WINNESHIEK COUNTY
DECORAH, IOWA

FINANCIAL REPORT

JUNE 30, 2006

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WINNESHIEK COUNTY

OFFICIALS

Name	Title	Term Expires
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, 2006, 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, 2006, 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, 2006, and the respective changes in financial position, and, where applicable, cash flows 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, 2006, 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 assessing 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, 2006

WINNESHIEK COUNTY
DECORAH, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2006

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, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 5.42%, or approximately $861,000, from fiscal 2005 to fiscal 2006. Operating grants and contributions decreased approximately $335,000 and capital grants and contributions decreased approximately $969,000.

- Program expenses were 4.2%, or approximately $574,000, more in fiscal 2006 than in fiscal 2005. Mental health expenses decreased approximately $105,800 and public safety and legal services, roads and transportation and government services to residents expenses increased approximately $226,900, $508,500 and $176,800, respectively.

- The County's net assets increased 2%, or approximately $789,000, from June 30, 2005 to June 30, 2006.

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, secondary roads-special revenue fund, and debt service 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 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, secondary roads-special revenue fund, and debt service 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 include: 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 net 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		
	2006	2005	Percent Change
Current and other assets	$ 12,649	$ 12,954	-2.35%
Capital assets	36,819	36,130	1.91%
Total assets	49,468	49,084	0.78%
Long-term debt outstanding	2,530	2,972	-14.87%
Other liabilities	6,921	6,884	0.54%
Total liabilities	9,451	9,856	-4.11%
Net assets			
Invested in capital assets, net of related debt	34,482	33,338	3.43%
Restricted	3,003	3,575	-16.00%
Unrestricted	2,532	2,315	9.37%
Total net assets	$ 40,017	$ 39,228	2.01%

	Business-type Activities		
	2006	2005	Percent Change
Current and other assets	$ 65	$ 61	6.56%
Capital assets	1,633	1,718	-4.95%
Total assets	1,698	1,779	-4.55%
Long-term debt outstanding	214	217	-1.38%
Other liabilities	20	19	5.26%
Total liabilities	234	236	-0.85%
Net assets			
Invested in capital assets, net of related debt	1,418	1,500	-5.47%
Restricted	236	213	10.80%
Unrestricted	(190)	(170)	-11.76%
Total net assets	$ 1,464	$ 1,543	-5.12%

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-increased for the governmental activities approximately $217,900 or 9.4% and decreased for the business-type activities approximately $19,000.

The increase in net assets for the governmental activities is due to an increase in charges for services and a decrease in non-program expenses. 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 for other purposes.

The following analysis shows the change in net assets for the year ending June 30, 2006:

Changes in Net Assets
(Expressed in Thousands)

	Governmental Activities		
	2006	2005	Percent Change
Revenues:			
Program revenue			
Charges for service	$ 1,736	$ 1,092	58.97%
Operating grants	4,955	5,290	-6.33%
Capital grants	1,238	2,206	-43.88%
General revenue			
Property taxes	5,359	5,488	-2.35%
Local option sales tax	1,091	1,144	-4.63%
Penalty and interest on property taxes	49	51	-3.92%
State tax credits	301	315	-4.44%
Rents	107	111	-3.60%
Unrestricted investment earnings	255	148	72.30%
Other	(85)	21	-504.76%
Total revenues	15,006	15,866	-5.42%
Program expenses:			
Public safety and legal services	1,857	1,630	13.93%
Physical health and social services	1,473	1,475	-0.14%
Mental health	2,089	1,983	5.35%
County environment and education	1,021	1,015	0.59%
Roads and transportation	5,817	5,309	9.57%
Government services to residents	448	271	65.31%
Administration or general government	1,117	1,179	-5.26%
Non-program	260	625	-58.40%
Interest on long-term debt	135	155	-12.90%
Total expenses	14,217	13,642	4.21%
Increase in net assets	789	2,224	-64.52%
Net assets beginning of year	39,228	37,004	6.01%
Net assets end of year	$ 40,017	$ 39,228	2.01%

	Business-type activities		
	2006	2005	Percent Change
Revenues:			
Program revenue			
Charges for service	$ 197	$ 197	0.00%
Total revenues	197	197	0.00%
Program expenses:			
Operating expenses	276	268	2.99%
Total expenses	276	268	2.99%
Increase (decrease) in net assets	(79)	(71)	11.27%
Net assets beginning of year	1,543	1,614	-4.40%
Net assets end of year	$ 1,464	$ 1,543	-5.12%

INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of $5,543,647, approximately $317,000 decrease of the 2005 fiscal year end balance of $5,860,709. The County spent approximately $2,912,100 more than the prior fiscal year.

- The general fund received more revenues during fiscal year 2006 through property and other county tax and charges for services. The ending fund balance showed an increase from the prior year of $1,930,519 to $2,188,263, due primarily to an increase in the property and other county tax of $468,000, an increase in public safety and legal services expenditures of $451,000 and a decrease in administrative services and capital projects expenditures of $123,000 and $203,000, respectively.

- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately $2,081,849, an increase of 5.5% from the prior year. The mental health fund balance at year end decreased by approximately $76,000 over the prior year.

- Secondary roads fund revenues increased approximately $6,000 over the prior year. For the year, expenditures totaled $6,009,133, an increase of $581,000. This increase in expenditures results in a decrease in the secondary roads fund ending balance of approximately $396,000, or 27.3%.

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 twice. The amendments were made in December 2005 and May 2006 and resulted in an increase in debt service and capital projects disbursements. However, this did not require an increase in taxes as the County received more intergovernmental and debt service revenues than originally projected.

The amendment made during the 2006 fiscal year should have no impact on the 2007 fiscal year's budget.

The following chart shows the original and amended budget for fiscal 2006 as well as the actual revenue and expenditures for the year:

Budgetary Comparison Schedule
(Expressed in Thousands)

	Budget Basis	Budget Amounts Original	Budget Amounts Final	Variance
REVENUES				
Property and other County tax	$ 6,455	$ 6,582	$ 6,582	$ (127)
Interest and penalty on property tax	49	41	41	8
Intergovernmental	6,205	7,302	7,561	(1,356)
Licenses and permits	13	13	13	-
Charges for service	560	546	551	9
Use of money and property	352	228	228	124
Miscellaneous	609	304	804	(195)
Total revenues	$ 14,243	$ 15,016	$ 15,780	$ (1,537)
EXPENDITURES				
Public safety and legal services	$ 1,661	$ 1,765	$ 1,765	$ 104
Physical health and social services	1,361	1,435	1,476	115
Mental health	2,064	2,486	2,486	422
County environment and education services	1,000	1,161	1,060	60
Roads and transportation	4,259	4,685	4,685	426
Governmental services to residents	435	523	524	89
Administrative services	1,132	1,267	1,276	144
Non-program	5	6	6	1
Debt service	2,781	562	2,793	12
Capital project	2,127	2,146	3,002	875
Total expenditures	$ 16,825	$ 16,036	$ 19,073	$ 2,248

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2006, Winneshiek County had $36,818,798 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 $1,632,610 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 $1,805,603 for fiscal year 2006 and total accumulated depreciation of $18,097,567 as of June 30, 2006 for the governmental activities. The County had depreciation/depletion expense of $84,769 for fiscal year 2006 and total accumulated depreciation/depletion of $1,209,655 as of June 30, 2006 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 $2,745,000 in bonds and other debt compared to approximately $3,190,000 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 $56,596,149 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 2007 budget, tax rates, and the few that will be charged for various County activities. One of those factors is the economy.

The County's local option sales taxes received continue to be a significant portion of County revenues and account, in part, for property tax levy rates lower than would otherwise be possible.

The County is anticipating not receiving 100% replacement for Homestead Credit therefore; the difference will need to be paid by the individual taxpayer. 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, an increase of 15.0% over the final 2007 budget. Property tax (benefiting from the 2007 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 2007.

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.

EXHIBIT A

WINNESHIEK COUNTY

STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	$ 5,864,407	$ 50,430	$ 5,914,837
Receivables			
Property tax			
Delinquent	7,800		7,800
Succeeding year	5,678,178		5,678,178
Accounts	50,788	1,997	52,785
Accrued interest	22,019		22,019
Due from other governments	665,321	13,058	678,379
Inventories	308,895		308,895
Prepaid expenses	39,002		39,002
Investment in insurance pool	13,246		13,246
Nondepreciable assets	484,290	9,792	494,082
Capital assets, net of accumulated depreciation/depletion	36,334,508	1,622,818	37,957,326
Total assets	$ 49,468,454	$ 1,698,095	$ 51,166,549
LIABILITIES AND NET ASSETS			
Accounts payable	$ 762,940		$ 762,940
Salaries and benefits payable	194,926	$ 5,818	200,744
Accrued interest payable	9,658	580	10,238
Due to other governments	275,719	13,099	288,818
Deferred revenue			
Succeeding year property tax	5,678,178		5,678,178
Long-term liabilities			
Portion due within one year			
Bonds payable	390,000		390,000
Notes payable	76,658	-	76,658
Compensated absences	193,545	-	193,545
Portion due after one year			
Bonds payable	1,805,000		1,805,000
Notes payable	65,000	214,405	279,405
Total liabilities	9,451,624	233,902	9,685,526
NET ASSETS			
Invested in capital assets, net of related debt	34,482,140	1,418,205	35,900,345
Restricted for			
Mental health	1,392,813		1,392,813
Rural service	573,686		573,686
Secondary roads	729,451		729,451
Other special revenue	280,462		280,462
Other purposes	25,982	235,826	261,808
Unrestricted	2,532,296	(189,838)	2,342,458
Total net assets	40,016,830	1,464,193	41,481,023
Total liabilities and net assets	$ 49,468,454	$ 1,698,095	$ 51,166,549

See Notes to Financial Statements.

EXHIBIT B

WINNESHIEK COUNTY

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Functions and Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Program Revenues: Capital Grants	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental activities							
Public safety and legal services	$ 1,856,506	$ 24,502	$ 16,712		$ (1,815,292)		$ (1,815,292)
Physical health and social services	1,472,548	262,060	755,730	$ 1,680	(453,078)		(453,078)
Mental health	2,088,766		860,063		(1,228,703)		(1,228,703)
County environment and education	1,020,682	36,225	184,312	11,550	(788,595)		(788,595)
Roads and transportation	5,817,468	614,028	2,870,330	1,218,469	(1,114,641)		(1,114,641)
Government services to residents	447,543	634,277	268,021	5,861	460,616		460,616
Administration or general government	1,117,315				(1,117,315)		(1,117,315)
Nonprogram	260,421	164,554			(95,867)		(95,867)
Long-term debt interest	135,415				(135,415)		(135,415)
Total governmental activities	14,216,664	1,735,646	4,955,168	1,237,560	(6,288,290)	$ -	(6,288,290)
Business-type activities							
Landfill	224,199	164,074				(60,125)	(60,125)
Burr Oak sewer	29,202	17,899				(11,303)	(11,303)
Festina sewer	22,068	14,509				(7,559)	(7,559)
Total business-type activities	275,469	196,482	-	-	-	(78,987)	(78,987)
Total	$ 14,492,133	$1,932,128	$4,955,168	$1,237,560	(6,288,290)	(78,987)	(6,367,277)
General revenues							
Property taxes levied for							
General purposes					5,104,730		5,104,730
Debt service					254,014		254,014
Local option sales tax					1,090,902		1,090,902
Penalty and interest on property taxes					49,037		49,037
State tax credits					301,198		301,198
Franchise tax					-		-
Rents					107,502		107,502
Unrestricted investment earnings					254,998	499	255,497
(Loss) on sale of capital assets					(52,074)		(52,074)
Bond issue costs					(33,201)		(33,201)
Total general revenues					7,077,106	499	7,077,605
Change in net assets					788,816	(78,488)	710,328
Net assets, beginning of year					39,228,014	1,542,681	40,770,695
Net assets, end of year					$40,016,830	$ 1,464,193	$41,481,023

See Notes to Financial Statements.

EXHIBIT C

WINNESHIEK COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General	Special Revenue: Mental Health	Special Revenue: Rural Services	Special Revenue: Secondary Roads	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and pooled investments	$ 2,155,006	$ 1,670,998	$ 392,346	$ 823,141	$ 8,035	$ 319,519	$ 5,369,045
Receivables							
Property tax							
Delinquent	6,795	556	321		128	-	7,800
Succeeding year	3,570,082	1,150,973	703,312		253,811	-	5,678,178
Accounts	34,868	144	-	15,776			50,788
Accrued interest	20,222					491	20,713
Due from other funds	58,777					1,128	59,905
Due from other governments	195,104	5,134	191,308	267,446		6,329	665,321
Prepaid expenditures	22,530	722	750	15,000			39,002
Inventories				308,895			308,895
Investment in insurance pool	13,246						13,246
Total assets	$ 6,076,630	$ 2,828,527	$ 1,288,037	$ 1,430,258	$ 261,974	$ 327,467	$ 12,212,893
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	$ 157,004	$ 44,533	$ 6,328	$ 302,022		$ 600	$ 510,487
Salaries and benefits payable	115,772	3,050	3,961	72,143			194,926
Due to other governments	36,536	236,436		2,747			275,719
Deferred revenue							
Succeeding year property tax	3,570,082	1,150,973	703,312		$ 253,811	-	5,678,178
Other	8,973	537	302		124	-	9,936
Total liabilities	3,888,367	1,435,529	713,903	376,912	253,935	600	6,669,246
Fund balances							
Reserved for							
Inventories				308,895			308,895
Prepaid expenditures	22,530	722	750	15,000			39,002
Other	25,982						25,982
Debt service					8,039	-	8,039
Special revenue funds						326,867	326,867
Unreserved							
General fund	2,139,751						2,139,751
Special revenue funds		1,392,276	573,384	729,451			2,695,111
Total fund balances	2,188,263	1,392,998	574,134	1,053,346	8,039	326,867	5,543,647
Total liabilities and fund balances	$ 6,076,630	$ 2,828,527	$ 1,288,037	$ 1,430,258	$ 261,974	$ 327,467	$ 12,212,893

See Notes to Financial Statements.

WINNESHIEK COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

Reconciliation of governmental fund balances to net assets	
Total governmental fund balances	$ 5,543,647
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 $ 18,097,567	36,818,798
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	9,936
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	184,310
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	(2,195,000)
Notes payable	(141,658)
Compensated absences	(193,545)
Accrued interest	(9,658)
Net assets of governmental activities	$ 40,016,830
Cash and pooled investments of governmental activities include the following reclassifications:	
Internal service fund cash at June 30, 2006	$ 435,457

See Notes to Financial Statements.

EXHIBIT D

WINNESHIEK COUNTY

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

		Special Revenue					
	General	Mental Health	Rural Services	Secondary Roads	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property and other County tax	$3,374,225	$1,087,814	$ 662,530		$ 254,823	$ -	$ 5,379,392
Local option sales tax			1,090,902				1,090,902
Interest and penalty on property tax	49,037						49,037
Intergovernmental	1,581,225	907,773	204,496	$3,508,267	13,937	18,529	6,234,227
Licenses and permits	825		11,550	665			13,040
Charges for service	512,596		6,985	260		4,417	524,258
Use of money and property	349,896					5,404	355,300
Miscellaneous	81,389	10,227	556	38,705		397	131,274
Total revenues	5,949,193	2,005,814	1,977,019	3,547,897	268,760	28,747	13,777,430
EXPENDITURES							
Current							
Public safety and legal services	1,671,081		2,590				1,673,671
Physical health and social services	1,318,489		46,122			7,630	1,372,241
Mental health		2,081,849					2,081,849
County environment and education services	522,030		480,901				1,002,931
Roads and transportation			97,311	4,223,582			4,320,893
Governmental services to residents	423,790		8,025			18,175	449,990
Administrative services	1,090,546						1,090,546
Nonprogram	5,251						5,251
Debt service					2,781,219		2,781,219
Capital project	216,735			1,785,551			2,002,286
Total expenditures	5,247,922	2,081,849	634,949	6,009,133	2,781,219	25,805	16,780,877
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	701,271	(76,035)	1,342,070	(2,461,236)	(2,512,459)	2,942	(3,003,447)
OTHER FINANCING SOURCES (USES)							
Transfers in				1,569,352	315,616		1,884,968
(Loss) from disposal of capital assets				(4,225)			(4,225)
General obligation note issued				500,000	2,190,610		2,690,610
Transfers out	(443,527)		(1,441,441)				(1,884,968)
	(443,527)	-	(1,441,441)	2,065,127	2,506,226	-	2,686,385
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	257,744	(76,035)	(99,371)	(396,109)	(6,233)	2,942	(317,062)
FUND BALANCES, beginning of year	1,930,519	1,469,033	673,505	1,449,455	14,272	323,925	5,860,709
FUND BALANCES, end of year	$2,188,263	$1,392,998	$ 574,134	$1,053,346	$ 8,039	$ 326,867	$ 5,543,647

See Notes to Financial Statements.

WINNESHIEK COUNTY

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

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		$ (317,062)
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	$ (1,805,603)	
Capital outlays	2,542,266	736,663
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		(20,648)
The net effect of disposal of capital assets		(47,849)
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		3,149,834
Proceeds of long-term debt issuance are included in the governmental funds but increase long-term liabilities in the statement of activities		(2,695,000)
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		2,339
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		(6,221)
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		(13,240)
Change in net assets of governmental activities		$ 788,816

See Notes to Financial Statements.

EXHIBIT E

WINNESHIEK COUNTY

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006

	Business-type Activities			Governmental Activities
	Landfill	Nonmajor Enterprise Funds	Total	Internal Service
ASSETS				
Cash and pooled investments		$ 50,430	$ 50,430	$ 435,457
Receivables				
Accounts		1,997	1,997	
Accrued interest receivable				1,306
Due from other governments	$ 13,058		13,058	
Total current assets	13,058	52,427	65,485	436,763
Noncurrent assets				
Land		9,792	9,792	
Net capital assets	671,486	951,332	1,622,818	
Total noncurrent assets	671,486	961,124	1,632,610	-
Total assets	$ 684,544	$ 1,013,551	$ 1,698,095	$ 436,763
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	$ 13,099		$ 13,099	
Salaries and benefits payable	5,818		5,818	$ 252,453
Accrued interest payable		$ 580	580	
Total current liabilities	18,917	580	19,497	252,453
Noncurrent liabilities				
Long-term debt		214,405	214,405	
Total liabilities	18,917	214,985	233,902	252,453
Net assets				
Invested in capital assets, net of related debt	671,486	746,719	1,418,205	
Restricted		235,826	235,826	
Unrestricted	(5,859)	(183,979)	(189,838)	184,310
Total net assets	665,627	798,566	1,464,193	184,310
Total liabilities and net assets	$ 684,544	$ 1,013,551	$ 1,698,095	$ 436,763

See Notes to Financial Statements.

EXHIBIT F

WINNESHIEK COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2006

	Business-type Activities			Governmental Activities
	Landfill	Nonmajor Enterprise Funds	Total	Internal Service
OPERATING REVENUES				
Charges for service		$ 32,408	$ 32,408	$ 640,000
Contract services	$ 164,074		164,074	
Total operating revenues	164,074	32,408	196,482	640,000
OPERATING EXPENSES				
Wages and benefits	163,391	4,397	167,788	
Depletion	60,808		60,808	
Depreciation		24,644	24,644	
Other		11,508	11,508	
Insurance claims paid				433,108
Administrative fees				227,342
Total operating expenses	224,199	40,549	264,748	660,450
Operating loss	(60,125)	(8,141)	(68,266)	(20,450)
NONOPERATING REVENUES (EXPENSES)				
Interest income		499	499	14,229
Interest expense		(10,721)	(10,721)	
Net nonoperating revenues (expenses)	-	(10,222)	(10,222)	14,229
Income before contributions and transfers	(60,125)	(18,363)	(78,488)	(6,221)
TRANSFERS				
Transfer in		28,520	28,520	
Transfer out		(28,520)	(28,520)	
	-	-	-	-
Change in net assets	(60,125)	(18,363)	(78,488)	(6,221)
NET ASSETS, beginning of year	725,752	816,929	1,542,681	190,531
NET ASSETS, end of year	$ 665,627	$ 798,566	$ 1,464,193	$ 184,310

See Notes to Financial Statements.

EXHIBIT G

WINNESHIEK COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2006

	Business-type Activities			Governmental Activities
	Landfill	Nonmajor Enterprise Funds	Total	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from contract labor	$ 163,391		$ 163,391	
Cash received from charges for services		$ 31,584	31,584	$ 641,211
Cash payments to employees for services	(163,391)	(4,397)	(167,788)	
Cash payments to suppliers for services		(11,508)	(11,508)	(619,262)
Net cash provided by operating activities	-	15,679	15,679	21,949
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		(3,315)	(3,315)	
Interest paid on long-term borrowing		(10,252)	(10,252)	
Net cash used in capital and related financing activities	-	(13,567)	(13,567)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments		499	499	13,505
Net increase in cash and cash equivalents	-	2,611	2,611	35,454
CASH and CASH EQUIVALENTS, beginning of year	-	47,819	47,819	400,003
CASH and CASH EQUIVALENTS, end of year	$ -	$ 50,430	$ 50,430	$ 435,457
Reconciliation of operating loss to net cash provided by operating activities				
Operating loss	$ (60,125)	$ (8,141)	$ (68,266)	$ (20,450)
Adjustments to reconcile operating loss to net cash provided by operating activities				
Depreciation and depletion	60,808	24,644	85,452	
Decrease in accounts receivable		(824)	(824)	
Increase in accounts payable				41,187
(Increase) in due from other governments	(692)		(692)	
Increase in salaries and benefits payable	1,460		1,460	
Increase in deferred revenue				1,212
Decrease in accrued compensated absences	(1,451)		(1,451)	
Net cash provided by operating activities	$ -	$ 15,679	$ 15,679	$ 21,949

See Notes to Financial Statements.

EXHIBIT H

WINNESHIEK COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2006

ASSETS	
Cash and pooled investments	
County Treasurer	$ 967,463
Other County officials	20,197
Receivables	
Property tax	
Delinquent	8,474
Succeeding year	16,125,798
Accounts	25,764
Accrued interest	471
Due from other governments	4,163
Prepaid insurance	1,500
Total assets	$ 17,153,830
LIABILITIES	
Accounts payable	$ 18,410
Salaries and benefits payable	7,729
Due to other funds	-
Due to other governments	17,113,947
Deferred revenue	4,149
Trusts payable	1,822
Compensated absences	7,773
Total liabilities	$ 17,153,830
NET ASSETS	$ None

See 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 Behavioral Health, Inc., 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.

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.

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 matter 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.

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.

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.

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, 2006, 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, 2006 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

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, 2006, 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.

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:

Years of Service	Vacation Credited on Anniversary Date
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, 2006 has been determined or presented. 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, 2006 is $193,545.

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.

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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2005.

Interest and penalty on property tax receivable 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, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants 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 $142,576 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to credit risk categorization.

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, 2006:

Governmental	
General fund	
Department of Human Service reimbursement	$ 15,805
Medicaid	51,847
Medicare	22,742
Other	104,710
	195,104
Special revenue	
Mental health fund	
Other	5,134
Rural service fund	
Winneshiek County landfill	13,099
Local option sales tax	178,209
	191,308
Secondary roads fund	
Road use tax	267,003
Other	443
	267,446
Nonmajor governmental fund	
REAP grant	6,329
Total governmental	665,321
Business-type	
Proprietary	
Finance agreement landfill	13,058
	$ 678,379

4. Capital Assets

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

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Governmental activities				
Land	$ 484,290			$ 484,290
Infrastructure in progress	1,647,062		$1,647,062	None
	2,131,352	$ None	1,647,062	484,290
Capital assets being depreciated				
Buildings	7,748,000			7,748,000
Equipment	5,856,966	461,273	222,234	6,096,005
Infrastructure	36,860,015	3,728,055		40,588,070
Total capital assets being depreciated	50,464,981	4,189,328	222,234	54,432,075
Less accumulated depreciation				
Buildings	2,485,475	185,626		2,671,101
Equipment	2,436,778	357,292	174,385	2,619,685
Infrastructure	11,544,096	1,262,685		12,806,781
Total accumulated depreciation	16,466,349	1,805,603	174,385	18,097,567
Total capital assets being depreciated, net	33,998,632	2,383,725	47,849	36,334,508
Governmental activities Capital assets, net	$36,129,984	$2,383,725	$1,694,911	$36,818,798
Business-type activities				
Land	$ 9,792			$ 9,792
Capital assets being depreciated or depleted				
Equipment	1,178,773			1,178,773
Landfill	1,653,700			1,653,700
Total capital assets being depreciated or depleted	2,832,473			2,832,473
Less accumulated depreciation or depletion				
Equipment	202,797	$ 24,644		227,441
Landfill	922,089	60,125		982,214
Total accumulated depreciation or depletion	1,124,886	84,769		1,209,655
Total capital assets being depreciated or depleted, net	1,707,587	(84,769)		1,622,818
Business-type activities Capital assets, net	$ 1,717,379	$ (84,769)	$ None	$ 1,632,610

4. Capital Assets (Continued)

For the year ended June 30, 2006, 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	5,874
Roads and transportation	1,598,986
	$ 1,805,603
Business-type activities	
Burr Oak sewer fund	$ 12,828
Festina sewer fund	11,816
	$ 24,644

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 as of June 30, 2006 is as follows:

Governmental		
General fund	Services	$ 36,536
Special revenue fund		
Secondary road fund	Services	2,747
MH/DD	Services	236,436
		239,183
Proprietary fund		
Landfill	Services	13,099
Total for governmental		$ 288,818
Fiduciary		
Agency		
County assessor	Collections	$ 323,449
Schools		11,244,965
Area schools		470,572
Corporations		3,407,050
Auto license and use tax		352,279
Other		1,315,632
Total for agency funds		$17,113,947

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.

6. Pension and Retirement Benefits (Continued)

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were $242,693, $237,578, and $229,340, 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, 2006 amount to $1,061,186.

The Board of Supervisors has agreed to provide Oneota Riverview Care Facility financial support of $5,000 per year for repairs and maintenance for the period July 1, 2006 through June 30, 2007.

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, 2006 through June 30, 2007.

The County has entered into an agreement with Vesterheim Norwegian-American Museum to pay $10,000 over the next year 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 $115,197 from July 1, 2006 through June 30, 2007.

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, 2006	$ 115,197

9. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2006 was as follows:

	Balance June 30, 2005	Issued	(Paid)	Balance June 30, 2006	Amounts Due Within One Year
Governmental activities					
General Obligation Bonds					
County refunding	$1,345,000		$(1,345,000)	$ None	$ None
County jail bonds	1,220,000		(1,220,000)	None	None
Cash flow bond		$ 500,000	(500,000)	None	None
County refunding		1,160,000		1,160,000	205,000
County refunding		1,035,000		1,035,000	185,000
Total bonds	2,565,000	2,695,000	(3,065,000)	2,195,000	390,000
Other liabilities					
Notes/leases payable	226,492		(84,834)	141,658	76,658
Compensated absences	180,305	193,545	(180,305)	193,545	193,545
Total other liabilities	406,797	193,545	(265,139)	335,203	270,203
Governmental activities Long-term liabilities	$2,971,797	$2,888,545	$(3,330,139)	$2,530,203	$ 660,203
Business-type activities					
Other liabilities					
Notes payable	$ 217,719		$ (3,314)	$ 214,405	$ None
Compensated absences	1,451	$ None	(1,451)	None	None
Total other liabilities	219,170	None	(4,765)	214,405	None
Business-type activities Long-term liabilities	$ 219,170	$ None	$ (4,765)	$ 214,405	$ None

General Obligation Bonds

On March 3, 2006 the County issued $1,160,000 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 3.3% to 3.5% and matures from June 1, 2007 to June 2011. The County's intent in the sale was to take advantage of lower interest rates.

On March 3, 2006 the County issued General Obligation County Refunding Bonds worth $1,035,000. The proceeds from this issue were used to refinance existing debt. The issue of bonds bears interest ranging from 3.3% to 3.5% and matures from June 1, 2007 to June 1, 2011. The County's intent in the sale was to take advantage of lower interest rates.

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, 2006 to October 15, 2006.

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 $4,763 is reported in the Burr Oak Sewer enterprise fund. The County prepaid the payment in June 2006.

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 $5,958 is reported in the Festina Sewer enterprise fund. The County prepaid the payment in June 2006.

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, 2007 to June 1, 2008.

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

	Governmental Activities			
Year ending	Notes/Leases Payable		General Obligation Bonds	
June 30,	Principal	Interest	Principal	Interest
2007	$ 76,658	$ 3,163	$ 390,000	$ 92,992
2008	65,000	1,586	435,000	61,855
2009			440,000	47,282
2010			455,000	32,322
2011			475,000	16,626
Subtotal	141,658	4,749	2,195,000	251,077

	Business-type Activities			
Year ending	Notes/Leases Payable		General Obligation Bonds	
June 30,	Principal	Interest	Principal	Interest
2008	$ 3,473	$ 10,095		
2009	3,638	9,930		
2010	3,810	9,758		
2011	3,992	9,576		
2012	4,182	9,386		
2013-2017	24,089	43,752		
2018-2022	30,389	37,451		
2023-2027	38,348	29,492		
2028-2032	48,393	19,447		
2033-2037	34,008	10,176		
2038-2039	20,083	3,289		
Subtotal	214,405	192,352	$ None	$ None
	$ 356,063	$ 197,101	$ 2,195,000	$ 251,077

9. Long-term Debt Obligations (Continued)

At June 30, 2006, the debt issued by the County did not exceed its legal debt margin compiled as follows:

Total assessed valuation	$1,131,922,976
Debt limit - 5% of total assessed valuation	$ 56,596,149
Debt applicable to debt limit	
General obligation bonded debt outstanding	(2,195,000)
Other debt	(435,556)
Legal debt margin	$ 53,965,593

10. Due to/from Other Funds

As of June 30, 2006, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General fund	$ 58,777	
Special revenue funds		
Rural services	13,099	
Nonmajor governmental funds	1,128	
Enterprise funds		
Landfill		$ 13,099
Agency funds		59,905
	$ 73,004	$ 73,004

11. Interfund Transfers

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

	Transfers In	Transfers Out
General fund		
Secondary roads		$ 127,911
Nonmajor governmental		315,616
		443,527
Special revenue		
Rural services		1,441,441
Secondary roads	$ 1,569,352	
	1,569,352	1,884,968
Debt service	315,616	None
Total	$ 1,884,968	$ 1,884,968

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

12. Fund Equity

The amounts restricted at June 30, 2006 are as follows:

Restricted net assets	
General fund	
Equity in insurance pool	$ 13,246
Forfeiture	12,736
	25,982
Special revenue fund	
Mental health	1,392,813
Rural services	573,686
Secondary roads	729,451
Nonmajor governmental funds	280,462
	2,976,412
	$ 3,002,394
Restricted net assets	
Proprietary funds	
Nonmajor proprietary funds	$ 235,826

The amounts reserved at June 30, 2006 are as follows:

Reserved fund balances	
General fund	
Prepaid expenditures	$ 22,530
Equity in insurance pool	13,246
Forfeiture	12,736
	48,512
Special revenue fund	
Mental health	
Prepaid expenditures	722
Rural services	
Prepaid expenditures	750
Secondary roads	
Inventories	308,895
Prepaid expenditures	15,000
	325,367
	$ 373,879

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 was in effect until 2003. 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 from the Agency at 2000 140th Avenue, Decorah, IA 52101.

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 $2,635,073 as of June 30, 2006, which is based on 48% usage (filled) of the landfill. It is estimated that an additional $2,798,625 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 (2026).

The estimated total current cost of the landfill closure and postclosure care ($5,433,698), 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, 2006. Closure and postclosure care costs charged to operations for the year ended June 30, 2006 were ($39,536). 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 (for example, due to changes in technology or more rigorous environmental regulations) 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 567-111.6(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, 2006 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.

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, 2006, 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.

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 whose 531 members include 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, 2006 were $139,139.

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 $350,000 per claim. Claims exceeding $350,000 are reinsured in an amount not to exceed $2,650,000 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.

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, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

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 $858,255 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, 2006 was $559,710.

17. Employee Health Insurance Plan (Continued)

Amounts payable from the health insurance fund at June 30, 2006 total $252,453 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:

	2006	2005
Beginning liability	$ 210,054	$ 175,459
Claims and changes in estimates	456,015	476,811
Claim payments	(413,616)	(442,216)
Ending liability	$ 252,453	$ 210,054

WINNESHIEK COUNTY

BUDGETARY COMPARISON SCHEDULE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
June 30, 2006

	Actual	Less Amounts not Budgeted	Budget Basis	Budget Amounts Original	Budget Amounts Final	Final to Actual Variance-Positive (Negative)
RECEIPTS						
Property and other County tax	$ 6,454,693		$ 6,454,693	$ 6,581,675	$ 6,581,675	$ (126,982)
Interest and penalty on property tax	49,027		49,027	40,950	40,950	8,077
Intergovernmental	6,205,476		6,205,476	7,302,409	7,561,419	(1,355,943)
Licenses and permits	13,040		13,040	13,050	13,050	(10)
Charges for service	559,564		559,564	545,604	550,604	8,960
Use of money and property	352,400		352,400	228,495	228,495	123,905
Miscellaneous	621,742	$ 12,736	609,006	304,050	804,050	(195,044)
Total receipts	14,255,942	12,736	14,243,206	15,016,233	15,780,243	(1,537,037)
DISBURSEMENTS						
Public safety and legal services	1,661,472		1,661,472	1,764,901	1,764,901	103,429
Physical health and social services	1,360,847		1,360,847	1,435,488	1,476,474	115,627
Mental health	2,063,710		2,063,710	2,486,066	2,486,066	422,356
County environment and education services	999,601		999,601	1,161,096	1,059,846	60,245
Roads and transportation	4,258,826		4,258,826	4,685,476	4,685,476	426,650
Governmental services to residents	434,545		434,545	523,375	524,375	89,830
Administrative services	1,131,929		1,131,929	1,266,547	1,275,547	143,618
Nonprogram	5,251		5,251	5,500	6,000	749
Debt service	2,781,219		2,781,219	562,031	2,793,121	11,902
Capital project	2,127,463		2,127,463	2,145,500	3,001,500	874,037
Total disbursements	16,824,863	-	16,824,863	16,035,980	19,073,306	2,248,443
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,568,921)	12,736	(2,581,657)	(1,019,747)	(3,293,063)	711,406
OTHER FINANCING SOURCES, NET	2,226,385		2,226,385	30,000	2,225,000	1,385
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	(342,536)	12,736	(355,272)	(989,747)	(1,068,063)	712,791
BALANCE, beginning of year	5,711,581		5,711,581	5,701,940	5,711,581	-
BALANCE, end of year	$ 5,369,045	$ 12,736	$ 5,356,309	$ 4,712,193	$ 4,643,518	$ 712,791

See Notes to Required Supplementary Information.

WINNESHIEK COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION

For the Year Ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 14,255,942	$ (478,512)	$ 13,777,430
Expenditures	16,824,863	(43,986)	16,780,877
Net	(2,568,921)	(434,526)	(3,003,447)
Other financing sources, net	2,226,385	460,000	2,686,385
Beginning fund balance	5,711,581	149,128	5,860,709
Ending fund balance	$ 5,369,045	$ 174,602	$ 5,543,647

See Notes to Required Supplementary Information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
June 30, 2006

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, two budget amendments increased budgeted disbursements by $3,037,326. 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, 2006, 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, 2005, June 30, 2004 and June 30, 2003, and the general purpose financial statements as of and for the year ended June 30, 2002 (none of which is presented herein). We expressed qualified opinions on the governmental activities for the 2005, 2004 and 2003 fiscal years 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 for the 2005, 2004 and 2003 fiscal years. 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 fund. In our opinion, the information set forth in the required supplementary information for each of the four years in the period ended June 30, 2006, 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, 2006

SCHEDULE 1

WINNESHIEK COUNTY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	Special Revenue
ASSETS	
Cash and pooled investments	$ 319,519
Receivables	
Property tax	
Delinquent	-
Succeeding year	-
Accrued interest	491
Due from other funds	1,128
Due from other governments	6,329
Total assets	$ 327,467
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	$ 600
Deferred revenue	
Succeeding year property tax	-
Other	-
Total liabilities	600
Fund balances	
Reserved	
Debt service	-
Special revenue funds	326,867
Total fund balances	326,867
Total liabilities and fund balances	$ 327,467

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 2

WINNESHIEK COUNTY

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

	Special Revenue
REVENUES	
Property and other County tax	$ -
Intergovernmental	18,529
Charges for service	4,417
Use of money and property	5,404
Miscellaneous	397
Total revenues	28,747
EXPENDITURES	
Current	
Physical health and social services	7,630
Governmental services to residents	18,175
Debt service	-
Total expenditures	25,805
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,942
FUND BALANCES, beginning of year	323,925
FUND BALANCES, end of year	$ 326,867

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2006

	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	$ 192,747	$ 81,511	$ 36,259	$ 9,002	$ -	$ 319,519
Receivables						
Accrued interest	475			16		491
Due from other funds				1,128	-	1,128
Due from other governments	6,329					6,329
Total assets	$ 199,551	$ 81,511	$ 36,259	$ 10,146	$ -	$ 327,467
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	$ -	$ 600	$ -	$ -	$ -	$ 600
Total liabilities	-	600	-	-	-	600
Fund balances						
Reserved	199,551	80,911	36,259	10,146	-	326,867
Total fund balances	199,551	80,911	36,259	10,146	-	326,867
Total liabilities and fund balances	$ 199,551	$ 81,511	$ 36,259	$ 10,146	$ -	$ 327,467

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY

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

	REAP Grant	Water Testing Grant	Conservation Land Acquisition Fund	Recorder's Records Management	Recorder's Transaction Fund	Total Nonmajor Special Revenue Funds
REVENUES						
Intergovernmental	$ 12,167	$ 6,362				$ 18,529
Charges for service				$ 4,417		4,417
Use of money and property	5,107			167	$ 130	5,404
Miscellaneous				397		397
Total revenues	17,274	6,362	$ -	4,981	130	28,747
EXPENDITURES						
Current						
Physical health and social services		7,630				7,630
Governmental services to residents				3,565	14,610	18,175
Total expenditures	-	7,630	-	3,565	14,610	25,805
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	17,274	(1,268)	-	1,416	(14,480)	2,942
OTHER FINANCING SOURCES						
Transfers in			-			-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	17,274	(1,268)	-	1,416	(14,480)	2,942
FUND BALANCES, beginning of year	182,277	82,179	36,259	8,730	14,480	323,925
FUND BALANCES, end of year	$ 199,551	$ 80,911	$ 36,259	$ 10,146	$ -	$ 326,867

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY

COMBINING SCHEDULE OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
June 30, 2006

	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	$ 26,205	$ 10,536	$ 558	$ 10	$ 8,533	$ 4,588	$ 50,430
Receivables							
Accounts	780	1,217					1,997
Total current assets	26,985	11,753	558	10	8,533	4,588	52,427
Noncurrent assets							
Land	6,292	3,500					9,792
Net capital assets	468,908	482,424					951,332
Total noncurrent assets	475,200	485,924	-	-	-	-	961,124
Total assets	$ 502,185	$ 497,677	$ 558	$ 10	$ 8,533	$ 4,588	$ 1,013,551
LIABILITIES AND NET ASSETS							
Liabilities							
Accrued interest payable	$ 257	$ 323	$ -	$ -	$ -	$ -	$ 580
Notes payable	-	-					-
Total current liabilities	257	323	-	-	-	-	580
Noncurrent liabilities							
Long-term debt	89,473	124,932					214,405
Total liabilities	89,730	125,255	-	-	-	-	214,985
Net assets							
Invested in capital assets, net of related debt	385,727	360,992					746,719
Restricted	147,566	74,571	558	10	8,533	4,588	235,826
Unrestricted	(120,838)	(63,141)					(183,979)
Total net assets	412,455	372,422	558	10	8,533	4,588	798,566
Total liabilities and net assets	$ 502,185	$ 497,677	$ 558	$ 10	$ 8,533	$ 4,588	$ 1,013,551

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2006

	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	$ 17,899	$ 14,509	$ -	$ -	$ -	$ -	$ 32,408
Total operating revenues	17,899	14,509	-	-	-	-	32,408
OPERATING EXPENSES							
Wages and benefits	1,300	3,097					4,397
Depreciation	12,828	11,816					24,644
Other	10,311	1,197					11,508
Total operating expenses	24,439	16,110	-	-	-	-	40,549
Operating loss	(6,540)	(1,601)	-	-	-	-	(8,141)
NONOPERATING REVENUES (EXPENSES)							
Interest income	368	131					499
Interest expense	(4,763)	(5,958)					(10,721)
Net nonoperating revenues (expenses)	(4,395)	(5,827)	-	-	-	-	(10,222)
Income before contributions and transfers	(10,935)	(7,428)	-	-	-	-	(18,363)
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	(11,573)	(8,174)	2	2	636	744	(18,363)
NET ASSETS, beginning of year	424,028	380,596	556	8	7,897	3,844	816,929
NET ASSETS, end of year	$ 412,455	$ 372,422	$ 558	$ 10	$ 8,533	$ 4,588	$ 798,566

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY

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

	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		$ 2,102	$109,572	$ 134,034	$ 5,842	$ 30,420	$ 3,896	$366,566	$315,031	$ 967,463
Other County officials	$ 80,102									80,102
Receivables										
Property tax										
Delinquent		81	110	5,125	225	2,560	123		250	8,474
Succeeding year		167,484	227,379	11,105,806	464,505	3,374,070	265,028		521,526	16,125,798
Accounts	3,319								22,445	25,764
Accrued interest									471	471
Due from other governments			14						4,149	4,163
Prepaid insurance			1,500							1,500
Total assets	$ 83,421	$ 169,667	$338,575	$11,244,965	$470,572	$ 3,407,050	$ 269,047	$366,566	$863,872	$17,213,735
LIABILITIES										
Accounts payable			$ 317						$ 18,093	$ 18,410
Salaries and benefits payable			7,036						693	7,729
Due to other funds	$ 45,618							$ 14,287	-	59,905
Due to other governments	35,981	$ 169,667	323,449	$11,244,965	$470,572	$ 3,407,050	$ 269,047	352,279	840,937	17,113,947
Deferred revenue									4,149	4,149
Trusts payable	1,822									1,822
Accrued compensated absences			7,773							7,773
Total liabilities	$ 83,421	$ 169,667	$338,575	$11,244,965	$470,572	$ 3,407,050	$ 269,047	$366,566	$863,872	$17,213,735

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY

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

	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	$101,409	$ 2,480	$109,327	$ 160,946	$ 6,946	$ 50,428	$ 3,972	$ 374,303	$ 438,193	$1,248,004
ADDITIONS										
Property and other County tax		156,350	212,202	10,222,246	434,610	3,508,048	241,817		518,842	15,294,115
State tax credits		8,614	11,719	550,949	23,948	140,566	15,123		28,587	779,506
Drivers license fees								31,786		31,786
Office fees and collections	509,086		147						4,371	513,604
Auto license, use tax and postage								4,329,208		4,329,208
E-911 telephone surcharges									98,029	98,029
Miscellaneous	219,909		18,303						202,870	441,082
Assessments									90,029	90,029
Trusts	120,746									120,746
Total additions	849,741	164,964	242,371	10,773,195	458,558	3,648,614	256,940	4,360,994	942,728	21,698,105
DEDUCTIONS										
Agency remittances										
To other funds	437,146							140,146		577,292
To other governments	137,412	165,261		10,794,982	459,437	3,666,062	256,893	4,228,585	689,976	20,398,608
Trusts paid out	118,152									118,152
Miscellaneous	175,019		240,502						371,534	787,055
Total deductions	867,729	165,261	240,502	10,794,982	459,437	3,666,062	256,893	4,368,731	1,061,510	21,881,107
BALANCE, end of year	$ 83,421	$ 2,183	$111,196	$ 139,159	$ 6,067	$ 32,980	$ 4,019	$ 366,566	$ 319,411	$1,065,002

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 9

WINNESHIEK COUNTY

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

	Modified Accrual				
	2006	2005	2004	2003	2002
REVENUES					
Property and other County tax	$ 4,288,490	$ 5,462,955	$ 5,728,954	$ 5,745,793	$ 5,340,870
Local option sales tax	1,090,902	1,144,299	958,144	954,606	955,149
Interest and penalty on property tax	49,037	51,129	65,567	56,975	52,632
Intergovernmental	6,234,227	5,996,378	6,133,510	6,134,465	6,319,296
Licenses and permits	13,040	14,969	13,577	9,317	9,420
Charges for service	524,258	554,535	566,941	533,625	443,851
Use of money and property	355,300	252,964	209,672	241,446	237,426
Miscellaneous	131,274	104,590	136,139	64,201	653,333
Total revenues	$ 12,686,528	$ 13,581,819	$ 13,812,504	$ 13,740,428	$ 14,011,977
EXPENDITURES					
Current					
Public safety and legal services	$ 1,673,671	$ 1,568,370	$ 1,491,544	$ 1,336,837	$ 1,365,803
Physical health and social services	1,372,241	1,350,847	1,381,162	1,434,542	1,374,493
Mental health	2,081,849	1,973,584	2,113,732	2,291,141	2,354,933
County environment and education services	1,002,931	969,412	943,942	983,901	800,079
Roads and transportation	4,320,893	4,464,945	4,495,658	3,484,717	3,461,794
Governmental services to residents	449,990	275,852	275,390	254,917	243,726
Administrative services	1,090,546	1,213,439	1,080,717	1,020,258	949,361
Nonprogram	5,251	3,317	3,344	4,804	14,928
Debt service	2,781,219	569,658	821,934	578,122	584,241
Capital project	2,002,286	1,479,367	1,135,748	1,142,002	2,026,209
Total expenditures	$ 16,780,877	$ 13,868,791	$ 13,743,171	$ 12,531,241	$ 13,175,567

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY

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

Section I: Summary of the Independent Auditor's Results	Yes	No	None Reported
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 20.205, Highway Planning and Construction
CFDA Number 90.401, Help America Vote Act Requirements Payments

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

06-1 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, 2006

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: 2006
U.S. Department of Housing and Urban Development
Passed through Iowa Department of Economic Development

See 06-1 above

CFDA Number 20.205, Highway Planning and Construction
Federal Award Year: 2006
U.S. Department of Transportation
Passed through Iowa Department of Transportation

See 06-1 above

CFDA Number 90.401, Help America Vote Act Requirements Payments
Federal Award Year: 2006
U.S. Election Assistance Commission
Passed through Iowa Secretary of State

See 06-1 above

Section IV: Other Findings Related to Required Statutory Reporting

See management letter dated October 27, 2006

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

Comment Reference	Comment Title	Status	Explanation
05-1	Segregation of duties	Not Corrected	The County has a limited staff and segregates duties to the best of their abilities.

WINNESHIEK COUNTY

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

Grantor/Program	CFDA Number	Grant Number/Description	Program Expenditures
Direct			
U.S. Department of Homeland Security			
Assistance to Firefighters Grant	97.044	EMW-2003-FP-02593	$ 5,967
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	10,043
Department of Housing and Urban Development			
Passed through Iowa Department of Economic Development			
Community Development Block Grant	14.228	02-CF-027	211,034
		04-ED-005	4,889
			215,923
Department of Transportation			
Passed through Iowa Department of Transportation			
Highway Planning and Construction	20.205	BROS-CO96(69)--8J-96	63,279
U.S. Election Assistance Commission			
Passed through Iowa Secretary of State			
Help America Vote Act Requirements Payments	90.401	06-HAVA-96-100, SA1	154,986
Department of Health and Human Services			
Passed through Iowa Department of Human Rights			
Temporary Assistance for Needy Families	93.558	FaDSS-05-25-F1	116,546
		LAE Reimbursement	12,134
			128,680
Immunization Grants	93.268	5885I425	2,504
		5886I425	1,871
			4,375
Maternal and Child Health Services Block Grant to the States	93.994	5885MC03	623
		5886MH10	3,071
			3,694
Passed through Hancock County Public Health Services			
Centers for Disease Control and Prevention, Investigations, and Technical Assistance	93.283	BT05016	13,726
		BT06016	26,211
			39,937

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

WINNESHIEK COUNTY

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

Grantor/Program	CFDA Number	Grant Number/Description	Program Expenditures
Indirect (Continued)			
Department of Health and Human Services (Continued)			
Passed through Iowa Secretary of State			
Voting Access for Individuals with Disabilities, Grants to States	93.617	06-HAVA-96-001 to 002	$ 4,420
Passed through Iowa Department of Human Services			
Social Services Block Grant	93.667	96-001	73,950
		LAE Reimbursement	7,705
			81,655
Other Federal Financial Assistance			
Human Services Administrative Reimbursements			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	LAE Reimbursement	2,895
Foster Care - Title IV-E	93.658	LAE Reimbursement	6,237
Adoption Assistance	93.659	LAE Reimbursement	1,541
Medical Assistance Program	93.778	LAE Reimbursement	16,058
			26,731
Sub-total Department of Health and Human Services			289,492
Federal Emergency Management Agency			
Passed through Iowa Department of Public Defense			
Hazard Mitigation Grant	97.039	0996-0343	1,268
Emergency Management Performance Grants	97.042	EMPG Reimbursement	8,634
Subtotal Federal Emergency Management Agency			9,902
Total Federal Financial Assistance			$ 749,592

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, 2006

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 $89,473 and $124,932 as of June 30, 2006. 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 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, 2006, which collectively comprise Winneshiek County's basic financial statements and have issued our report thereon dated October 27, 2006. 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 initiate, record, process, 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 06-1. 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, 2006.

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, 2006

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

To the 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, 2006. 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, 2006.

Internal Control Over Compliance

The management of Winneshiek County is responsible for establishing and maintaining effective internal control over compliance with the 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 Questions Costs at Item 06-1. 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, 2006, and have issued our report thereon dated October 27, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Winneshiek County's basic financial statements. 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, 2006

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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 for the year ended June 30, 2006, we considered the County's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal controls.

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 10 below are compliance comments required by the Iowa Auditor of State. A separate report dated October 27, 2006, contains our report on reportable conditions in the County's internal controls. This letter does not affect our report dated October 27, 2006 on the basic financial statements of Winneshiek County. Comments 1, 9, 11, 13, 14, and 15 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. Certified Budget

Disbursements for the year ended June 30, 2006 did not exceed the amounts budgeted in total. We 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 call to the attention of our organization's with budget authority the absolute necessity of expenditures not exceeding budgeted amounts, and, when necessary to exceed original budgeted amounts, approve budget amendments are in effect prior to additional expenditures being made.

Conclusion

Response accepted.

2. 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.

3. Travel Expense

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

4. Business Transactions

We noted no business transactions between the County and County officials and/or employees for the year ended June 30, 2006.

5. Bond Coverage

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

6. Board Minutes

No transactions were found that we believe should have been approved in the Board minutes but were not. 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. We did note one instance in the Board minutes where the low bid was not taken. There was no reason indicated in the Board minutes as to why the low bid was not taken.

Recommendation

We recommend the County indicate in the Board minutes the reason for not accepting the lowest bid.

Response

The Board minutes will include the reason whenever the low bid was not accepted.

Conclusion

Response accepted.

7. 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).

8. 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, 2006 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.

9. Economic Development

During the year ended June 30, 2006 the County paid $66,138 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.

9. Economic Development (Continued)

Response

The Board of Supervisors will document the public purpose(s) served by the expenditure of funds for economic development before funds are expended. The Board shall also require documentation of how expended funds were used for economic development.

Conclusion

Response accepted.

10. 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.

11. 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 agree that complete property and equipment records should be developed. This is a major undertaking and we are not yet sure of how this could be accomplished. We will endeavor tc accomplish this and will consider hiring an outside consultant.

Conclusion

Response accepted.

12. Solid Waste Fees Retainage

During the year ended June 30, 2006, 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.

13. Recorder's Office

During our audit we noticed that the recorder's office has issued checks exceeding bank balances.

Recommendation

We recommend that checks should be written for only deposits that have been made. Each bank account should have a zero balance at the end of each month.

Response

We will watch account balances closer.

Conclusion

Response accepted.

14. Disbursements

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

Recommendation

We recommend that all invoices be reviewed and approval documented before being paid.

Response

All invoices are to be reviewed and approved by the respective department head before being paid.

Conclusion

Response accepted.

15. 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 transfers from general basic was transferred in full in November because of funds needed in the road budget (approved by the Board); the transfers from the rural basic fund was transferred in full by using local option dollars and not tax dollars.

Conclusion

Response accepted.

16. Local Option Sales Tax

During our audit, we noted that local option sales tax for the month of January was not allocated to General County Betterment according to the ballot.

Recommendation

We recommend the County review the allocation of local option sales tax to ensure that it is allocated in accordance to local provisions.

Response

Recommendation accepted by County Treasurer.

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, 2006