

WINNEBAGO COUNTY
Forest City, Iowa

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2007

WINNEBAGO COUNTY
Forest City, Iowa

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WINNEBAGO COUNTY
Forest City, Iowa

OFFICIALS

(Before January 2007)

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

(After January 2007)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gorden Anderson	Board of Supervisors	January 2009
James Oulman	Board of Supervisors	January 2011
Warren Wubben	Board of Supervisors	January 2011
Jennifer Fjelstad	Auditor.....	January 2009
Julie Swenson.....	Treasurer	January 2011
Kristin Colby.....	Recorder.....	January 2011
Thomas Lillquist	Sheriff	January 2009
Robert Cooper	Attorney	January 2011
Lowell Ouverson.....	Assessor	Appointed



Independent Auditors' Report

To the Officials of Winnebago County
Forest City, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winnebago County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Winnebago County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Winnebago County at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our reports dated March 21, 2008 on our consideration of Winnebago County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4- 9 and 37 - 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winnebago County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

March 21, 2008

Gardiner Thomsen, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Winnebago County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased, approximately \$1,599,964, from fiscal 2006 to fiscal 2007. Property tax increased approximately \$355,283, operating grants, capital grants and contributions decreased approximately \$432,002 and charges for services increased approximately \$174,193.
- Program expenses were 7%, or approximately \$676,455 less in fiscal 2007 than in fiscal 2006.
- The County's net assets increased 17%, or approximately \$2,003,213 from June 30, 2006 to June 30, 2007.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

Reporting the County's Financial Activities

Government-wide Financial Statements

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

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

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

The County's governmental activities are displayed in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration or general government, interest on long-term debt and other non-program activities. Property taxes and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Winnebago County's combined net assets decreased from a year ago, from \$13.79 million to \$11.79 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities
(Expressed in Thousands)

	2007	2006
Current and Other Assets	\$8,245	\$9,033
Capital Assets	10,822	8,970
Total Assets	19,067	18,003
Long-Term Debt Outstanding	913	1,922
Other Liabilities	4,360	4,290
Total Liabilities	5,273	6,212
Net Assets:		
Invested in Capital Assets, Net of debt	10,822	8,970
Restricted	2,203	2,281
Unrestricted	769	540
Total Net Assets	\$13,794	\$11,791

Net assets of the Winnebago County's governmental activities increased by 17% (\$13.79 million compared to \$11.79 million). The largest portion of the County's net assets is the invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenant, enabling legislation or other legal requirements was \$796,245.

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

	2007	2006
Program Revenues:		
Charges for Service	\$1,603	\$1,429
Operating Grants, Contributions and Restricted Interest	3,312	3,744
Capital Grants, Contributions and Restricted Interest	1,768	337
General Revenues:		
Property Taxes	3,509	3,024
Penalty and Interest on Property Tax	39	29
State Tax Credits	210	200
Local Option Sales Tax	322	287
Unrestricted Investments Earnings	144	78
Other General Revenues	87	266
Total Revenues	10,994	9,394
Program Expenses:		
Public Safety and Legal Services	1,068	1,185
Physical Health and Social Services	639	701
Mental Health	1,371	1,233
County Environment and Education	541	615
Roads and Transportation	3,268	3,057
Government Services to Residents	343	453
Administration	763	817
Non-program	990	1,606
Interest on Long-Term Debt	8	0
Total Expenses	8,991	9,667
Increase (Decrease) in Net Assets	2,003	(273)
Net Assets – Beginning of Year	11,791	12,064
Net Assets – End of Year	\$13,794	\$11,791

The results of governmental activities for the year resulted in Winnebago County's net assets increasing by approximately \$2,003,213. Revenues for governmental activities increased by approximately \$1,599,964 over the prior year, with property tax revenue up from the prior year by approximately \$355,283.

The cost of all governmental activities this year was \$8,991,059 compared to \$9,667,514 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was \$4.0 million because of the cost was paid by those directly benefiting from the programs (\$1,602,744) or by other governmental and organizations that subsidized certain programs with grants and contributions (\$3.3 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2007 from approximately \$5.509 million to \$6.681 million. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$3.2 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUNDS

As Winnebago County completed the year, its governmental funds reported a combined fund balance of \$3.365 million, a decrease of \$343,799 below last year's total of \$3.706 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$213,255 and expenditures decreased approximately \$1,123,186 when compared to the prior year. The ending fund balance showed an increase of \$535,723 from the prior year to \$1,060,050.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,376,244, an increase of 12% from the prior year. The Mental Health Fund balance at year end decreased by approximately \$94,733 over the prior year.
- Secondary Roads Fund expenditures increased slightly by approximately \$253,175 over the prior year. The Secondary Roads Fund ending balance decreased approximately by \$515,148.
- During the year ended June 30, 2007, the County had collections of assessments and miscellaneous of \$1,721,015, proceeds of issuance of drainage warrants of \$257,358 and payments of \$2,232,533, decreasing the Drainage fund balance by approximately \$254,160.

BUDGETARY HIGHLIGHTS

Over the course of the year, Winnebago County amended its budget two times. The amendments were made in July, 2006 and May 2007, and resulted in an increase in budgeted disbursements related to all functions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007, Winnebago County had approximately \$10.822 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$1.856 million or 21% over last year.

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

	2007	2006
Land	\$858	\$753
Buildings and Improvements	3,232	3,265
Equipment	2,009	1,785
Infrastructure	4,723	3,167
Total	10,822	\$8,970

This year's major additions include (expressed in thousands)		
Buildings	\$50	\$218
Equipment and Vehicles	599	244
Infrastructure	1,780	2,029
	\$2,429	\$2,491

The County had depreciation expense of \$679,318 for the year ended June 30, 2007 and total accumulated depreciation of \$4.861 million at June 30, 2007.

The County's fiscal year 2007 capital budget included \$264,000 for capital projects, principally for continued upgrading of secondary roads and bridges. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long – Term Debt

At June 30, 2007, Winnebago County had approximately \$916,144 in general obligation notes and other debt outstanding compared to approximately \$1.909 million at June 30, 2006, as shown below.

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

	2007	2006
General Obligation Notes	\$0	\$13
County Operating Loan	150	0
Drainage Warrant and Improvement Certificates	618	1,780
Compensated Absences	148	116
	\$916	\$1,909

Debt decreased as a result of paying drainage warrants.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Winnebago County's outstanding general obligation debt is significantly below its constitutional debt limit of \$29.8 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Winnebago County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates, and the fees that will be charged for various County activities.

One of those factors is the economy. The county's nonagricultural employment averaged an increase of 1% in 2007. The population in Winnebago County, however, continued to decline in 2007. Unemployment in the County now stands at 3.5% versus 3.8% a year ago which shows a change of .3% with less people being unemployed in the county. This compares with the state unemployment rate of 3.7% for 2007 and the national rate of 4.6% for 2007. This shows that Winnebago County's citizens are finding employment and continuing to stay employed.

The State's Consumer Price Index increase was 3.8% for fiscal year 2007, compared with the national rate of 4.1% for 2007. Inflation may have risen in Iowa, more than the national rate, probably due in part by the emergence of Iowa in the renewal fuels marketplace. Because Iowa has a strong economy in ethanol biodeisel, and wind power, even though energy prices continued to go up in Iowa, they rose at a rate less than the national average. However, prices continued to increase throughout 2007 for food costs and healthcare costs which dipped further into the pockets of Winnebago County residents. The Consumer Price Index reflects increases or decreases in goods and services purchased by households. These goods and services include food, clothing, shelter, fuels, transportation, and healthcare.

With more dollars being spent on basic living expenses, Winnebago County's citizens' needs were considered when preparing the 2008 County Budget. Amounts available for appropriation in the operating budget are \$10,661,809 million. The county has added no major new programs or initiatives in the 2008 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Winnebago County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Winnebago County Auditor's Office, 126 South Clark Street, Forest City, Iowa.

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF NET ASSETS
 June 30, 2007

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$3,170,079
Receivables:	
Property Tax:	
Delinquent	18,526
Succeeding Year	3,685,128
Interest & Penalty On Property Tax	1,708
Accounts	88,109
Accrued Interest	16,777
Drainage Assessments	411,565
Due From Other Governments	321,557
Notes Receivable	2,500
Inventories	473,485
Prepaid Insurance	54,970
Capital Assets (Net of Accumulated Depreciation)	10,822,471
TOTAL ASSETS	19,066,875
LIABILITIES	
Accounts Payable	405,436
Accrued Interest Payable	82,140
Salaries & Benefits Payable	25,154
Due To Other Governments	161,995
Deferred Revenue:	
Succeeding Year Property Tax	3,685,128
Long Term Liabilities:	
Portion Due Or Payable Within One Year:	
Notes & Contracts	150,000
Compensated Absences	144,904
Portion Due Or Payable After One Year:	
Drainage Warrants/Improvement Certificates	617,777
TOTAL LIABILITIES	5,272,534
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	10,822,471
Restricted For:	
Mental Health Purposes	360,634
Secondary Roads Purposes	1,291,783
Debt Service	42
Other Purposes	550,166
Unrestricted	769,245
TOTAL NET ASSETS	\$13,794,341

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

	Expenses	Program Revenues
		Charges for Service
FUNCTIONS/PROGRAMS:		
GOVERNMENTAL ACTIVITIES:		
Public Safety & Legal Services	\$1,067,997	\$131,443
Physical Health & Social Services	638,675	382,882
Mental Health	1,371,240	438
County Environment & Education	540,968	16,292
Roads & Transportation	3,268,437	87,205
Governmental Services to Residents	342,699	191,981
Administrative Services	763,245	133,961
Non-program	990,224	658,542
Interest on Long Term Debt	7,574	0
TOTAL	\$8,991,059	\$1,602,744

GENERAL REVENUES:

- Property & Other County Tax Levied For:
 - General Purposes
 - Debt Service
- Penalty & Interest on Property Tax
- State Tax Credits
- Local Option Sales Tax
- Tax Increment Financing
- Unrestricted Investment Earnings
- Miscellaneous
- Loss on Disposal of Capital Assets

TOTAL GENERAL REVENUES

CHANGE IN NET ASSETS

NET ASSETS, BEGINNING OF YEAR

NET ASSETS END OF YEAR

See Notes To Financial Statements

Exhibit B

Program Revenues		
Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions, & Restricted Interest	Net (Expense) Revenue & Changes in Net Assets
\$13,080	\$0	\$(923,474)
173,095	0	(82,698)
846,270	0	(524,532)
36,281	126,945	(361,450)
1,709,267	1,640,749	168,784
0	0	(150,718)
4,112	0	(625,172)
529,454	0	197,772
0	0	(7,574)
<u>\$3,311,559</u>	<u>\$1,767,964</u>	<u>\$(2,309,062)</u>
		3,276,525
		42
		39,916
		209,943
		321,779
		232,212
		144,362
		89,451
		(1,955)
		<u>4,312,275</u>
		2,003,213
		<u>11,791,128</u>
		<u><u>\$13,794,341</u></u>

WINNEBAGO COUNTY
Forest City, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2007

	General	Special Revenue	
		Mental Health	Rural Services
ASSETS			
Cash & Pooled Investments	\$991,577	\$493,521	\$159,299
Receivables:			
Property Tax:			
Delinquent	10,692	2,414	5,378
Succeeding Year	1,827,272	410,098	1,077,868
Interest & Penalty on Property Tax	1,708	0	0
Accounts	29,282	146	0
Accrued Interest	16,206	0	0
Drainage Assessments	0	0	0
Due From Other Governments	14,568	39,624	0
Notes Receivable	0	0	0
Inventories	0	0	0
Prepaid Insurance	34,060	0	0
TOTAL ASSETS	\$2,925,365	\$945,803	\$1,242,545
LIABILITIES & FUND BALANCES			
Liabilities:			
Accounts Payable	\$25,007	\$28,256	\$174,683
Interest Payable	0	0	0
Salaries & Benefits Payable	833	440	1,845
Due To Other Governments	2,077	146,375	10,991
Deferred Revenue:			
Succeeding Year Property Tax	1,827,272	410,098	1,077,868
Other	10,126	2,287	5,279
Total Liabilities	1,865,315	587,456	1,270,666
Fund Balances			
Reserved For:			
Inventories	0	0	0
Notes Receivable	0	0	0
Debt Service	0	0	0
Unreserved, Reported In:			
General Fund	1,060,050	0	0
Special Revenue Funds	0	358,347	(28,121)
Total Fund Balances	1,060,050	358,347	(28,121)
TOTAL LIABILITIES & FUND BALANCES	\$2,925,365	\$945,803	\$1,242,545

See Notes To Financial Statements

Exhibit C

<u>Special Revenue</u>				
<u>Secondary Roads</u>	<u>Drainage</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$875,011	\$105,145	\$0	\$447,824	\$3,072,377
0	0	42	0	18,526
0	0	148,389	221,501	3,685,128
0	0	0	0	1,708
1,004	0	0	57,677	88,109
0	0	0	571	16,777
0	411,565	0	0	411,565
191,764	0	0	75,601	321,557
2,500	0	0	0	2,500
473,485	0	0	0	473,485
20,910	0	0	0	54,970
<u>\$1,564,674</u>	<u>\$516,710</u>	<u>\$148,431</u>	<u>\$803,174</u>	<u>\$8,146,702</u>
\$174,133	\$0	\$0	\$3,357	\$405,436
0	74,566	0	0	74,566
16,728	0	0	5,308	25,154
2,552	0	0	0	161,995
0	0	148,389	221,501	3,685,128
0	411,565	0	0	429,257
<u>193,413</u>	<u>486,131</u>	<u>148,389</u>	<u>230,166</u>	<u>4,781,536</u>
473,485	0	0	0	473,485
2,500	0	0	0	2,500
0	0	42	0	42
0	0	0	0	1,060,050
895,276	30,579	0	573,008	1,829,089
<u>1,371,261</u>	<u>30,579</u>	<u>42</u>	<u>573,008</u>	<u>3,365,166</u>
<u>\$1,564,674</u>	<u>\$516,710</u>	<u>\$148,431</u>	<u>\$803,174</u>	<u>\$8,146,702</u>

**WINNEBAGO COUNTY
Forest City, Iowa**

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

June 30, 2007

Total Governmental Fund Balances (page 14) \$3,365,166

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is \$15,683,598 and the accumulated depreciation is \$4,861,127. 10,822,471

Other long term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 429,257

The Internal Service Fund is used by management to charge the costs of partial 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. 97,702

Long-term liabilities, including capital lease purchase agreements payable, notes payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (920,255)

Net Assets of Governmental Activities (pages 10 and 12) \$13,794,341

See Notes to Financial Statements.

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	General	Special Revenue	
		Mental Health	Rural Services
REVENUES:			
Property & Other County Tax	\$1,806,839	\$407,909	\$1,065,155
Interest & Penalty on Property Tax	39,916	0	0
Intergovernmental	253,701	872,939	65,025
Licenses & Permits	2,044	0	370
Charges for Services	224,419	0	0
Use of Money & Property	145,882	0	0
Miscellaneous	71,269	663	1,004
Total Revenues	2,544,070	1,281,511	1,131,554
EXPENDITURES:			
Operating:			
Public Safety & Legal Services	873,176	0	150,546
Physical Health & Social Services	143,318	0	0
Mental Health	0	1,376,244	0
County Environment & Education	166,460	0	190,530
Roads & Transportation	0	0	451,070
Governmental Services to Residents	339,694	0	704
Administrative Services	720,682	0	3,282
Non-program	300	0	4,440
Capital Projects	0	0	0
Total Expenditures	2,243,630	1,376,244	800,572
Excess (Deficiency) of Revenues Over (Under) Expenditures	300,440	(94,733)	330,982
Other Financing Sources (Uses):			
Sale of Capital Assets	1,645	0	0
Operating Transfers In	336,638	0	181,162
Operating Transfers Out	(253,000)	0	(765,422)
General Obligation Note Issued	150,000	0	0
Drainage Warrants Issued	0	0	0
Total Other Financing Sources (Uses)	235,283	0	(584,260)
Net Change in Fund Balances	535,723	(94,733)	(253,278)
Fund Balances – Beginning of Year	524,327	453,080	225,157
Decrease In Reserve for Notes Receivable	0	0	0
Decrease in Reserve For Inventories	0	0	0
Fund Balances – End of Year	\$1,060,050	\$358,347	\$(28,121)

See Notes To Financial Statements

Exhibit E

<u>Special Revenue</u>					
Secondary Roads	Drainage	Debt Service	Nonmajor	Total	
\$0	\$0	\$42	\$553,992	\$3,833,937	
0	0	0	0	39,916	
1,774,849	1,049,901	0	217,487	4,233,902	
2,375	0	0	0	4,789	
17,417	0	0	505,049	746,885	
1,500	0	0	5,671	153,053	
78,847	671,114	0	43,331	866,228	
1,874,988	1,721,015	42	1,325,530	9,878,710	
0	0	0	5,022	1,028,744	
0	0	0	487,610	630,928	
0	0	0	0	1,376,244	
0	0	0	135,604	492,594	
2,696,788	0	0	0	3,147,858	
0	0	0	0	340,398	
0	0	0	0	723,964	
0	2,232,533	0	151,014	2,388,287	
167,320	0	0	72,290	239,610	
2,864,108	2,232,533	0	851,540	10,368,627	
(989,120)	(511,518)	42	473,990	(489,917)	
2,500	0	0	0	4,145	
733,857	0	0	309,565	1,561,222	
0	0	0	(542,800)	(1,561,222)	
0	0	0	0	150,000	
0	257,358	0	0	257,358	
736,357	257,358	0	(233,235)	411,503	
(252,763)	(254,160)	42	240,755	(78,414)	
1,886,409	284,739	0	332,253	3,705,965	
(2,500)	0	0	0	(2,500)	
(259,885)	0	0	0	(259,885)	
\$1,371,261	\$30,579	\$42	\$573,008	\$3,365,166	

**WINNEBAGO COUNTY
Forest City, Iowa**

**RECONCILIATION OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2007**

Net Change in Fund Balances - Total Governmental Funds (page ___) \$(340,799)

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

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

Expenditures for capital assets	\$881,749	
Capital assets contributed by the Iowa Department of Transportation	1,575,166	
Capital assets contributed by Others	78,750	
Depreciation Expense	<u>(679,318)</u>	1,856,347

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. (3,600)

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	(3,380)	
Other	<u>(557,362)</u>	(560,742)

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

Issued	(407,358)	
Repaid	<u>1,432,650</u>	1,025,292

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	(15,553)	
Interest on long-term debt	<u>(7,574)</u>	(23,127)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities 49,842

Change in Net Assets of Governmental Activities (page 12) \$2,003,213

See Notes to Financial Statements

**WINNEBAGO COUNTY
Forest City, Iowa**

**STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2007**

	Internal Service Employee Group Health
<hr/>	
ASSETS	
Cash & Cash Equivalents	\$97,702
<hr/>	
LIABILITIES	
Accounts Payable	0
<hr/>	
NET ASSETS	
Unrestricted	\$97,702
<hr/>	

See Notes To Financial Statements

**WINNEBAGO COUNTY
Forest City, Iowa**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2007**

	Internal Service Employee Group Health
<hr/>	
Operating Revenues:	
Reimbursements from Operating Funds	\$458,432
Reimbursements from Employees	44,647
Other Reimbursements	3,406
<hr/>	
Total Operating Revenues	506,485
<hr/>	
Operating Expenses:	
Medical Claims	720
Insurance Premiums	455,202
Administrative Fees	721
<hr/>	
Total Operating Expenses	456,643
<hr/>	
Net Income	49,842
<hr/>	
Net Assets Beginning of Year	47,860
<hr/>	
Net Assets End of Year	\$97,702
<hr/> <hr/>	

See Notes To Financial Statements

**WINNEBAGO COUNTY
Forest City, Iowa****STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2007**

	Internal Service Employee Group Health
<hr/>	
Cash Flows from Operating Activities:	
Cash Received from Operating Fund Reimbursements	\$458,432
Cash Received from Employees and Others	48,053
Cash Payments to Suppliers for Services	(461,041)
Net Cash Provided By Operating Activities	45,444
<hr/>	
Net Increase in Cash and Cash Equivalents	45,444
Cash and Cash Equivalents at Beginning of Year	52,258
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Cash and Cash Equivalents at End of Year	\$97,702
<hr/> <hr/>	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$49,842
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Decrease in Accounts Payable	(4,398)
<hr/>	
Net Cash Provided by Operating Activities	\$45,444
<hr/> <hr/>	

See Notes To Financial Statements

**WINNEBAGO COUNTY
Forest City, Iowa**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2007**

ASSETS

Cash & Pooled Investments	
County Treasurer	\$701,395
Other County Officials	14,843
Receivables:	
Property Tax:	
Delinquent	2,378
Succeeding Year	8,417,342
Accounts	18,647
Accrued Interest	692
Assessments	413,620
TOTAL ASSETS	9,568,917

LIABILITIES

Accounts Payable	43,934
Salaries and Benefits Payable	1,239
Due To Other Governments	9,489,730
Trusts Payable	27,468
Compensated Absences	6,546
TOTAL LIABILITIES	9,568,917

NET ASSETS	\$0
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See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Winnebago County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are presented in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. REPORTING ENTITY

For financial reporting purposes, Winnebago County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Winnebago County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One hundred drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Winnebago County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of these drainage districts can be obtained from the Winnebago County Auditor's office.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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

B. BASIS OF PRESENTATION

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

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

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

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

The County reports the following major governmental funds:

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

Special Revenue

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

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the secondary road construction and maintenance.

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

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

Additionally, the County reports the followings funds:

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

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

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

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY

The following accounting policies are followed in preparing the combined balance sheet:

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2006.

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2007, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health and Secondary Roads Funds.

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

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

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

Net Assets – The net assets of the Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded amounts budgeted in the Non-program function.

Notes to Financial Statements (Continued)

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Note 3: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2007 is as follows:

Transfer To	Transfer From	Amount
	Special Revenue:	
General	Local Option Sales Tax	\$239,813
General	County Home Trust	51,825
General	Solid Waste Management	45,000
Special Revenue:	Special Revenue:	
Rural Services	Local Option Sales Tax	79,938
Rural Services	Tax Increment Financing	81,315
Rural Services	Solid Waste Management	19,909
Secondary Roads	Rural Services	733,857
Fair Association	Rural Services	31,565
Housing	Solid Waste Management	25,000
Winnebago/Worth BETCO	General	218,000
Secondary Roads	General	35,000
Agency:	Agency:	
Assessor	Assessor FICA	6,275
Assessor	Assessor IPERS	4,545
Total		\$1,572,042

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

Notes to Financial Statements (Continued)

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$753,128	\$105,000	\$0	\$858,128
Total Capital Assets not being Depreciated	753,128	105,000	0	858,128
Capital Assets being Depreciated:				
Buildings	3,527,236	50,540	0	3,577,776
Improvements other than Buildings	446,894	0	0	446,894
Machinery and Equipment	3,299,726	428,975	9,130	3,719,571
Vehicles	1,842,267	170,175	21,500	1,990,942
Infrastructure, Road Network	3,309,312	1,780,975	0	5,090,287
Total Capital Assets being Depreciated	12,425,435	2,430,665	30,630	14,825,470
Less Accumulated Depreciation for:				
Buildings	501,843	71,229	0	573,072
Improvements other than Buildings	207,223	12,292	0	219,515
Machinery and Equipment	2,187,833	220,401	9,130	2,399,104
Vehicles	1,169,585	150,288	17,900	1,301,973
Infrastructure	142,355	225,108	0	367,463
Total Accumulated Depreciation	4,208,839	679,318	27,030	4,861,127
Total Capital Assets being Depreciated, Net	8,216,596	1,751,347	3,600	9,964,343
Governmental Activities Capital Assets, Net	\$8,969,724	\$1,856,347	\$3,600	\$10,822,471

Depreciation expense was charged to the following functions:

Governmental Activities	
Public Safety and Legal Services	\$36,676
Physical Health and Social Services	7,296
Mental Health	857
County Environment and Education	16,262
Roads and Transportation	547,974
Governmental Services to Residents	2,241
Administration	68,012
Total Depreciation Expense	<u>679,318</u>
– Governmental Activities	<u>\$679,318</u>

Notes to Financial Statements (Continued)

Note 5: Due to Other Governments

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

Fund	Description	Amount
General	Services	\$2,077
Special Revenue		
Mental Health	Services	146,375
Rural Services	Services	10,991
Secondary Roads	Services	2,552
		<u>161,995</u>
Total for governmental funds		<u>\$161,995</u>
Agency:		
Agricultural Extension	Collections	\$111,098
Assessor		160,260
Schools		5,040,738
Community Colleges		244,513
Corporations		2,808,689
Auto License & Use Tax		235,466
All Others		888,966
		<u>9,489,730</u>
Total for agency funds		<u>\$9,489,730</u>

Note 6: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$116,122	\$32,245	\$0	\$148,367	\$148,367
Drainage Warrants	1,758,604	257,358	1,415,751	600,211	0
Drainage Improvement Certificates	21,825	0	4,259	17,566	4,366
County Operating Loans	0	150,000	0	150,000	150,000
Secondary Road	12,640	0	12,640	0	0
Total	<u>\$1,909,191</u>	<u>\$439,603</u>	<u>\$1,432,650</u>	<u>\$916,144</u>	<u>\$302,733</u>

Notes to Financial Statements (Continued)

Note 6: Changes in Long-Term Liabilities (Continued)

Installment Agreements

During the year ended June 30, 2004, the County entered into an installment agreement for rock crushing. The payments are based on a per ton basis. The agreement has no interest. Payments during the year totaled \$12,640, which paid the contract in full.

County Operating Loan

On August 1, 2006, the County issued \$150,000 of General Obligation General County Purpose Notes for County operations. The note will be paid in full by October 31, 2007 with 4.5% interest. The maturity date was subsequently extended to May 15, 2008, with the same interest rate.

Drainage Warrants/Drainage Improvement Certificates Payable

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

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

Drainage improvement certificates are redeemed and interest paid to the bearer of the certificate upon receipt of the installment payment plus interest, from the landowner.

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

Note 7: Pension and Retirement Benefits

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

Notes to Financial Statements (Continued)

Note 7: 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, 2007, 2006 and 2005 were \$169,316, \$158,861 and \$158,238, respectively, equal to the required contributions for each year.

Note 8: Risk Management

Winnebago County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 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, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expense due and payable in the current year, plus all of any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contribution to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2007 were \$79,150.

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 \$3,000,000 to \$10,000,000 such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

Notes to Financial Statements (Continued)

Note 8: 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 losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, at June 30, 2007, no liability has been recorded in the County's financial statements. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

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

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

Note 9: Employee Health Insurance

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

Monthly payments of plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the agreement with Wellmark monthly payments of premiums are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2007 was \$458,432.

Note 10: Related Party Transaction

Business transactions were noted between the County and County officials or employees.

Notes to Financial Statements (Continued)

Note 11: E911 Enhancement Loan

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

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

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

During the year ended June 30, 2007, principal of \$25,766 and interest of \$2,639 were paid for the E911 Service Board. The payments are not included in the County's financial statements.

The following is a schedule of payments under the agreement in effect at June 30, 2007:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2008		\$26,683	\$1,723	\$28,406
2009		27,632	774	28,406
2010		7,063	38	7,101
		<u>\$61,378</u>	<u>\$2,535</u>	<u>\$63,913</u>

Note 12: Financial Condition

The Special Revenue Fund, Rural Services, had a deficit balance of \$28,121, at June 30, 2007.

WINNEBAGO COUNTY
Forest City, Iowa

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION**
Year Ended June 30, 2007

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
RECEIPTS:						
Property & Other County Tax	\$3,831,133	\$0	\$3,831,133	\$3,791,372	\$3,860,472	\$(29,339)
Interest & Penalty on Property Tax	38,211	0	38,211	23,800	23,800	14,411
Intergovernmental	4,734,508	1,551,634	3,182,874	3,114,927	3,236,277	(53,403)
Licenses & Permits	5,349	0	5,349	4,070	4,070	1,279
Charges for Services	713,901	0	713,901	362,937	534,637	179,264
Use of Money & Property	148,093	0	148,093	83,465	83,465	64,628
Miscellaneous	1,103,423	681,600	421,823	269,380	276,880	144,943
Total Receipts	10,574,618	2,233,234	8,341,384	7,649,951	8,019,601	321,783
DISBURSEMENTS:						
Public Safety & Legal Services	1,043,001	0	1,043,001	1,119,595	1,119,595	76,594
Physical Health & Social Services	645,364	0	645,364	405,032	688,082	42,718
Mental Health	1,364,802	0	1,364,802	1,298,380	1,498,380	133,578
County Environment & Education	488,384	0	488,384	522,836	522,836	34,452
Roads & Transportation	2,962,754	0	2,962,754	2,919,000	3,086,000	123,246
Governmental Services to Residents	340,416	0	340,416	353,293	350,753	10,337
Administrative Services	714,605	0	714,605	745,866	768,406	53,801
Non-program	2,674,173	2,518,419	155,754	146,043	155,533	(221)
Capital Projects	241,551	0	241,551	778,500	264,000	22,449
Total Disbursements	10,475,050	2,518,419	7,956,631	8,288,545	8,453,585	496,954
Excess (Deficiency) of Receipts Over (Under) Disbursements	99,568	(285,185)	384,753	(638,594)	(433,984)	818,737
Other Financing Sources, Net	411,503	257,358	154,145	2,500	152,500	1,645
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements & Other Financing Uses	511,071	(27,827)	538,898	(636,094)	(281,484)	820,382
Balance Beginning of Year	2,561,306	132,972	2,428,334	1,964,237	2,428,333	1
Balance End of Year	\$3,072,377	\$105,145	\$2,967,232	\$1,328,143	\$2,146,849	\$820,383

See Accompanying Independent Auditors' Report

WINNEBAGO COUNTY
Forest City, Iowa

BUDGET COMPARISON SCHEDULE –
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$10,574,618	\$(695,908)	\$9,878,710
Expenditures	10,475,050	(106,423)	10,368,627
Net	99,568	(589,485)	(489,917)
Other Financing Sources, Net	411,503	0	411,503
Beginning Fund Balances	2,561,306	1,144,659	3,705,965
Decrease in Reserve For:			
Notes Receivable	0	(2,500)	(2,500)
Inventories	0	(259,885)	(259,885)
Ending Fund Balances	\$3,072,377	\$292,789	\$3,365,166

See Accompanying Independent Auditors' Report

**Winnebago County
Forest City, Iowa**

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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 blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$165,040. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the Non-Program function.

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2007

	Resource Enhancement & Protection	County Recorder's Records Management	Conservation Land Acquisition	County Recorder's Electronic Transaction
ASSETS				
Cash & Pooled Investments	\$19,971	\$9,901	\$8,037	\$187
Receivables:				
Property Tax:				
Succeeding Year	0	0	0	0
Accounts	0	589	23,755	0
Accrued Interest	9	37	6	0
Due from Other Governments	2,766	0	0	0
TOTAL ASSETS	\$22,746	\$10,527	\$31,798	\$187
LIABILITIES & FUND BALANCES				
Liabilities:				
Accounts Payable	\$0	\$0	\$0	\$0
Salaries & Benefits Payable	0	0	0	0
Deferred Revenue	0	0	0	0
Total Liabilities	0	0	0	0
Fund Balances:				
Unreserved	22,746	10,527	31,798	187
TOTAL LIABILITIES & FUND BALANCES	\$22,746	\$10,527	\$31,798	\$187

See Accompanying Auditor's Report

Schedule 1

Local Option Sales Tax	Tax Increment Financing	Seizure	DARE	Jail Phone Account	Board Prisoners	Sheriff's Reserve	Public Health	WinnWorth BETCO	Housing Commission	Solid Waste Management	Employee Health & Wellness	EMS Training/ Ambulance	County Home Trust	Total
\$0	\$0	\$5,119	\$5,276	\$2,790	\$52,769	\$2,276	\$212,099	\$68,235	\$200	\$0	\$15	\$7,924	\$53,025	\$447,824
0	221,501	0	0	0	0	0	0	0	0	0	0	0	0	221,501
0	0	0	0	0	0	0	12,040	0	0	21,293	0	0	0	57,677
0	0	0	5	3	121	3	0	0	0	128	0	0	259	571
25,365	0	0	0	0	0	0	42,364	0	0	0	0	5,106	0	75,601
\$25,365	\$221,501	\$5,119	\$5,281	\$2,793	\$52,890	\$2,279	\$266,503	\$68,235	\$200	\$21,421	\$15	\$13,030	\$53,284	\$803,174
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,217	\$140	\$0	\$0	\$0	\$0	\$0	\$3,357
0	0	0	0	0	0	0	5,308	0	0	0	0	0	0	5,308
0	221,501	0	0	0	0	0	0	0	0	0	0	0	0	221,501
0	221,501	0	0	0	0	0	8,525	140	0	0	0	0	0	230,166
25,365	0	5,119	5,281	2,793	52,890	2,279	257,978	68,095	200	21,421	15	13,030	53,284	573,008
\$25,365	\$221,501	\$5,119	\$5,281	\$2,793	\$52,890	\$2,279	\$266,503	\$68,235	\$200	\$21,421	\$15	\$13,030	\$53,284	\$803,174

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	Resource Enhancement & Protection	County Recorder's Records Management	Conservation Land Acquisition	County Recorder's Electronic Transaction
Revenues:				
Property and Other County Tax	\$0	\$0	\$0	\$0
Intergovernmental	9,683	0	38,511	0
Charges for Services	0	2,408	5,387	0
Use of Money and Property	90	227	172	1
Miscellaneous	0	0	38,151	0
Total Revenues	9,773	2,635	82,221	1
Expenditures:				
Operating:				
Public Safety and Legal Services	0	0	0	0
Physical Health and Social Services	0	0	0	0
County Environment and Education	2,343	0	0	0
Non-program	0	0	0	0
Capital Projects	0	0	72,290	0
Total Expenditures	2,343	0	72,290	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,430	2,635	9,931	1
Other Financing Sources (Uses):				
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	0	0	0
	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	7,430	2,635	9,931	1
Fund Balances – Beginning of Year	15,316	7,892	21,867	186
Fund Balances – End of Year	\$22,746	\$10,527	\$31,798	\$187

See Accompanying Auditor's Report

Local Option Sales Tax	Tax Increment Financing	Seizure	DARE	Jail Phone Account	Board Prisoners	Sheriff's Reserve	Fair Association	Public Health	WinnWorth BETCO	Housing Commission	Solid Waste Management	Employee Health & Wellness	EMS Training/ Ambulance	County Home Trust	Total
\$321,780	\$232,212	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$553,992
0	117	0	0	0	0	0	0	123,265	36,605	0	0	0	9,306	0	217,487
0	0	0	0	1,852	12,910	0	0	371,984	0	0	110,508	0	0	0	505,049
0	0	0	71	30	1,165	43	0	0	0	0	773	0	0	3,099	5,671
0	0	0	0	0	0	1,135	0	4,005	40	0	0	0	0	0	43,331
321,780	232,329	0	71	1,882	14,075	1,178	0	499,254	36,645	0	111,281	0	9,306	3,099	1,325,530
0	0	0	125	951	69	3,877	0	0	0	0	0	0	0	0	5,022
0	0	0	0	0	0	0	0	487,610	0	0	0	0	0	0	487,610
0	0	0	0	0	0	0	31,565	0	76,696	25,000	0	0	0	0	135,604
0	151,014	0	0	0	0	0	0	0	0	0	0	0	0	0	151,014
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	72,290
0	151,014	0	125	951	69	3,877	31,565	487,610	76,696	25,000	0	0	0	0	851,540
321,780	81,315	0	(54)	931	14,006	(2,699)	(31,565)	11,644	(40,051)	(25,000)	111,281	0	9,306	3,099	473,990
0	0	0	0	0	0	0	31,565	218,000	35,000	25,000	0	0	0	0	309,565
(319,751)	(81,315)	0	0	0	0	0	0	0	0	0	(89,909)	0	0	(51,825)	(542,800)
(319,751)	(81,315)	0	0	0	0	0	31,565	218,000	35,000	25,000	(89,909)	0	0	(51,825)	(233,235)
2,029	0	0	(54)	931	14,006	(2,699)	0	229,644	(5,051)	0	21,372	0	9,306	(48,726)	240,755
23,336	0	5,119	5,335	1,862	38,884	4,978	0	28,334	73,146	200	49	15	3,724	102,010	332,253
\$25,365	\$0	\$5,119	\$5,281	\$2,793	\$52,890	\$2,279	\$0	\$257,978	\$68,095	\$200	\$21,421	\$15	\$13,030	\$53,284	\$573,008

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING SCHEDULE OF
 FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
ASSETS					
Cash & Pooled Investments:					
County Treasurer	\$0	\$1,902	\$59,185	\$85,406	\$3,957
Other County Officials	14,843	0	0	0	0
Receivables:					
Property Tax:					
Delinquent	0	34	33	1,360	74
Succeeding Year	0	109,162	108,678	4,953,972	240,482
Accounts	741	0	0	0	0
Accrued Interest	0	0	0	0	0
Assessments	0	0	0	0	0
TOTAL ASSETS	\$15,584	\$111,098	\$167,896	\$5,040,738	\$244,513
LIABILITIES					
Accounts Payable	\$0	\$0	\$0	\$0	\$0
Salaries and Benefits Payable	0	0	1,090	0	0
Due to Other Governments	750	111,098	160,260	5,040,738	244,513
Trusts Payable	14,834	0	0	0	0
Compensated Absences	0	0	6,546	0	0
TOTAL LIABILITIES	\$15,584	\$111,098	\$167,896	\$5,040,738	\$244,513

See Accompanying Independent Auditors' Report

Schedule 3

<u>Corporations</u>	<u>Townships</u>	<u>City Special Assessments</u>	<u>Auto License & Use Tax</u>	<u>Other</u>	<u>Total</u>
\$34,537	\$1,844	\$5,663	\$235,466	\$273,435	\$701,395
0	0	0	0	0	14,843
829	10	0	0	38	2,378
2,773,323	107,235	0	0	124,490	8,417,342
0	0	0	0	17,906	18,647
0	0	0	0	692	692
0	4,553	409,067	0	0	413,620
<u>\$2,808,689</u>	<u>\$113,642</u>	<u>\$414,730</u>	<u>\$235,466</u>	<u>\$416,561</u>	<u>\$9,568,917</u>
\$0	\$0	\$0	\$0	\$43,934	\$43,934
0	0	0	0	149	1,239
2,808,689	113,642	414,730	235,466	359,844	9,489,730
0	0	0	0	12,634	27,468
0	0	0	0	0	6,546
<u>\$2,808,689</u>	<u>\$113,642</u>	<u>\$414,730</u>	<u>\$235,466</u>	<u>\$416,561</u>	<u>\$9,568,917</u>

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING SCHEDULE OF CHANGES IN
 FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor
Assets and Liabilities			
Balances – Beginning of Year	\$7,237	\$111,049	\$162,746
Additions:			
Property and Other County Tax	0	108,880	108,397
E911 Surcharge	0	0	0
State Tax Credits	0	7,134	7,071
Office Fees and Collections	253,839	0	0
Electronic Transaction Fees	0	0	0
Auto License, Use Tax and Postage	0	0	0
Assessments	0	0	0
Trusts	700,445	0	0
Miscellaneous	0	57	1,833
Total Additions	954,284	116,071	117,301
Deductions:			
Agency Remittances:			
To Other Funds	128,258	0	0
To Other Governments	115,482	116,022	112,151
Trusts Paid Out	702,197	0	0
Total Deductions	945,937	116,022	112,151
Balances – End of Year	\$15,584	\$111,098	\$167,896

See Accompanying Independent Auditors' Report

Schedule 4

Schools	Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$5,011,541	\$231,239	\$2,666,630	\$114,891	\$373,710	\$227,634	\$272,593	\$9,179,270
4,939,485	239,893	2,783,827	107,165	0	0	124,222	8,411,869
0	0	0	0	0	0	91,318	91,318
321,760	14,851	147,079	6,365	0	0	6,904	511,164
0	0	0	0	0	0	0	253,839
0	0	0	0	0	0	2,209	2,209
0	0	0	0	0	2,570,244	0	2,570,244
0	0	0	577	124,465	0	0	125,042
0	0	0	0	0	0	70,513	770,958
2,557	118	0	69	0	0	229,114	233,748
5,263,802	254,862	2,930,906	114,176	124,465	2,570,244	524,280	12,970,391
0	0	0	0	0	72,892	0	201,150
5,234,605	241,588	2,788,847	115,425	83,445	2,489,520	307,593	11,604,678
0	0	0	0	0	0	72,719	774,916
5,234,605	241,588	2,788,847	115,425	83,445	2,562,412	380,312	12,580,744
\$5,040,738	\$244,513	\$2,808,689	\$113,642	\$414,730	\$235,466	\$416,561	\$9,568,917

**WINNEBAGO COUNTY
Forest City, Iowa**

**SCHEDULE OF REVENUES BY SOURCE
AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
For the Last Five Years**

	Modified Accrual Basis				
	2007	2006	2005	2004	2003
Revenues:					
Property and Other County Tax	\$3,833,937	\$3,442,431	\$3,436,568	\$3,425,587	\$3,207,833
Interest and Penalty on Property Tax	39,916	29,813	23,197	23,710	25,627
Intergovernmental	4,233,902	3,291,966	3,592,136	3,343,500	3,249,146
Licenses and Permits	4,789	1,440	6,688	4,318	5,437
Charges for Service	746,885	526,760	635,858	623,015	532,835
Use of Money and Property	153,053	88,420	64,266	47,350	77,013
Miscellaneous	866,228	1,230,263	672,265	553,359	485,504
Total	\$9,878,710	\$8,611,093	\$8,430,978	\$8,020,839	\$7,583,395
Expenditures:					
Operating:					
Public Safety and Legal Services	\$1,028,744	\$1,159,504	\$1,028,856	\$1,068,430	\$947,793
Physical Health and Social Services	630,928	921,911	638,859	634,685	595,080
Mental Health	1,376,244	1,230,189	1,283,480	1,319,996	1,425,307
County Environment and Education	492,594	577,202	528,916	589,841	292,896
Roads and Transportation	3,147,858	2,789,407	3,056,178	2,846,418	3,205,298
Government Services to Residents	340,398	443,203	357,808	334,201	716,100
Administrative Services	723,964	737,438	699,019	724,891	2,848
Non-program	2,388,287	1,896,728	863,504	597,397	812,449
Debt Service	0	0	327,919	119,324	0
Capital Projects	239,610	117,327	282,570	493,070	936,125
Total	\$10,368,627	\$9,872,909	\$9,067,109	\$8,728,253	\$8,933,896

See Accompanying Independent Auditors' Report



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

To the Officials of Winnebago County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Winnebago County, Forest City, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 21, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Winnebago County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Winnebago County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Winnebago County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Winnebago County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Winnebago County's financial statements that is more than inconsequential will not be prevented or detected by Winnebago County's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Winnebago County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items A, B, and C are material weaknesses.

Compliance and Other Matters.

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Winnebago County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Winnebago County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Winnebago County and other parties to whom Winnebago County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Winnebago County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

March 21, 2008

Gardiner Thomsen, P.C.

WINNEBAGO COUNTY
Forest City, Iowa

Schedule of Findings
Year Ended June 30, 2007

Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

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

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

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

Conclusion – Response accepted.

- B. **Financial Reporting** – During the audit, we identified material amounts of receivables and payables not recorded or incorrectly recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include or remove these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables and payable are identified and included in the County’s financial statements.

Response – We will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion – Response accepted

- C. **Preparation of Full Disclosure Financial Statements** – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. Winnebago County does not have the internal resources to prepare the full-disclosure financial statements required by GAAP for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

WINNEBAGO COUNTY
Forest City, Iowa

Schedule of Findings
Year Ended June 30, 2007

Findings Related to the Financial Statements (Continued)

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and preparing full disclosure financial statements for external reporting purposes is difficult. However, we recommend that County officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

Response – We recognize our limitations, however it is not fiscally responsible to add additional staff at this time

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters reported.

Other Findings Related to Required Statutory Reporting

1. **Certified Budget** – Disbursements during the year ended June 30, 2007 exceeded the amount budgeted in the Non-Program Function.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend the budgets when required.

Conclusion – Response accepted.

2. **Questionable Expenditures** – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion date April 25, 1979.
3. **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
4. **Business Transactions** – The following business transactions between the County and County officials or employees were noted.

<u>Name, Title, and Business Relationship</u>	<u>Description</u>	<u>Amount</u>
Jennifer Fjelstad, Auditor	Paid Provisions	\$150
Family Owns		
David’s Super Foods		

The transactions with David’s Super Foods do not appear to represent conflicts of interest since the total was not in excess of \$1,500 for the year.

WINNEBAGO COUNTY
Forest City, Iowa

Schedule of Findings
Year Ended June 30, 2007

Other Findings Related to Required Statutory Reporting (Continued)

5. **Bond Coverage** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.
6. **Board Minutes** – No transactions were found that we believe should have been approved in the minutes but were not.
7. **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
8. **Resource Enhancement and Protection Certification** – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19 (1)(b) of the Code of Iowa in order to receive additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
9. **County Extension Office** – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2007 for the County Extension Office did not exceed the amount budgeted.

10. **Financial Condition** – The Special Revenue Fund, Rural Services, had a deficit balance of \$28,121, at June 30, 2007.

Recommendation – The County should investigate alternatives to eliminate the deficit.

Response – The deficit will be eliminated by tax receipts.

Conclusion – Response accepted.

News Release

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

Gardiner Thomsen, P.C. reported that the County had local tax revenue of \$12,645,134 for the year ended June 30, 2007, which included \$721,107 in tax credits from the State. The County then forwarded \$8,711,226 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained \$3,933,908 of the local tax revenue to finance County operations, a 7% increase from the prior year. Other revenues included charges for service of \$1,602,744, operating grants, contributions and restricted interest of \$3,311,559, unrestricted investment earnings of \$144,362 and other general revenues of \$89,451.

Expenses for the County operations totaled \$8,991,059, a 7% decrease from the prior year. Expenses included \$3,268,437 for Roads and Transportation, \$1,371,240 for Mental Health and \$1,067,997 for Public Safety and Legal Services..

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

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