer Sinking Fund	Festina Sewer Sinking Fund	Burr Oak Sewer Reserve Fund	Festina Sewer Reserve Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUES							
Charges for services	\$ 17,835	\$ 14,987	\$ -	\$ -	\$ -	\$ -	\$ 32,822
Total operating revenues	17,835	14,987	-	-	-	-	32,822
OPERATING EXPENSES							
Wages and benefits	805	3,459					4,264
Depreciation	12,830	11,816					24,646
Other	6,128	1,484					7,612
Total operating expenses	19,763	16,759	-	-	-	-	36,522
Operating loss	(1,928)	(1,772)	-	-	-	-	(3,700)
NONOPERATING REVENUES (EXPENSES)							
Interest income	312	50					362
Interest expense	(4,633)	(5,773)					(10,408)
Net nonoperating revenues (expenses)	(4,323)	(5,723)	-	-	-	-	(10,046)
Income before contributions and transfers	(6,251)	(7,495)	-	-	-	-	(13,746)
OPERATING TRANSFERS							
Transfer in	6,226	7,342	6,228	7,344	636	744	28,520
Transfer out	(6,864)	(8,088)	(6,226)	(7,342)			(28,520)
Total operating transfers	(638)	(746)	2	2	636	744	-
Change in net assets	(6,889)	(8,241)	2	2	636	744	(13,746)
NET ASSETS, beginning of year	430,917	388,837	554	6	7,261	3,100	830,675
NET ASSETS, end of year	\$ 424,028	\$ 380,596	\$ 556	\$ 8	\$ 7,897	\$ 3,844	\$ 816,929

See Independent Auditor's Report on the Supplementary Information.

WINNEBEG COUNTY

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

	County Offices	Agricultural Extension Education	Assessor	Schools	Area Schools	Corporations	Townships	Auto License and Use Tax	Other	Total
ASSETS										
Cash and pooled investments										
County Treasurer		\$ 2,398	\$ 103,636	\$ 155,590	\$ 6,718	\$ 48,692	\$ 3,849	\$ 374,303	\$ 414,009	\$ 1,109,195
Other County officials	\$ 98,274									98,274
Receivables										
Property tax										
Delinquent		82	112	5,356	228	1,736	123		270	7,907
Succeeding year		161,603	219,337	10,713,625	449,246	3,158,593	252,844		536,299	15,491,547
Accounts	3,135								17,903	21,038
Accrued interest									207	207
Due from other governments			4,099						5,895	9,994
Prepaid insurance			1,480							1,480
Total assets	\$ 101,409	\$ 164,083	\$ 328,664	\$ 10,874,571	\$ 456,192	\$ 3,209,021	\$ 256,816	\$ 374,303	\$ 974,583	\$ 16,739,642
LIABILITIES										
Accounts payable			\$ 1,315						\$ 2,503	\$ 3,818
Salaries and benefits payable			6,163						504	6,667
Due to other funds	\$ 75,580							\$ 15,368		90,948
Due to other governments	24,426	\$ 164,083	320,117	\$ 10,874,571	\$ 456,192	\$ 3,209,021	\$ 256,816	358,935	971,576	16,635,737
Trusts payable	1,403									1,403
Accrued compensated absences			1,069							1,069
Total liabilities	\$ 101,409	\$ 164,083	\$ 328,664	\$ 10,874,571	\$ 456,192	\$ 3,209,021	\$ 256,816	\$ 374,303	\$ 974,583	\$ 16,739,642

See Independent Auditor's Report on the Supplementary Information.

WINNEBAGO COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended June 30, 2005

	County Offices	Agricultural Extension Education	Assessor	Schools	Area Schools	Corporations	Townships	Auto License and Use Tax	Other	Total
ASSETS AND LIABILITIES										
BALANCE, beginning of year	\$ 66,132	\$ 2,403	\$ 84,368	\$ 156,043	\$ 6,971	\$ 48,142	\$ 4,344	\$ 375,579	\$ 257,912	\$ 1,001,894
ADDITIONS										
Property and other County tax		130,433	212,306	9,910,322	421,359	3,553,461	232,468		609,292	15,089,641
State tax credits		8,487	11,978	547,723	23,775	148,960	14,548		34,377	789,848
Drivers license fees								61,305		61,305
Office fees and collections	329,383		997							330,380
Auto license, use tax and postage								4,333,839		4,333,839
E-911 telephone surcharges									82,450	82,450
Miscellaneous	588,236		20,242						164,747	773,225
Assessments									108,805	108,805
Trusts	136,365									136,365
Total additions	1,053,984	158,920	245,523	10,458,045	445,134	3,702,421	247,016	4,395,144	999,671	21,705,858
DEDUCTIONS										
Agency remittances										
To other funds	185,932							137,465		323,397
To other governments	141,300	158,843		10,453,142	445,159	3,700,135	247,388	4,258,955	661,851	20,066,773
Trusts paid out	137,536									137,536
Miscellaneous	553,939		220,564						157,448	931,951
Total deductions	1,018,707	158,843	220,564	10,453,142	445,159	3,700,135	247,388	4,396,420	819,299	21,459,657
BALANCE, end of year	\$ 101,409	\$ 2,480	\$ 109,327	\$ 160,945	\$ 6,946	\$ 30,428	\$ 3,972	\$ 374,303	\$ 438,284	\$ 1,248,093

See Independent Auditor's Report on the Supplementary Information.

WINNEBAGO COUNTY

COMPARATIVE SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 All GOVERNMENTAL FUND TYPES
 Years Ended June 30,

	Modified Accrual			
	2005	2004	2003	2002
REVENUES				
Property and other County tax	\$ 5,462,955	\$ 5,728,954	\$ 5,745,793	\$ 5,340,870
Local option sales tax	1,144,299	958,144	954,606	955,149
Interest and penalty on property tax	51,129	65,567	56,975	52,632
Intergovernmental	5,996,378	6,133,510	6,134,465	6,319,296
Licenses and permits	14,969	13,577	9,317	9,420
Charges for service	554,535	566,941	533,625	443,851
Use of money and property	252,964	209,672	241,446	237,426
Miscellaneous	104,590	136,139	64,201	653,333
Total revenues	\$ 13,581,819	\$ 13,812,504	\$ 13,740,428	\$ 14,011,977
EXPENDITURES				
Current				
Public safety and legal services	\$ 1,568,370	\$ 1,491,544	\$ 1,336,837	\$ 1,365,803
Physical health and social services	1,350,847	1,381,162	1,434,542	1,374,493
Mental health	1,973,584	2,113,732	2,291,141	2,354,933
County environment and education services	969,412	943,942	983,901	800,079
Roads and transportation	4,464,945	4,495,658	3,484,717	3,461,794
Governmental services to residents	275,852	275,390	254,917	243,726
Administrative services	1,213,439	1,080,717	1,020,258	949,361
Nonprogram	3,317	3,344	4,804	14,928
Debt service	569,658	821,934	578,122	584,241
Capital project	1,479,367	1,135,748	1,142,002	2,026,209
Total expenditures	\$ 13,868,791	\$ 13,743,171	\$ 12,531,241	\$ 13,175,567

See Independent Auditor's Report on the Supplementary Information.

WINNEESHIER COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

<u>Section I: Summary of the Independent Auditor's Results</u>	<u>Yes</u>	<u>No</u>	<u>None Reported</u>
Financial Statements			
Type of auditor's report issued: qualified.			
Internal control over financial reporting:			
♦ Material weakness(es) identified?			X
♦ Reportable condition(s) identified that are not considered to be material weaknesses?	X		
♦ Noncompliance material to financial statements noted?			X
Federal Awards			
Internal control over major programs:			
♦ Material weakness(es) identified?			X
♦ Reportable condition(s) identified that are not considered to be material weakness(es)?	X		
Type of auditor's report issued on compliance for major programs: unqualified.			
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?			X
Identification of major programs			
CFDA Number 14.228, Community Development Block Grants\State's Program			
CFDA Number 93.558, Temporary Assistance for Needy Families			
Dollar threshold used to distinguish between Type A and Type B programs: \$300,000			
Auditee qualified as low-risk auditee?			X

Section II: Findings Related to the Financial Statements

05-1 Segregation of Duties

One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Bank deposits are prepared by the same person who opens the bank statement. Disbursements and checks are prepared by one person.

Recommendation

While we do recognize that the County is not large enough to permit a segregation of duties for an effective internal control structure, we believe that it is important that the Board be aware that the condition does exist.

Response and Corrective Action Planned

We segregate duties in our offices as much as possible, and will strive to improve internal controls where possible.

Conclusion

Response accepted.

WINNESHIEK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

Section III: Findings and Questioned Costs for Federal Awards

Instances of noncompliance - None

Reportable condition -

CFDA Number 14.228, Community Development Block Grants\State's Program
Federal Award Year: 2005

U.S. Department of Housing and Urban Development
Passed through Iowa Department of Economic Development

See 05-1 above

CFDA Number 93.558, Temporary Assistance for Needy Families
Federal Award Year: 2005

U.S. Department of Health and Human Services
Passed through Iowa Department of Human Rights

See 05-1 above

Section IV: Other Findings Related to Required Statutory Reporting

See management letter dated October 27, 2005

Section V: Summary of Prior Federal Audit Findings and Questioned Costs

N/A

WINNEBESSE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

Grantor/Program	CFDA Number	Grant Number/Description	Program Expenditures
Indirect			
U.S. Department of Agriculture Passed through Iowa Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	LAE Reimbursement	\$ 8,831
Department of Housing and Urban Development Passed through Iowa Department of Economic Development Community Development Block Grant	14.228	02-CF-027 04-ED-005	249,396 76,600 <u>325,996</u>
Department of Transportation Passed through Iowa Department of Transportation Highway Planning and Construction	20.205	BROS-CO96(69)--8J-96	<u>8,734</u>
Environmental Protection Agency Passed through Iowa Department of Public Health State Indoor Radon Grants	66.032	5885RC02	<u>1,965</u>
Department of Health and Human Services Passed through Iowa Department of Human Rights Temporary Assistance for Needy Families	93.558	FaDSH-05-25-F4 LAE Reimbursement	115,868 11,816 <u>127,684</u>
Immunization Grants	93.268	5884I425 5885I425	786 1,614 <u>2,400</u>
Maternal and Child Health Services Block Grant to the States	93.994	5884MC03 5885MC03	966 2,844 <u>3,810</u>
Passed through Hancock County Public Health Services Centers for Disease Control and Prevention, Investigations, and Technical Assistance	93.003	BT04016 BT05016	13,740 18,833 <u>32,573</u>

See Independent Auditor's Report on the Schedule of Federal Awards.

WINNEBAGO COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

Grantor/Program	CFDA Number	Grant Number/Description	Program Expenditures
Indirect (Continued)			
Department of Health and Human Services (Continued)			
Passed through Iowa Department of Human Services			
Social Services Block Grant	93.667	96-001 LAE Reimbursement	\$ 75,853 7,608
			<u>83,461</u>
Other Federal Financial Assistance			
Human Services Administrative Reimbursements			
Refugee and Entrant Assistance - State Administered Programs	93.566	LAE Reimbursement	17
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	LAE Reimbursement	2,316
Foster Care - Title IV-E	93.658	LAE Reimbursement	6,180
Adoption Assistance	93.659	LAE Reimbursement	1,438
Medical Assistance Program	93.778	LAE Reimbursement	12,693
			<u>22,644</u>
Sub-total Department of Health and Human Services			<u>272,572</u>
Federal Emergency Management Agency			
Passed through Iowa Department of Public Defense			
State Domestic Preparedness Equipment Support Program	97.004	FY03 SHSGFI	2,061
State and Local Homeland Security Training Program	97.005	2002 DOJ Exercise	1,685
Public Assistance Grants	97.036	FEMA DR-1518-IA	89,980
Hazard Mitigation Grant	97.039	0996-0343	5,909
Emergency Management Performance Grants	97.042	EMPG Reimbursement	9,603
			<u>109,238</u>
Subtotal Federal Emergency Management Agency			<u>109,238</u>
Total Federal Financial Assistance			<u>\$ 727,336</u>

See Independent Auditor's Report on the Schedule of Federal Awards.

WINNESHIEK COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

Note 1. Basis of Presentation

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

Note 2. Loans Outstanding

Winneshiek County has outstanding notes payable to the Rural Housing and Community Development Service totaling \$91,142 and \$126,577 as of June 30, 2005. The proceeds from these notes were advanced under the Water and Waste Disposal Systems for Rural Communities Program.

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

To the Board of Supervisors
Winneshiek County
Decorah, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Winneshiek County as of and for the year ended June 30, 2005, which collectively comprise Winneshiek County's basic financial statements and have issued our report thereon dated October 27, 2005. The report on governmental activities was qualified because of the omission of certain capital assets, net depreciation. 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 Winneshiek 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 Winneshiek 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 and Questioned Costs as item 05-1. The reportable condition was unresolved from the prior year.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

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

We also noted certain additional matters that we reported to management of Winneshiek County in a separate letter dated October 27, 2005.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
October 27, 2005

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

To the Board of Supervisors
Winneshiek County
Decorah, Iowa

Compliance

We have audited the compliance of Winneshiek County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Winneshiek County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Winneshiek County's management. Our responsibility is to express an opinion on Winneshiek County's compliance based on our audit.

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

In our opinion, Winneshiek County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect Winneshiek County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questionable Costs at Item 05-1. The reportable condition was unresolved from the prior year.

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 noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Winneshiek County, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 27, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Winneshiek County's basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
October 27, 2005

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MANAGEMENT LETTER

To the Board of Supervisors
Winneshiek County
Decorah, Iowa

In planning and performing our audit of the financial statements of Winneshiek County as of and for the year ended June 30, 2005, we considered the County's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the County's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 11 below are compliance comments required by the Iowa Auditor of State. A separate report dated October 27, 2005, contains our report on reportable conditions in the County's internal control structure. This letter does not affect our report dated October 27, 2005 on the financial statements of Winneshiek County. Comments 10 and 12 are unresolved comments from the prior year. All other prior year statutory comments have been resolved. These comments are not intended to and do not constitute legal opinions.

1. Official Depositories

A resolution naming official depositories has been approved by the Board. The maximum deposit amount stated in the resolution for the general fund and recorder's office were exceeded.

Recommendation

We recommend that the depository resolutions be reviewed to ensure that the limits are not exceeded during the year.

Response

The general fund will be modified more closely by the Treasurer. We will also increase the amount for the Recorder.

Conclusion

Response accepted.

2. Certified Budget

Disbursements for the year ended June 30, 2005 did not exceed the amounts budgeted in total. The roads and transportation function area appropriations were exceeded prior to passing the budget amendment. We also noted that Emergency Management Commission, Assessor, and E911 Service Board had some line items that exceeded the budget.

Recommendation

We recommend that the appropriations are reviewed and amendments approved prior to them being exceeded.

Response

We will watch this more closely in the future.

Conclusion

Response accepted.

3. Questionable Expenditures

We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

4. Travel Expense

No expenditures of County money for travel expenses of spouses of County officials and/or employees were noted.

5. Business Transactions

We noted no business transactions between the County and County officials and/or employees for the year ended June 30, 2005.

6. Bond Coverage

Surety bond coverage of County officials and employees is in accordance with statutory provisions.

7. Board Minutes

No transactions were found that we believe should have been approved in the Board minutes but were not. The minutes were published as required by Chapter 349.18 of the Code of Iowa and Attorney General's opinions dated December 10, 1985, December 31, 1986 and May 2, 1989.

8. Resource Enhancement and Protection Certification

The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with Subsections (b)(2) and (b)(3).

9. 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 through D.

Disbursements during the year ended June 30, 2005 for the County Extension Office did not exceed the amount budgeted.

The surety bond covering the Treasurer of the County Extension Council was in compliance with statutory provisions.

10. Economic Development

During the year ended June 30, 2005 the County paid \$61,138 for economic development and did not document a public purpose in the Board minutes. According to Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises that the governing body should evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting the public purpose.

Recommendation

The Board should document the public purpose served by the expenditures before authorizing further payments and should require documentation of how the funds were used to accomplish economic development activities.

Response

We will document in the minutes the purpose for these funds in the future.

Conclusion

Response accepted.

11. Deposits and Investments

The County has entered into a public funds custodial agreement for certain of its governmental securities held in safekeeping as required by Chapter 15 of the Treasurer of State's administrative rules.

12. Property and Equipment Records

A partial record of the County's fixed assets is maintained by individual offices. Property journal totals have not been summarized, nor has reconciliation been performed to balance additions and deletions to the general ledger.

Recommendation

We recommend that complete property and equipment records be developed. In addition, to facilitate the proper insurance, maintenance and safeguarding of these assets, an inventory of all property and equipment should be taken at least once each year and checked against the fixed assets records. Management may want to consider the employment of an outside consulting firm to maintain its property records.

Response

We are working on it as we have time.

Conclusion

Response accepted.

13. Solid Waste Fees Retainage

During the year ended June 30, 2005, the solid waste fees established by Chapter 455E.11(2), (11), (13) and (15) of the Code of Iowa, were administered by Winneshiek County Area Solid Waste Agency. The agency is a 28E organization of which Winneshiek County is a member.

14. Recorder's Office

During our audit of the recorder's office we noticed that checks were back dated to the month end date. It was also noted that quarterly reports submitted to the Supervisors did not reconcile back to actual cash receipts and disbursements on the bank statements.

Recommendation

We recommend that checks be dated as of the day they are written and that quarterly reports reconcile back to the actual cash receipts and disbursements.

Response

We will try to issue the checks and reconcile the statements in a timely manner.

Conclusion

Response accepted.

15. Disbursements

During our audit, we noticed various items that were not in compliance with Board policy. There were five invoices that were paid without being approved by the department head.

Recommendation

We recommend that all invoices be reviewed to note approval before being paid.

Response

Notice will be given to each department head to make sure they have approved invoices before submitting to the auditor's office for payment.

Conclusion

Response accepted.

16. Transfers

During our audit, we noted that general fund and rural basic fund transfers to secondary roads exceeded the maximum amount allowed under Chapter 331.429 of the Code of Iowa.

Recommendation

We recommend that the County review transfers to make sure they do not exceed the maximum allowable amount before authorization.

Response

The transfer amounts given every month is based on what has been collected each month. We will not transfer the full amount approved by Resolution of the Board the last month of fiscal year if not enough taxes are collected.

Conclusion

Response accepted.

17. Auditor

During our audit we noted three duties that are required by the Code of Iowa Chapters 434.22, 437.10, and 438.16 that were not being done by the County Auditor. These duties include a) transmitting to other local government officials the length of the main track, b) the assessed value of each railway located within the County, transmitting to other local government officials the length of the electric transmission line companies located within the County, and c) carrying out the duties related to the valuation and taxation of pipeline companies within the County.

Recommendation

We recommend that the County Auditor perform these duties in order to be in compliance with the Code of Iowa.

Response

The utility values are included in the valuation report which the Board receives. We were unaware they had to accept the report from the Department of Revenue for each utility values. We will do this in the future.

Conclusion

Response accepted.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the County, and federal awarding agencies and pass-through entities and 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 the personnel of Winneshiek County during the course of our examination.

Should you have any questions concerning these or other matters, we shall be pleased to discuss them with you at your convenience.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
October 27, 2005