

WINNESHIEK COUNTY  
DECORAH, IOWA

FINANCIAL REPORT

JUNE 30, 2007

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WINNESHIEK COUNTY

Name	OFFICIALS Title	Term Expires
Dean Darling	Chairperson	December 2010
Les Askelson	Vice-Chairperson	December 2008
Gordon Hunter, Jr.	Supervisor	December 2008
Steve Bouska	Supervisor	December 2008
John Logsdon	Supervisor	December 2010
Georgiann Schweinefus	County Auditor	December 2008
Wayne Walter	County Treasurer	December 2010
LaVonne Bjergum	County Recorder	December 2010
Leon Bohr	County Sheriff	December 2008
Andrew Van Der Maaten	County Attorney	December 2010
James Alstad	County Assessor	
Lee Bjerke	County Engineer	

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INDEPENDENT AUDITOR'S REPORT ON THE  
THE FINANCIAL STATEMENTS

To the Board of Supervisors  
Winneshiek County  
Decorah, Iowa

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2007, on our consideration of Winneshiek County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on page 3 and pages 36 through 38, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Decorah, Iowa  
December 26, 2007

*Hacker, Nelson & Co., P.C.*

WINNESHIEK COUNTY  
DECORAH, IOWA

Management's Discussion and Analysis  
For the Fiscal Year Ending June 30, 2007

Management of Winneshiek County provides this Management's Discussion and Analysis of Winneshiek County's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 decreased 1.67%, or approximately \$250,000, from fiscal 2006 to fiscal 2007. Operating grants and contributions increased approximately \$244,000 and capital grants and contributions decreased approximately \$764,000.
- Program expenses were 1.03%, or approximately \$146,000, less in fiscal 2007 than in fiscal 2006. Mental health expenses increased approximately \$110,000 and roads and transportation and government services to residents expenses decreased approximately \$158,000 and \$119,000, respectively.
- The County's net assets increased 1.42%, or approximately \$593,000, from June 30, 2006 to June 30, 2007. The County's net assets were restated to include capital assets that are now being capitalized.

USING THE BASIC FINANCIAL STATEMENTS

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

The government-wide financial statements consist of a statement of net assets and a statement of activities. These provide information about the activities of Winneshiek County as a whole and present an overall view of the County's finances and a longer-term view of those finances.

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Winneshiek County's operations in more detail than the government-wide statements by providing information about the most significant funds with all other non-major funds presented in total in a single column. For Winneshiek County, the general fund, MH/DD-special revenue fund, rural services-special revenue fund, and secondary roads-special revenue fund are the most significant funds. The remaining statements provide financial information about activities for which Winneshiek County acts solely as an agent or custodian for the benefit of those outside of the government.

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

Supplementary information provides detailed information about the nonmajor governmental funds, nonmajor enterprise, and the individual fiduciary funds.

## Reporting the County as a Whole

### *The Statement of Net Assets and the Statement of Activities*

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

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

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

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

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

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

## REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

### *Fund Financial Statements*

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

### **Governmental Funds**

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

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

**Proprietary Funds**

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

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

**Fiduciary Funds**

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

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

Condensed Statement of Net Assets (Expressed in Thousands)			
Governmental Activities			
	2007	2006	Percent Change
Current and other assets	\$ 12,990	\$ 12,649	2.70%
Capital assets	37,243	36,819	1.15%
Total assets	50,233	49,468	1.55%
Long-term debt outstanding	2,061	2,530	-18.54%
Other liabilities	7,099	6,921	2.57%
Total liabilities	9,160	9,451	-3.08%
<b>Net assets</b>			
Invested in capital assets, net of related debt	35,373	34,482	2.58%
Restricted	3,201	3,003	6.59%
Unrestricted	2,498	2,532	-1.34%
Total net assets	\$ 41,072	\$ 40,017	2.64%

**Condensed Statement of Net Assets**

(Expressed in Thousands)

	Business-type Activities		
	2007	2006	Percent Change
Current and other assets	\$ 67	\$ 65	3.08%
Capital assets	1,545	1,633	-5.39%
<b>Total assets</b>	<b>1,612</b>	<b>1,698</b>	<b>-5.06%</b>
Long-term debt outstanding	218	214	1.87%
Other liabilities	22	20	10.00%
<b>Total liabilities</b>	<b>240</b>	<b>234</b>	<b>2.56%</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,334	1,418	-5.92%
Restricted	257	236	8.90%
Unrestricted	(219)	(190)	-15.26%
<b>Total net assets</b>	<b>\$ 1,372</b>	<b>\$ 1,464</b>	<b>-6.28%</b>

The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with the sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased for the governmental activities approximately \$34,000 or 1.34% and decreased for the business-type activities approximately \$29,000.

The decrease in net assets for the governmental activities is due to a decrease in charges for services and a decrease in capital grants. The decrease in net assets for the business-type activities is due to the Burr Oak sewer fund and Festina sewer fund paying of bonds and increasing the amount restricted for other purposes.

The following analysis shows the change in net assets for the year ending June 30, 2007:

	Changes in Net Assets (Expressed in Thousands)		
	Governmental Activities		
	2007	2006	Percent Change
<b>Revenues:</b>			
Program revenue			
Charges for service	\$ 1,414	\$ 1,736	-18.55%
Operating grants	5,199	4,955	4.92%
Capital grants	474	1,238	-61.71%
General revenue			
Property taxes	5,572	5,359	3.97%
Local option sales tax	1,298	1,091	18.97%
Penalty and interest on property taxes	47	49	-4.08%
State tax credits	302	301	0.33%
Rents	102	107	-4.67%
Unrestricted investment earnings	278	255	9.02%
Other	70	(85)	-182.35%
Total revenues	14,756	15,006	-1.67%
<b>Program expenses:</b>			
Public safety and legal services	1,829	1,857	-1.51%
Physical health and social services	1,504	1,473	2.10%
Mental health	2,199	2,089	5.27%
County environment and education	1,030	1,021	0.88%
Roads and transportation	5,659	5,817	-2.72%
Government services to residents	329	448	-26.56%
Administration or general government	1,283	1,117	14.86%
Non-program	145	260	-44.23%
Interest on long-term debt	93	135	-31.11%
Total expenses	14,071	14,217	-1.03%
Increase in net assets	685	789	-13.18%
Net assets beginning of year, restated	40,387	39,228	2.95%
Net assets end of year	\$ 41,072	\$ 40,017	2.64%

	Business-type activities		
	2007	2006	Percent Change
	<b>Revenues:</b>		
Program revenue			
Charges for service	\$ 225	\$ 197	14.21%
<b>Program expenses:</b>			
Operating expenses	317	276	14.86%
Operating loss	(92)	(79)	16.46%
Net assets beginning of year	1,464	1,543	-5.12%
Net assets end of year	\$ 1,372	\$ 1,464	-6.28%

## INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$5,856,372, approximately \$312,000 increase of the 2006 fiscal year end balance of \$5,543,647.

- The general fund received less revenue during fiscal year 2007 from intergovernmental sources. The ending fund balance showed an increase from the prior year of \$109,100 to \$2,297,363, due primarily to an increase in the sale of capital assets and a decrease in governmental services to residents expenditures and capital projects expenditures of \$145,000 and \$217,000, respectively.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$2,198,888, an increase of 5.62% from the prior year. The mental health fund balance at year end decreased by approximately \$107,000 over the prior year.
- Secondary roads fund revenues increased approximately \$550,000 over the prior year. For the year, expenditures totaled \$5,621,734, a decrease of \$387,000. The increase in revenues along with the decrease in expenditures resulted in an increase in the secondary roads fund ending balance of approximately \$248,000, or 23.56%.
- The ending fund balance for the rural service fund decreased by \$72,000 or 12.58% over prior year. The decrease is due to an increase in expenditures of 4.92% and an increase in transfers to the secondary roads-special revenue fund of 13.06% with only an increase in revenue of 12.51%.

## BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget once. The amendment was made in April 2007 and resulted in an increase in public safety and legal services, county environment and education services, roads and transportation, governmental services to residents, and capital projects disbursements. However, this did not require an increase in taxes as the County received more intergovernmental, charges for services, and miscellaneous receipts than originally projected.

The amendment made during the 2007 fiscal year should have no impact on the 2008 fiscal year's budget.

The following chart shows the original and amended budget for fiscal 2007 as well as the actual revenue and expenditures for the year:

	Budgetary Comparison Schedule (Expressed in Thousands)			
	Budget Basis	Budget Amounts		Variance
		Original	Final	
<b>REVENUES</b>				
Property and other County tax	\$ 6,793	\$ 6,747	\$ 6,747	\$ 46
Interest and penalty on property tax	47	41	41	6
Intergovernmental	6,254	6,673	6,961	(707)
Licenses and permits	14	18	18	(4)
Charges for service	514	539	543	(29)
Use of money and property	403	312	330	73
Miscellaneous	421	426	645	(224)
<b>Total revenues</b>	<b>\$ 14,446</b>	<b>\$ 14,756</b>	<b>\$ 15,285</b>	<b>\$ (839)</b>
<b>EXPENDITURES</b>				
Public safety and legal services	\$ 1,789	\$ 1,889	\$ 1,912	\$ 123
Physical health and social services	1,368	1,555	1,555	187
Mental health	2,123	2,506	2,506	383
County environment and education services	1,077	1,138	1,146	69
Roads and transportation	5,085	4,683	5,166	81
Governmental services to residents	284	320	328	44
Administrative services	1,119	1,286	1,274	155
Non-program	4	6	6	2
Debt service	551	551	551	-
Capital project	759	1,604	2,141	1,382
<b>Total expenditures</b>	<b>\$ 14,159</b>	<b>\$ 15,538</b>	<b>\$ 16,585</b>	<b>\$ 2,426</b>

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2007, Winneshiek County had \$37,242,808 invested in a broad range of capital assets, including large road equipment, infrastructure and construction in progress for the governmental activities. For the enterprise funds, the County had \$1,544,641 invested in land, landfill and sewer systems.

The County had depreciation expense of \$3,299,626 for fiscal year 2007 and total accumulated depreciation of \$21,566,978 as of June 30, 2007 for the governmental activities. The County had depreciation/depletion expense of \$24,647 for fiscal year 2007 and total accumulated depreciation/depletion of \$1,297,624 as of June 30, 2007 for the business-type activities. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### Debt

At year-end, the County had approximately \$2,286,000 in bonds and other debt compared to approximately \$2,745,000 last year. More detail is presented in Note 9 to the financial statements.

The County's general obligation bond rating continues to carry the fourth highest rating possible, a rating that has been assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this \$58,748,444 limit.

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

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Winneshiek County's elected and appointed officials and citizens considered many factors when setting the fiscal year 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 local option sales taxes received continue to be a significant portion of County revenues and account, in part, for property tax levy rates lower than would otherwise be possible.

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

Amounts available for appropriation in the operating budget are \$18,560,000, an increase of 14.0% over the final 2008 budget. Property tax (benefiting from the 2008 rate decrease and increase in assessed valuations) and grant receipts are expected to lead the increase. The increase in receipts will help defray the increase of expenditures for fiscal year 2008.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

WINNESHIEK COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 6,170,071	\$ 48,123	\$ 6,218,194
Receivables			
Property tax			
Delinquent	6,654		6,654
Succeeding year	5,700,181		5,700,181
Accounts	58,875	4,550	63,425
Accrued interest	25,391		25,391
Due from other governments	669,968	15,008	684,976
Inventories	308,552		308,552
Prepaid expenses	41,800		41,800
Investment in insurance pool	8,434		8,434
Nondepreciable assets	484,290	9,792	494,082
Capital assets, net of accumulated depreciation/depletion	36,758,518	1,534,849	38,293,367
<b>Total assets</b>	<b>\$ 50,232,734</b>	<b>\$ 1,612,322</b>	<b>\$ 51,845,056</b>
<b>LIABILITIES AND NET ASSETS</b>			
Accounts payable	\$ 910,943		\$ 910,943
Salaries and benefits payable	196,989	\$ 6,748	203,737
Accrued interest payable	6,359	571	6,930
Due to (from) other funds	(14,989)	14,989	-
Due to other governments	299,421		299,421
Deferred revenue			
Succeeding year property tax	5,700,181		5,700,181
Long-term liabilities			
Portion due within one year			
Bonds payable	435,000		435,000
Notes payable	65,000	-	65,000
Compensated absences	191,454	6,811	198,265
Portion due after one year			
Bonds payable	1,370,000		1,370,000
Notes payable	-	210,911	210,911
<b>Total liabilities</b>	<b>9,160,358</b>	<b>240,030</b>	<b>9,400,388</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	35,372,808	1,333,730	36,706,538
Restricted for			
Mental health	1,294,683		1,294,683
Rural service	500,174		500,174
Secondary roads	977,771		977,771
Other special revenue	290,208		290,208
Capital projects	119,023		119,023
Other purposes	19,714	257,617	277,331
Unrestricted	2,497,995	(219,055)	2,278,940
<b>Total net assets</b>	<b>41,072,376</b>	<b>1,372,292</b>	<b>42,444,668</b>
<b>Total liabilities and net assets</b>	<b>\$ 50,232,734</b>	<b>\$ 1,612,322</b>	<b>\$ 51,845,056</b>

See Notes to Financial Statements.

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WINNESHIEK COUNTY  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2007

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
<b>Governmental activities</b>				
Public safety and legal services	\$ 1,829,335	\$ 74,718	\$ 37,286	
Physical health and social services	1,504,152	270,389	668,769	\$ 2,215
Mental health	2,198,357		914,889	
County environment and education	1,030,061	185,864	222,426	12,425
Roads and transportation	5,658,739	302,075	3,341,395	454,085
Government services to residents	329,411	392,964	14,615	5,053
Administration or general government	1,282,913			
Nonprogram	145,412	188,251		
Long-term debt interest	93,023			
<b>Total governmental activities</b>	<b>14,071,403</b>	<b>1,414,261</b>	<b>5,199,380</b>	<b>473,778</b>
<b>Business-type activities</b>				
Landfill	262,330	191,327		
Burr Oak sewer	33,554	19,260		
Festina sewer	21,808	14,801		
<b>Total business-type activities</b>	<b>317,692</b>	<b>225,388</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>\$ 14,389,095</b>	<b>\$ 1,639,649</b>	<b>\$ 5,199,380</b>	<b>\$ 473,778</b>

General revenues  
Property taxes levied for  
    General purposes  
    Debt service  
Local option sales tax  
Penalty and interest on property taxes  
State tax credits  
Rents  
Unrestricted investment earnings  
Gain on sale of capital assets

Total general revenues

Change in net assets

Net assets, beginning of year, restated

Net assets, end of year

See Notes to Financial Statements.

EXHIBIT B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (1,717,331)		\$ (1,717,331)
(562,779)		(562,779)
(1,283,468)		(1,283,468)
(609,346)		(609,346)
(1,561,184)		(1,561,184)
83,221		83,221
(1,282,913)		(1,282,913)
42,839		42,839
(93,023)		(93,023)
<u>(6,983,984)</u>	<u>\$ -</u>	<u>(6,983,984)</u>
	(71,003)	(71,003)
	(14,294)	(14,294)
	(7,007)	(7,007)
	<u>(92,304)</u>	<u>(92,304)</u>
<u>(6,983,984)</u>	<u>(92,304)</u>	<u>(7,076,288)</u>
5,381,567		5,381,567
190,615		190,615
1,296,816		1,296,816
46,990		46,990
302,238		302,238
102,388		102,388
278,314	403	278,717
70,247		70,247
<u>7,669,175</u>	<u>403</u>	<u>7,669,578</u>
685,191	(91,901)	593,290
<u>40,387,185</u>	<u>1,464,193</u>	<u>41,851,378</u>
<u>\$ 41,072,376</u>	<u>\$ 1,372,292</u>	<u>\$ 42,444,668</u>

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WINNESHIEK COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>ASSETS</b>				
Cash and pooled investments	\$ 2,349,643	\$ 1,647,719	\$ 306,435	\$ 998,488
Receivables				
Property tax				
Delinquent	5,918	401	235	
Succeeding year	3,585,313	1,155,883	709,275	
Accounts	53,501		250	5,124
Accrued interest	22,964			
Due from other funds	67,334		14,989	
Due from other governments	120,170	6,694	188,840	353,859
Prepaid expenditures	23,195	745	2,660	15,200
Inventories				308,552
Investment in insurance pool	8,434			
	<u>8,434</u>			
Total assets	<u>\$ 6,236,472</u>	<u>\$ 2,811,442</u>	<u>\$ 1,222,684</u>	<u>\$ 1,681,223</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 166,816	\$ 61,320	\$ 6,029	\$ 308,353
Salaries and benefits payable	118,191	3,994	4,439	70,365
Due to other governments	3,515	294,817	107	982
Deferred revenue				
Succeeding year property tax	3,585,313	1,155,883	709,275	
Other	65,274	9,796	226	
	<u>3,939,109</u>	<u>1,525,810</u>	<u>720,076</u>	<u>379,700</u>
Fund balances				
Reserved for				
Inventories				308,552
Prepaid expenditures	23,195	745	2,660	15,200
Other	19,714			
Debt service				
Capital projects				
Unreserved				
General fund	2,254,454			
Special revenue funds		1,284,887	499,948	977,771
	<u>2,297,363</u>	<u>1,285,632</u>	<u>502,608</u>	<u>1,301,523</u>
Total fund balances	<u>2,297,363</u>	<u>1,285,632</u>	<u>502,608</u>	<u>1,301,523</u>
Total liabilities and fund balances	<u>\$ 6,236,472</u>	<u>\$ 2,811,442</u>	<u>\$ 1,222,684</u>	<u>\$ 1,681,223</u>

See Notes to Financial Statements.

EXHIBIT C

Other Governmental Funds	Total Governmental Funds
\$ 466,449	\$ 5,768,734
100	6,654
249,710	5,700,181
	58,875
1,171	24,135
1,215	83,538
405	669,968
	41,800
	308,552
	8,434
<u>\$ 719,050</u>	<u>\$ 12,670,871</u>
	\$ 542,518
	196,989
	299,421
\$ 249,710	5,700,181
94	75,390
<u>249,804</u>	<u>6,814,499</u>
	308,552
	41,800
	19,714
13,055	13,055
119,023	119,023
	2,254,454
<u>337,168</u>	<u>3,099,774</u>
<u>469,246</u>	<u>5,856,372</u>
<u>\$ 719,050</u>	<u>\$ 12,670,871</u>

WINNESHIEK COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007

Reconciliation of governmental fund balances to net assets	
Total governmental fund balances	\$ 5,856,372
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds, net of accumulated depreciation of	37,242,808
\$ 21,566,978	
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	75,390
Internal service funds are used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets	(34,381)
Other liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the funds	
Bonds payable	(1,805,000)
Notes payable	(65,000)
Compensated absences	(191,454)
Accrued interest	(6,359)
Net assets of governmental activities	<u>\$ 41,072,376</u>
Cash and pooled investments of governmental activities include the following reclassifications:	
Internal service fund cash at June 30, 2007	<u>\$ 332,788</u>

See Notes to Financial Statements.

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

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>REVENUES</b>				
Property and other County tax	\$ 3,469,066	\$ 1,118,405	\$ 673,162	
Local option sales tax			1,296,816	
Interest and penalty on property tax	46,990			
Intergovernmental	948,604	972,348	234,752	\$ 3,876,475
Licenses and permits	800		12,425	985
Charges for service	522,134		7,065	129
Use of money and property	396,606			
Miscellaneous	148,406	769	203	220,095
<b>Total revenues</b>	<b>5,532,606</b>	<b>2,091,522</b>	<b>2,224,423</b>	<b>4,097,684</b>
<b>EXPENDITURES</b>				
Current				
Public safety and legal services	1,769,761			
Physical health and social services	1,370,251		46,534	
Mental health		2,198,888		
County environment and education services	545,640		514,169	
Roads and transportation			98,670	4,965,089
Governmental services to residents	278,756		6,875	
Administrative services	1,125,199			
Nonprogram	4,347			
Debt service				
Capital project	5,543			656,645
<b>Total expenditures</b>	<b>5,099,497</b>	<b>2,198,888</b>	<b>666,248</b>	<b>5,621,734</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>433,109</b>	<b>(107,366)</b>	<b>1,558,175</b>	<b>(1,524,050)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				1,760,627
Gain from disposal of capital assets	103,929			11,600
Transfers out	(427,938)		(1,629,701)	
	(324,009)	-	(1,629,701)	1,772,227
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>109,100</b>	<b>(107,366)</b>	<b>(71,526)</b>	<b>248,177</b>
<b>FUND BALANCES, beginning of year</b>	<b>2,188,263</b>	<b>1,392,998</b>	<b>574,134</b>	<b>1,053,346</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 2,297,363</b>	<b>\$ 1,285,632</b>	<b>\$ 502,608</b>	<b>\$ 1,301,523</b>

See Notes to Financial Statements.

EXHIBIT D

Other Governmental Funds	Total Governmental Funds
\$ 246,095	\$ 5,506,728
	1,296,816
	46,990
182,461	6,214,640
	14,210
4,481	533,809
9,820	406,426
28,374	397,847
<u>471,231</u>	<u>14,417,466</u>
	1,769,761
7,957	1,424,742
	2,198,888
19,948	1,079,757
	5,063,759
241	285,872
	1,125,199
12,035	16,382
551,322	551,322
42,400	704,588
<u>633,903</u>	<u>14,220,270</u>
<u>(162,672)</u>	<u>197,196</u>
297,012	2,057,639
	115,529
	(2,057,639)
<u>297,012</u>	<u>115,529</u>
134,340	312,725
<u>334,906</u>	<u>5,543,647</u>
<u>\$ 469,246</u>	<u>\$ 5,856,372</u>

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of governmental funds to the statement of activities		
Net change in fund balances - total governmental funds	\$	312,725
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period		
Depreciation	\$ (3,299,626)	
Capital outlays	<u>3,398,563</u>	98,937
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	(3,473)	
Other	<u>68,927</u>	65,454
The net effect of disposal of capital assets		(45,282)
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities		466,658
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due		3,299
The internal service fund is used by management to charge the costs of employee health benefits to individual funds. The net revenue of the internal service fund is reported with governmental activities		(218,691)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Compensated absences		<u>2,091</u>
Change in net assets of governmental activities	\$	<u><u>685,191</u></u>

See Notes to Financial Statements.

WINNESHIEK COUNTY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2007

	Business-type Activities			Governmental Activities
	Landfill	Nonmajor Enterprise Funds	Total	Internal Service
ASSETS				
Cash and pooled investments		\$ 48,123	\$ 48,123	\$ 332,788
Receivables				
Accounts		4,550	4,550	
Accrued interest receivable				1,256
Due from other governments	\$ 15,008		15,008	
Total current assets	15,008	52,673	67,681	334,044
Noncurrent assets				
Land		9,792	9,792	
Net capital assets	608,164	926,685	1,534,849	
Total noncurrent assets	608,164	936,477	1,544,641	-
Total assets	\$ 623,172	\$ 989,150	\$ 1,612,322	\$ 334,044
LIABILITIES AND NET ASSETS				
Liabilities				
Salaries and benefits payable	\$ 6,748		\$ 6,748	\$ 368,425
Accrued interest payable		\$ 571	571	
Due to other funds	14,989		14,989	
Total current liabilities	21,737	571	22,308	368,425
Long-term liabilities				
Compensated absences	6,811		6,811	
Total liabilities	28,548	571	29,119	368,425
Noncurrent liabilities				
Long-term debt		210,911	210,911	
Total liabilities	28,548	211,482	240,030	368,425
Net assets				
Invested in capital assets, net of related debt	608,164	725,566	1,333,730	
Restricted		257,617	257,617	
Unrestricted	(13,540)	(205,515)	(219,055)	(34,381)
Total net assets	594,624	777,668	1,372,292	(34,381)
Total liabilities and net assets	\$ 623,172	\$ 989,150	\$ 1,612,322	\$ 334,044

See Notes to Financial Statements.

WINNESHIEK COUNTY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2007

	Business-type Activities			Governmental Activities
	Landfill	Nonmajor Enterprise Funds	Total	Internal Service
<b>OPERATING REVENUES</b>				
Charges for service		\$ 34,061	\$ 34,061	\$ 685,477
Contract services	\$ 191,327		191,327	
<b>Total operating revenues</b>	<b>191,327</b>	<b>34,061</b>	<b>225,388</b>	<b>685,477</b>
<b>OPERATING EXPENSES</b>				
Wages and benefits	199,008	4,037	203,045	
Depletion	63,322		63,322	
Depreciation		24,647	24,647	
Other		17,109	17,109	
Insurance claims paid				710,264
Administrative fees				209,080
<b>Total operating expenses</b>	<b>262,330</b>	<b>45,793</b>	<b>308,123</b>	<b>919,344</b>
<b>Operating loss</b>	<b>(71,003)</b>	<b>(11,732)</b>	<b>(82,735)</b>	<b>(233,867)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income		403	403	15,176
Interest expense		(9,569)	(9,569)	
<b>Net nonoperating revenues (expenses)</b>	<b>-</b>	<b>(9,166)</b>	<b>(9,166)</b>	<b>15,176</b>
<b>Income before contributions and transfers</b>	<b>(71,003)</b>	<b>(20,898)</b>	<b>(91,901)</b>	<b>(218,691)</b>
<b>TRANSFERS</b>				
Transfer in		13,090	13,090	
Transfer out		(13,090)	(13,090)	
	-	-	-	-
<b>Change in net assets</b>	<b>(71,003)</b>	<b>(20,898)</b>	<b>(91,901)</b>	<b>(218,691)</b>
<b>NET ASSETS, beginning of year</b>	<b>665,627</b>	<b>798,566</b>	<b>1,464,193</b>	<b>184,310</b>
<b>NET ASSETS, end of year</b>	<b>\$ 594,624</b>	<b>\$ 777,668</b>	<b>\$ 1,372,292</b>	<b>\$ (34,381)</b>

See Notes to Financial Statements.

WINNESHIEK COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2007

	Business-type Activities			Governmental Activities
	Landfill	Nonmajor Enterprise Funds	Total	Internal Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from contract labor	\$ 199,008		\$ 199,008	
Cash received from charges for services		\$ 31,508	31,508	\$ 691,159
Cash payments to employees for services	(199,008)	(4,037)	(203,045)	
Cash payments to suppliers for services		(17,109)	(17,109)	(809,054)
Net cash provided by (used in) operating activities	-	10,362	10,362	(117,895)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating transfers in		13,090	13,090	
Operating transfers (out)		(13,090)	(13,090)	
Net cash provided by noncapital financing activities	-	-	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal payments on notes payable		(3,492)	(3,492)	
Interest paid on long-term borrowing		(9,578)	(9,578)	
Net cash used in capital and related financing activities	-	(13,070)	(13,070)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments		401	401	15,226
Net decrease in cash and cash equivalents	-	(2,307)	(2,307)	(102,669)
CASH and CASH EQUIVALENTS, beginning of year	-	50,430	50,430	435,457
CASH and CASH EQUIVALENTS, end of year	\$ -	\$ 48,123	\$ 48,123	\$ 332,788
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities</b>				
Operating loss	\$ (71,003)	\$ (11,732)	\$ (82,735)	\$ (233,867)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities				
Depreciation and depletion	63,322	24,647	87,969	
(Increase) in accounts receivable		(2,553)	(2,553)	
Increase in accounts payable				110,290
(Increase) in due from other governments	(1,950)		(1,950)	
Increase in salaries and benefits payable	2,820		2,820	
Increase in deferred revenue				5,682
Increase in accrued compensated absences	6,811		6,811	
Net cash provided by (used in) operating activities	\$ -	\$ 10,362	\$ 10,362	\$ (117,895)

See Notes to Financial Statements.

WINNESHIEK COUNTY  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
June 30, 2007

<b>ASSETS</b>	
Cash and pooled investments	
County Treasurer	\$ 94,243
Other County officials	1,021,117
Receivables	
Property tax	
Delinquent	8,534
Succeeding year	16,252,682
Accounts	35,843
Accrued interest	663
Due from other governments	6,918
Prepaid insurance	1,520
	<u>17,421,520</u>
<b>Total assets</b>	<b>\$ 17,421,520</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 12,227
Salaries and benefits payable	8,930
Due to other funds	-
Due to other governments	17,385,834
Deferred revenue	4,660
Trusts payable	1,925
Compensated absences	7,944
	<u>17,421,520</u>
<b>Total liabilities</b>	<b>\$ 17,421,520</b>
<b>NET ASSETS</b>	<b>\$ None</b>

See Notes to Financial Statements.

# WINNESHIEK COUNTY

## NOTES TO FINANCIAL STATEMENTS

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### 1. Nature of Operations and Significant Accounting Policies

#### a. Nature of Operations

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

#### b. Significant Accounting Policies

##### *Scope of Reporting Entity*

For financial reporting purposes, Winneshiek County has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization, or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County; or the organization is fiscally dependent on the primary government. Also, any other organizations that due to the nature of significance of their relationship with the County should be included in the financial statements as component units. The County has no component units which meet the Governmental Accounting Standards Board criteria.

##### *Jointly Governed Organizations*

The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Winneshiek County Assessor's Conference Board, Northeast Iowa Behavioral Health, Inc., Emergency Management Services, Winneshiek County Area Solid Waste Agency and Winneshiek County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in agency funds of the County.

##### *Government-wide Financial Statements*

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

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

b. Significant Accounting Policies (Continued)

*Government-wide Financial Statements (Continued)*

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

*Fund Financial Statements*

Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as other nonmajor governmental and other nonmajor enterprise funds. The internal service fund is presented in a single column on the face of the proprietary fund statements.

The funds of the financial reporting entity are described below:

*Governmental*

*General Fund*

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

*Special Revenue Funds*

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

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

b. Significant Accounting Policies (Continued)

*Fund Financial Statements (Continued)*

*Proprietary Fund Types*

*Enterprise Fund*

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

*Internal Service Fund*

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

*Fiduciary Fund Types*

*Agency Funds*

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

*Measurement Focus*

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

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

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

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

1. Nature of Operations and Significant Accounting Policies (Continued)b. Significant Accounting Policies (Continued)*Measurement Focus (Continued)*

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

*Basis of Accounting*

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

b. Significant Accounting Policies (Continued)

*Basis of Accounting (Continued)*

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

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

*Assets, Liabilities and Fund Equity*

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

*Cash Management, Cash Equivalents, and Investments*

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

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

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

*Property Tax Receivable*

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

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

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Fund Equity (Continued)*

*Interfund Transactions*

During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2007, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the government-wide statements.

*Due from Other Governments*

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

*Inventories*

Inventories are valued at cost using the first-in, first-out method. Inventories in the special revenue funds consist of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types and expenses in the proprietary fund types when used. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

*Prepaid Expenditures*

Payments made for insurance for a future period beyond June 30, 2007 are recorded as prepaid insurance. The fund balances in the governmental fund types have been reserved for the prepaid expenditures recorded in those funds. This reflects the amount of net assets not currently available for expenditure.

*Capital Assets*

Capital assets, which include property, equipment and vehicles, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Capital assets in the proprietary fund are capitalized in the fund in which they are utilized. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years:

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

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Fund Equity (Continued)*

*Capital Assets (Continued)*

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

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

For the year ended June 30, 2007, depletion is recorded on the landfill using the useful life of 27 years.

*Due to Other Governments*

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

*Trusts Payable*

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

*Deferred Revenue*

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

*Long-term Obligations*

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

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

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Fund Equity (Continued)*

*Compensated Absences*

County employees receive vacation leave at the following rates:

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

Employees may accumulate up to 20 days vacation. Sick leave accrues at the rate of two days per month and employees may accumulate up to 120 days sick leave. These accumulations are not recognized as expenditures by the County until used. The County's policy prohibits payoff of accumulated sick leave at termination of employment. Consequently, no liability for accumulated sick leave at June 30, 2007 has been determined or presented. A liability is recorded when incurred in the government wide and fiduciary fund financial statements. The County's approximate maximum liability for accrued vacation pay at June 30, 2007 is \$191,454.

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

*Fund Balance*

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

*Net Assets*

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

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

*Budgets and Budgetary Accounting*

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

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

b. Significant Accounting Policies (Continued)

*Revenues, Expenditures and Expenses*

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

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

*Management Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Deposits and 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 and improvement certificates of a drainage district.

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

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,116,723 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to credit risk categorization.

NOTES TO FINANCIAL STATEMENTS

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2. Deposits and Investments (Continued)

*Interest Rate Risk*

The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

*Credit Risk*

The investment in Iowa Public Agency Investment Trust is unrated.

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2007:

Governmental	
General fund	
Medicaid	\$ 678
Medicare	19,147
Other	<u>100,345</u>
	<u>120,170</u>
Special revenue	
Mental health fund	
Other	<u>6,694</u>
Rural service fund	
Local option sales tax	<u>188,840</u>
Secondary roads fund	
Road use tax	270,801
Other	<u>83,058</u>
	<u>353,859</u>
Nonmajor governmental fund	
Capital projects	<u>405</u>
Total governmental	<u>669,968</u>
Business-type	
Proprietary	
Finance agreement landfill	<u>15,008</u>
	<u>\$ 684,976</u>

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets

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

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Governmental activities				
Land	\$ 484,290			\$ 484,290
Infrastructure in progress	None			None
	484,290	\$ None	\$ None	484,290
Capital assets being depreciated				
Buildings	7,748,000		111,350	7,636,650
Equipment	6,149,589	232,820	165,290	6,217,119
Vehicles	740,914	90,493	23,000	808,407
Infrastructure	40,588,070	3,075,250		43,663,320
	55,226,573	3,398,563	299,640	58,325,496
Less accumulated depreciation				
Buildings	2,671,101	185,625	111,350	2,745,376
Equipment	2,571,760	374,293	130,991	2,815,062
Vehicles	472,068	82,147	12,017	542,198
Infrastructure	12,806,781	2,657,561		15,464,342
	18,521,710	3,299,626	254,358	21,566,978
Total capital assets being depreciated, net	36,704,863	98,937	45,282	36,758,518
Governmental activities				
Capital assets, net	\$ 37,189,153	\$ 98,937	\$ 45,282	\$ 37,242,808

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets (Continued)

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
<b>Business-type activities</b>				
Land	\$ 9,792			\$ 9,792
<b>Capital assets being depreciated or depleted</b>				
Equipment	1,178,773			1,178,773
Landfill	1,653,700			1,653,700
<b>Total capital assets being depreciated or depleted</b>	<u>2,832,473</u>			<u>2,832,473</u>
<b>Less accumulated depreciation or depletion</b>				
Equipment	227,441	\$ 24,647		252,088
Landfill	982,214	63,322		1,045,536
<b>Total accumulated depreciation or depletion</b>	<u>1,209,655</u>	<u>87,969</u>		<u>1,297,624</u>
<b>Total capital assets being depreciated or depleted, net</b>	<u>1,622,818</u>	<u>(87,969)</u>		<u>1,534,849</u>
<b>Business-type activities</b>				
Capital assets, net	<u>\$ 1,632,610</u>	<u>\$ (87,969)</u>	<u>\$ None</u>	<u>\$ 1,544,641</u>

For the year ended June 30, 2007, depreciation expense was charged to functions of the primary government as follows:

<b>Governmental activities</b>	
Public safety and legal services	\$ 31,850
Physical health and social services	10,484
County environment and education	19,340
Roads and transportation	3,214,392
Governmental services to residents	19,067
Administrative services	4,493
	<u>\$ 3,299,626</u>
<b>Business-type activities</b>	
Burr Oak sewer fund	\$ 12,827
Festina sewer fund	11,820
	<u>\$ 24,647</u>

NOTES TO FINANCIAL STATEMENTS

5. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments as of June 30, 2007 is as follows:

Governmental			
General fund	Services	\$	3,515
Special revenue fund			
Secondary road fund	Services		982
Rural services	Services		107
MH/DD	Services		294,817
			295,906
Total governmental			\$ 299,421
Fiduciary			
Agency			
County assessor	Collections	\$	321,020
Schools			11,427,500
Area schools			473,934
Corporations			3,367,199
Auto license and use tax			358,447
Other			1,437,734
Total agency funds			\$ 17,385,834

6. Pension and Retirement Benefits

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

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 \$304,672, \$242,693, and \$237,578, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

7. Construction, Purchase and Other Commitments

The total outstanding construction and purchase commitments of the County at June 30, 2007 amount to \$751,352.

The Board of Supervisors has agreed to provide Oneota Riverview Care Facility for requested reimbursements up to \$5,000 per year for repairs and maintenance for the period July 1, 2007 through June 30, 2008.

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

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

The County entered into a union contract with the Sheriff's department, Road department, and Jailers that is in effect from July 1, 2007 through June 30, 2008.

8. Leases

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

The City of Decorah has leased space to Winneshiek County within the City's Police Department for \$115,124 from July 1, 2007 through June 30, 2008.

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

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

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

Future lease payments under these agreements are as follows:

Year ended June 30, 2008	<u>\$ 115,124</u>
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NOTES TO FINANCIAL STATEMENTS

9. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2007 was as follows:

	Balance June 30, 2006	Issued	(Paid)	Balance June 30, 2007	Amounts Due Within One Year
<b>Governmental activities</b>					
General Obligation Bonds					
County refunding	\$ 1,160,000		\$ (205,000)	\$ 955,000	\$ 230,000
County refunding	1,035,000		(185,000)	850,000	205,000
<b>Total bonds</b>	<b>2,195,000</b>	<b>\$ None</b>	<b>(390,000)</b>	<b>1,805,000</b>	<b>435,000</b>
<b>Other liabilities</b>					
Notes/leases payable	141,658		(76,658)	65,000	65,000
Compensated absences	193,545	191,454	(193,545)	191,454	191,454
<b>Total other liabilities</b>	<b>335,203</b>	<b>191,454</b>	<b>(270,203)</b>	<b>256,454</b>	<b>256,454</b>
<b>Governmental activities</b>					
Long-term liabilities	\$ 2,530,203	\$ 191,454	\$ (660,203)	\$ 2,061,454	\$ 691,454
<b>Business-type activities</b>					
Other liabilities					
Notes payable	\$ 214,403		\$ (3,492)	\$ 210,911	\$ None
Compensated absences	None	\$ 6,811	None	6,811	6,811
<b>Total other liabilities</b>	<b>214,403</b>	<b>6,811</b>	<b>(3,492)</b>	<b>217,722</b>	<b>6,811</b>
<b>Business-type activities</b>					
Long-term liabilities	\$ 214,403	\$ 6,811	\$ (3,492)	\$ 217,722	\$ 6,811

**General Obligation Bonds**

On March 3, 2006 the County issued \$1,160,000 of General Obligation County Refunding Bonds. The proceeds of these bonds were used to refinance existing debt. The issue of bonds bears interest ranging from 3.3% to 3.5% and matures from June 1, 2007 to June 2011. The County's intent in the sale was to take advantage of lower interest rates.

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

NOTES TO FINANCIAL STATEMENTS

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9. Long-term Debt Obligations (Continued)

Notes Payable

*USDA Rural Development*

In April 1993 the County issued revenue notes totaling \$105,000 at 5% interest due in annual payments of \$6,226 starting July 1995 through 2032. These notes were used to partially finance the Burr Oak Sewer Project, and are recorded in the enterprise fund. Interest expense of \$3,950 is reported in the Burr Oak Sewer enterprise fund. The County prepaid the payment in June 2007.

*Department of Natural Resources*

In April 2000 the County issued revenue notes totaling \$132,500 at 4.5% interest due in annual payments of \$7,342 starting July 2003 through 2039. These notes were issued to partially finance the Festina Wastewater Collection and Treatment System Project. Interest expense of \$5,619 is reported in the Festina Sewer enterprise fund. The County prepaid the payment in June 2007.

*Security State Bank*

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

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

Year ending June 30,	Governmental Activities			
	Notes/Leases Payable		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2008	\$ 65,000	\$ 1,586	\$ 435,000	\$ 61,855
2009			440,000	47,282
2010			455,000	32,322
2011			475,000	16,626
Subtotal	65,000	1,586	1,805,000	158,085

NOTES TO FINANCIAL STATEMENTS

9. Long-term Debt Obligations (Continued)

Year ending June 30,	Business-type Activities	
	Notes/Leases Payable	
	Principal	Interest
2009	\$ 3,638	\$ 9,930
2010	3,810	9,758
2011	3,992	9,576
2012	4,182	9,386
2013	4,381	9,187
2014-2018	25,234	42,607
2019-2023	31,836	36,004
2024-2028	40,174	27,666
2029-2033	50,503	18,586
2034-2038	29,538	7,171
2039-2040	13,623	2,386
<b>Sub-total</b>	<b>210,911</b>	<b>182,257</b>
	<b>\$ 275,911</b>	<b>\$ 183,843</b>

At June 30, 2007, the debt issued by the County did not exceed its legal debt margin compiled as follows:

Total assessed valuation	<u>\$1,174,968,872</u>
Debt limit - 5% of total assessed valuation	\$ 58,748,444
Debt applicable to debt limit	
General obligation bonded debt outstanding	(1,805,000)
Notes payable	(275,911)
Other debt	<u>(259,217)</u>
 Legal debt margin	 <u>\$ 56,408,316</u>

10. Due to/from Other Funds

As of June 30, 2007, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 67,334	
Special revenue funds		
Rural services	14,989	
Nonmajor governmental funds	1,215	
Enterprise funds		
Landfill		\$ 14,989
Agency funds		<u>68,549</u>
	<u>\$ 83,538</u>	<u>\$ 83,538</u>

NOTES TO FINANCIAL STATEMENTS

11. Interfund Transfers

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

	Transfers In	Transfers Out
General fund		
Secondary roads		\$ 130,926
Nonmajor governmental		297,012
		427,938
Special revenue		
Rural services		1,629,701
Secondary roads	\$ 1,760,627	
	1,760,627	1,629,701
	1,760,627	2,057,639
Debt service	297,012	None
Total	\$ 2,057,639	\$ 2,057,639

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

12. Fund Equity

The government-wide statement of net assets reports \$3,201,573 of restricted net assets, of which \$3,181,859 is restricted by enabling legislation. The amounts restricted at June 30, 2007 are as follows:

Restricted net assets		
General fund		
Equity in insurance pool	\$ 8,434	
Forfeiture		11,280
		19,714
Special revenue fund		
Mental health		1,294,683
Rural services		500,174
Secondary roads		977,771
Nonmajor governmental funds		290,208
		3,062,836
Capital projects fund		119,023
	\$ 3,201,573	

NOTES TO FINANCIAL STATEMENTS

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12. Fund Equity (Continued)

Restricted net assets	
Proprietary funds	
Nonmajor proprietary funds	\$ 257,617

The amounts reserved at June 30, 2007 are as follows:

Reserved fund balances	
General fund	
Prepaid expenditures	\$ 23,195
Equity in insurance pool	8,434
Forfeiture	11,280
	42,909
Special revenue fund	
Mental health	
Prepaid expenditures	745
Rural services	
Prepaid expenditures	2,660
Secondary roads	
Inventories	308,552
Prepaid expenditures	15,200
	327,157
Nonmajor governmental	132,078
	\$ 502,144

13. Joint Venture

The County is a participant in the Winneshiek County Area Solid Waste Agency. The County has agreed to guarantee revenue to the agency from County residents. The guarantee equals base year usage by County residents as a percentage of all base year usage sufficient to fund \$2,000,000 of bonded indebtedness amortized over 12 years. The guarantee was in effect until 2003. The County appoints a member to the agency board and is guaranteed access to the landfill so long as it is a member. The agency board sets tonnage fee rates which are charged to contracted haulers who are responsible for garbage collection and billing and collecting from local residents. Audited financial statements of Winneshiek County Area Solid Waste Agency are available from the Agency at 2000 140<sup>th</sup> Avenue, Decorah, IA 52101.

14. Accrued Closure and Postclosure Care Costs

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

14. Accrued Closure and Postclosure Care Costs (Continued)

DNR regulations require that the Agency place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$2,804,975 as of June 30, 2007, which is based on 51% usage (filled) of the landfill. It is estimated that an additional \$2,628,723 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2026).

The estimated total current cost of the landfill closure and postclosure care (\$5,433,698), as prepared by the Agency's engineering consultant, is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2007. Closure and postclosure care costs charged to operations for the year ended June 30, 2007 were \$169,902. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. This estimate is reviewed annually by the Agency.

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

Management believes that the Agency has materially complied with all state laws and regulations regarding closure and postclosure care financial assurance requirements. The Agency has demonstrated financial assurance for closure and postclosure care costs by using the bond rating test as provided in Chapter 567-111.6(6) of the Iowa Administrative Code; accordingly, no County assets have been specifically restricted for this purpose. Management intends to fund these costs throughout the life of the landfill.

15. Contingent Liabilities

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of June 30, 2007 significant amounts of grant expenditures have not been audited by granting authorities but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

The County is currently contingently liable to perform environmental clean up at two locations due to the Iowa Department of Natural Resources (DNR) classifying them as high risk sites. Proposals have been submitted to the Iowa DNR outlining the County's plans for clean up. As of June 30, 2007, no ruling has been made by the Iowa DNR. As a result, no estimate can be made of future clean up costs. Funds may be available from the Iowa Comprehensive Petroleum Underground Storage Tank fund to offset some of these potential costs.

16. Risk Management

Winneshiek County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2007 were \$143,951.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 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.

NOTES TO FINANCIAL STATEMENTS

16. Risk Management (Continued)

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

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

17. Employee Health Insurance Plan

Winneshiek County is partially self-insured for health insurance coverage. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark Blue Cross and Blue Shield of Iowa. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$20,000 and \$1,010,928 overall annually. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the County's health fund are recorded as expenditures from the operating funds. Under administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark Blue Cross and Blue Shield of Iowa from the County's health fund. The County records the plan assets and related liabilities of Winneshiek County health insurance fund as an internal service fund. The County's contribution to the fund for the year ended June 30, 2007 was \$661,688.

Amounts payable from the health insurance fund at June 30, 2007 total \$368,505 which is for incurred but unpaid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims, and to establish a reserve for catastrophic losses. A liability has been established based on the requirements of Government Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years.

An analysis of claims activity in the internal service fund follows:

	2007	2006
Beginning liability	\$ 252,453	\$ 210,054
Claims and changes in estimates	710,511	456,015
Claim payments	(594,539)	(413,616)
Ending liability	\$ 368,425	\$ 252,453

18. Restatement

The beginning net assets were restated by \$370,355 due to the County recording capital assets that are in the various departments.

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WINNESHIEK COUNTY  
BUDGETARY COMPARISON SCHEDULE  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
June 30, 2007

	Actual	Less Amounts not Budgeted	Budget Basis
<b>RECEIPTS</b>			
Property and other County tax	\$ 6,792,870		\$ 6,792,870
Interest and penalty on property tax	46,981		46,981
Intergovernmental	6,253,467		6,253,467
Licenses and permits	14,190		14,190
Charges for service	514,037		514,037
Use of money and property	402,973		402,973
Miscellaneous	432,496	\$ 11,280	421,216
<b>Total receipts</b>	<b>14,457,014</b>	<b>11,280</b>	<b>14,445,734</b>
<b>DISBURSEMENTS</b>			
Public safety and legal services	1,788,964		1,788,964
Physical health and social services	1,368,307		1,368,307
Mental health	2,122,799		2,122,799
County environment and education services	1,076,950		1,076,950
Roads and transportation	5,085,071		5,085,071
Governmental services to residents	284,177		284,177
Administrative services	1,118,748		1,118,748
Nonprogram	4,347		4,347
Debt service	551,322		551,322
Capital project	759,433		759,433
<b>Total disbursements</b>	<b>14,160,118</b>	<b>-</b>	<b>14,160,118</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>296,896</b>	<b>11,280</b>	<b>285,616</b>
<b>OTHER FINANCING SOURCES, NET</b>	<b>115,529</b>		<b>115,529</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES</b>	<b>412,425</b>	<b>11,280</b>	<b>401,145</b>
<b>BALANCE, beginning of year</b>	<b>5,356,309</b>		<b>5,356,309</b>
<b>BALANCE, end of year</b>	<b>\$ 5,768,734</b>	<b>\$ 11,280</b>	<b>\$ 5,757,454</b>

See Notes to Required Supplementary Information.

Budget Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 6,747,389	\$ 6,747,389	\$ 45,481
40,950	40,950	6,031
6,673,379	6,960,753	(707,286)
18,250	18,250	(4,060)
538,082	542,582	(28,545)
312,030	330,030	72,943
426,026	644,623	(223,407)
<u>14,756,106</u>	<u>15,284,577</u>	<u>(838,843)</u>
1,888,796	1,912,296	123,332
1,554,843	1,556,098	187,791
2,506,351	2,506,351	383,552
1,138,379	1,144,901	67,951
4,682,970	5,165,970	80,899
320,009	327,571	43,394
1,285,604	1,273,800	155,052
6,000	6,000	1,653
551,156	551,156	(166)
1,603,759	2,140,634	1,381,201
<u>15,537,867</u>	<u>16,584,777</u>	<u>2,424,659</u>
(781,761)	(1,300,200)	1,585,816
-	103,928	11,601
(781,761)	(1,196,272)	1,597,417
<u>4,923,099</u>	<u>5,356,309</u>	-
<u>\$ 4,141,338</u>	<u>\$ 4,160,037</u>	<u>\$ 1,597,417</u>

WINNESHIEK COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 BUDGET TO GAAP RECONCILIATION  
 For the Year Ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 14,457,014	\$ (39,548)	\$ 14,417,466
Expenditures	14,160,118	60,152	14,220,270
Net	296,896	(99,700)	197,196
Other financing sources, net	115,529	-	115,529
Beginning fund balance	5,356,309	187,338	5,543,647
Ending fund balance	<u>\$ 5,768,734</u>	<u>\$ 87,638</u>	<u>\$ 5,856,372</u>

See Notes to Required Supplementary Information.

WINNESHIEK COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2007

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The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, nonprogram, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, capital projects fund and debt service fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$1,046,910. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office, by the County Agricultural Extension Council; for the County Assessor by the County Conference Board; and for the E-911 System by the Joint E-911 Service Board, and for Emergency Management Services by the County Emergency Management Commission.

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

During the year ended June 30, 2007, disbursements for debt service function area exceeded budget.

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INDEPENDENT AUDITOR'S REPORT ON THE  
SUPPLEMENTARY INFORMATION

To the Board of Supervisors  
Winneshiek County  
Decorah, Iowa

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winneshiek County's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements as of and for the year ended June 30, 2007, taken as a whole.

We have previously audited, in accordance with U.S. generally accepted auditing standards, the basic financial statements of Winneshiek County as of and for the years ending June 30, 2006, 2005 and 2004, (none of which is presented herein). We expressed qualified opinions on the governmental activities for the 2006, 2005 and 2004 fiscal years due to the omission of certain capital assets, net depreciation. We expressed unqualified opinions on the business-type activities, each major fund, and aggregate remaining fund information for the 2006, 2005 and 2004 fiscal years. In our opinion, the information set forth in the required supplementary information for each of the four years in the period ended June 30, 2007, appearing on page 48, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
December 26, 2007

WINNESHIEK COUNTY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2007

	Special Revenue	Capital Projects	Debt Service	Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and pooled investments	\$ 334,782	\$ 118,618	\$ 13,049	\$ 466,449
Receivables				
Property tax				
Delinquent			100	100
Succeeding year	-		249,710	249,710
Accrued interest	1,171			1,171
Due from other funds	1,215			1,215
Due from other governments		405		405
<b>Total assets</b>	<b>\$ 337,168</b>	<b>\$ 119,023</b>	<b>\$ 262,859</b>	<b>\$ 719,050</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Deferred revenue				
Succeeding year property tax	-		249,710	249,710
Other	-		94	94
<b>Total liabilities</b>	<b>-</b>	<b>\$ -</b>	<b>249,804</b>	<b>249,804</b>
<b>Fund balances</b>				
Reserved				
Debt service	-		13,055	13,055
Special revenue funds	337,168			337,168
Capital projects		119,023		119,023
<b>Total fund balances</b>	<b>337,168</b>	<b>119,023</b>	<b>13,055</b>	<b>469,246</b>
<b>Total liabilities and fund balances</b>	<b>\$ 337,168</b>	<b>\$ 119,023</b>	<b>\$ 262,859</b>	<b>\$ 719,050</b>

See Independent Auditor's Report on the Supplementary Information.

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

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Property and other County tax	\$ -		\$ 246,095	\$ 246,095
Intergovernmental	33,681	\$ 135,549	13,231	182,461
Charges for service	4,481			4,481
Use of money and property	9,820			9,820
Miscellaneous	2,500	25,874		28,374
Total revenues	<u>50,482</u>	<u>161,423</u>	<u>259,326</u>	<u>471,231</u>
<b>EXPENDITURES</b>				
Current				
Physical health and social services	7,957			7,957
County environment and education services	19,948			19,948
Governmental services to residents	241			241
Non-program	12,035			12,035
Debt service	-		551,322	551,322
Capital projects		42,400		42,400
Total expenditures	<u>40,181</u>	<u>42,400</u>	<u>551,322</u>	<u>633,903</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>10,301</u>	<u>119,023</u>	<u>(291,996)</u>	<u>(162,672)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	-	297,012	297,012
	-	-	297,012	297,012
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	<u>10,301</u>	<u>119,023</u>	<u>5,016</u>	<u>134,340</u>
<b>FUND BALANCES, beginning of year</b>	<u>326,867</u>		<u>8,039</u>	<u>334,906</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 337,168</u>	<u>\$ 119,023</u>	<u>\$ 13,055</u>	<u>\$ 469,246</u>

See Independent Auditor's Report on the Supplementary Information.

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WINNESHIEK COUNTY  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 June 30, 2007

	REAP Grant	Water Testing Grant	Conservation Land Acquisition Fund
<b>ASSETS</b>			
Cash and pooled investments	\$ 196,549	\$ 92,516	\$ 32,299
Receivables			
Accrued interest	1,143	-	
Due from other funds			
Total assets	\$ 197,692	\$ 92,516	\$ 32,299
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	-	-	-
<b>Fund balances</b>			
Reserved	197,692	92,516	32,299
Total fund balances	197,692	92,516	32,299
Total liabilities and fund balances	\$ 197,692	\$ 92,516	\$ 32,299

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 3

Recorder's Records Management	Total Nonmajor Special Revenue Funds
\$ 13,418	\$ 334,782
28	1,171
1,215	1,215
<u>\$ 14,661</u>	<u>\$ 337,168</u>
<u>\$ -</u>	<u>\$ -</u>
<u>-</u>	<u>-</u>
<u>14,661</u>	<u>337,168</u>
<u>14,661</u>	<u>337,168</u>
<u>\$ 14,661</u>	<u>\$ 337,168</u>

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WINNESHIEK COUNTY  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 For the Year Ended June 30, 2007

	REAP Grant	Water Testing Grant	Conservation Land Acquisition Fund
<b>REVENUES</b>			
Intergovernmental	\$ 8,544	\$ 19,562	\$ 5,575
Charges for service			
Use of money and property	9,545		
Miscellaneous			2,500
<b>Total revenues</b>	<b>18,089</b>	<b>19,562</b>	<b>8,075</b>
<b>EXPENDITURES</b>			
Current			
Physical health and social services		7,957	
County environment and education services	19,948		
Governmental services to residents			
Non-program			12,035
<b>Total expenditures</b>	<b>19,948</b>	<b>7,957</b>	<b>12,035</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,859)</b>	<b>11,605</b>	<b>(3,960)</b>
<b>FUND BALANCES, beginning of year</b>	<b>199,551</b>	<b>80,911</b>	<b>36,259</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 197,692</b>	<b>\$ 92,516</b>	<b>\$ 32,299</b>

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 4

Recorder's Records Management	Total Nonmajor Special Revenue Funds
	\$ 33,681
\$ 4,481	4,481
275	9,820
-	2,500
<u>4,756</u>	<u>50,482</u>
	7,957
	19,948
241	241
	<u>12,035</u>
<u>241</u>	<u>40,181</u>
<u>4,515</u>	<u>10,301</u>
<u>10,146</u>	<u>326,867</u>
<u>\$ 14,661</u>	<u>\$ 337,168</u>

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WINNEBISHIEK COUNTY  
 COMBINING SCHEDULE OF NET ASSETS  
 NONMAJOR PROPRIETARY FUNDS  
 June 30, 2007

	Burr Oak Sewer Fund	Festina Sewer Fund	Burr Oak Sewer Sinking Fund
<b>ASSETS</b>			
Cash and pooled investments	\$ 20,528	\$ 13,268	\$ 560
Receivables			
Accounts	2,650	1,900	
<b>Total current assets</b>	<b>23,178</b>	<b>15,168</b>	<b>560</b>
<b>Noncurrent assets</b>			
Land	6,292	3,500	
Net capital assets	456,081	470,604	
<b>Total noncurrent assets</b>	<b>462,373</b>	<b>474,104</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 485,551</b>	<b>\$ 489,272</b>	<b>\$ 560</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accrued interest payable	\$ 252	\$ 319	\$ -
Notes payable	-	-	
<b>Total current liabilities</b>	<b>252</b>	<b>319</b>	<b>-</b>
<b>Noncurrent liabilities</b>			
Long-term debt	87,698	123,213	
<b>Total liabilities</b>	<b>87,950</b>	<b>123,532</b>	<b>-</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	374,675	350,891	
Restricted	158,618	84,672	560
Unrestricted	(135,692)	(69,823)	
<b>Total net assets</b>	<b>397,601</b>	<b>365,740</b>	<b>560</b>
<b>Total liabilities and net assets</b>	<b>\$ 485,551</b>	<b>\$ 489,272</b>	<b>\$ 560</b>

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 5

Festina Sewer Sinking Fund	Burr Oak Sewer Reserve Fund	Festina Sewer Reserve Fund	Total Nonmajor Enterprise Funds
\$ 10	\$ 9,169	\$ 4,588	\$ 48,123
			4,550
10	9,169	4,588	52,673
			9,792
			926,685
-	-	-	936,477
\$ 10	\$ 9,169	\$ 4,588	\$ 989,150
\$ -	\$ -	\$ -	\$ 571
			-
-	-	-	571
			210,911
-	-	-	211,482
10	9,169	4,588	725,566
			257,617
			(205,515)
10	9,169	4,588	777,668
\$ 10	\$ 9,169	\$ 4,588	\$ 989,150

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WINNESHEIK COUNTY  
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 NONMAJOR PROPRIETARY FUNDS  
 For the Year Ended June 30, 2007

	Burr Oak Sewer Fund	Festina Sewer Fund	Burr Oak Sewer Sinking Fund
<b>OPERATING REVENUES</b>			
Charges for services	\$ 19,260	\$ 14,801	\$ -
Total operating revenues	19,260	14,801	-
<b>OPERATING EXPENSES</b>			
Wages and benefits	1,180	2,857	
Depreciation	12,827	11,820	
Other	15,597	1,512	
Total operating expenses	29,604	16,189	-
Operating loss	(10,344)	(1,388)	-
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	78	325	
Interest expense	(3,950)	(5,619)	
Net nonoperating revenues (expenses)	(3,872)	(5,294)	-
Income before contributions and transfers	(14,216)	(6,682)	-
<b>OPERATING TRANSFERS</b>			
Transfer in	6,226		6,228
Transfer out	(6,864)		(6,226)
Total operating transfers	(638)	-	2
Change in net assets	(14,854)	(6,682)	2
NET ASSETS, beginning of year	412,455	372,422	558
NET ASSETS, end of year	\$ 397,601	\$ 365,740	\$ 560

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 6

Festina Sewer Sinking Fund	Burr Oak Sewer Reserve Fund	Festina Sewer Reserve Fund	Total Nonmajor Enterprise Funds
\$ -	\$ -	\$ -	\$ 34,061
-	-	-	34,061
			4,037
			24,647
			17,109
-	-	-	45,793
-	-	-	(11,732)
			403
			(9,569)
-	-	-	(9,166)
-	-	-	(20,898)
	636		13,090
			(13,090)
-	636	-	-
-	636	-	(20,898)
10	8,533	4,588	798,566
<u>\$ 10</u>	<u>\$ 9,169</u>	<u>\$ 4,588</u>	<u>\$ 777,668</u>

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

	County Offices	Agricultural Extension Education	Assessor	Schools
<b>ASSETS</b>				
Cash and pooled investments				
County Treasurer		\$ 2,223	\$ 115,634	\$ 141,166
Other County officials	\$ 94,243			
Receivables				
Property tax				
Delinquent		81	77	5,021
Succeeding year		173,540	222,864	11,281,313
Accounts	3,987			
Accrued interest				
Due from other governments			2,258	
Prepaid insurance			1,520	
<b>Total assets</b>	<b>\$ 98,230</b>	<b>\$ 175,844</b>	<b>\$ 342,353</b>	<b>\$ 11,427,500</b>
<b>LIABILITIES</b>				
Accounts payable			\$ 5,316	
Salaries and benefits payable			8,073	
Due to other funds	\$ 53,653			
Due to other governments	42,652	\$ 175,844	321,020	\$ 11,427,500
Deferred revenue				
Trusts payable	1,925			
Accrued compensated absences			7,944	
<b>Total liabilities</b>	<b>\$ 98,230</b>	<b>\$ 175,844</b>	<b>\$ 342,353</b>	<b>\$ 11,427,500</b>

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 7

Area Schools	Corporations	Townships	Auto License and Use Tax	Other	Total
\$ 6,167	\$ 23,914	\$ 4,499	\$ 373,342	\$ 422,720	\$ 1,089,665
					94,243
218	2,784	124		229	8,534
467,549	3,340,501	274,180		492,735	16,252,682
				31,856	35,843
				663	663
				4,660	6,918
					1,520
<u>\$ 473,934</u>	<u>\$ 3,367,199</u>	<u>\$ 278,803</u>	<u>\$ 373,342</u>	<u>\$ 952,863</u>	<u>\$ 17,490,068</u>
				\$ 6,911	\$ 12,227
				857	8,930
			\$ 14,895	-	68,548
\$ 473,934	\$ 3,367,199	\$ 278,803	358,447	940,435	17,385,834
				4,660	4,660
					1,925
					7,944
<u>\$ 473,934</u>	<u>\$ 3,367,199</u>	<u>\$ 278,803</u>	<u>\$ 373,342</u>	<u>\$ 952,863</u>	<u>\$ 17,490,068</u>

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WINNESHIEK COUNTY  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 For the Year Ended June 30, 2007

	County Offices	Agricultural Extension Education	Assessor	Schools
<b>ASSETS AND LIABILITIES</b>				
BALANCE, beginning of year	\$ 83,421	\$ 2,183	\$ 111,196	\$ 139,159
<b>ADDITIONS</b>				
Property and other County tax		162,745	220,907	10,636,483
State tax credits		8,764	11,944	559,494
Drivers license fees				
Office fees and collections	422,552		387	
Auto license, use tax and postage				
E-911 telephone surcharges				
Miscellaneous	123,534		20,313	
Assessments				
Trusts	114,520			
Total additions	660,606	171,509	253,551	11,195,977
<b>DEDUCTIONS</b>				
Agency remittances				
To other funds	252,610			
To other governments	202,816	171,388		11,188,949
Trusts paid out	106,328			
Miscellaneous	84,043		245,258	
Total deductions	645,797	171,388	245,258	11,188,949
BALANCE, end of year	\$ 98,230	\$ 2,304	\$ 119,489	\$ 146,187

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 8

Area Schools	Corporations	Townships	Auto License and Use Tax	Other	Total
\$ 6,067	\$ 32,980	\$ 4,019	\$ 366,566	\$ 319,411	\$ 1,065,002
451,354	3,605,341	253,336		506,739	15,836,905
24,306	137,842	16,143		27,290	785,783
			7,722		7,722
				4,092	427,031
			4,296,972		4,296,972
				123,379	123,379
				177,026	320,873
				71,662	71,662
					114,520
475,660	3,743,183	269,479	4,304,694	910,188	21,984,847
			136,391		389,001
475,342	3,749,465	268,875	4,161,527	595,990	20,814,352
				173,481	106,328
					502,782
475,342	3,749,465	268,875	4,297,918	769,471	21,812,463
\$ 6,385	\$ 26,698	\$ 4,623	\$ 373,342	\$ 460,128	\$ 1,237,386

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

	Modified Accrual			
	2007	2006	2005	2004
<b>REVENUES</b>				
Property and other County tax	\$ 5,506,728	\$ 5,379,392	\$ 5,462,955	\$ 5,728,954
Local option sales tax	1,296,816	1,090,902	1,144,299	958,144
Interest and penalty on property tax	46,990	49,037	51,129	65,567
Intergovernmental	6,214,640	6,234,227	5,996,378	6,133,510
Licenses and permits	14,210	13,040	14,969	13,577
Charges for service	533,809	524,258	554,535	566,941
Use of money and property	406,426	355,300	252,964	209,672
Miscellaneous	397,847	131,274	104,590	136,139
<b>Total revenues</b>	<b>\$ 14,417,466</b>	<b>\$ 13,777,430</b>	<b>\$ 13,581,819</b>	<b>\$ 13,812,504</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
Public safety and legal services	\$ 1,769,761	\$ 1,673,671	\$ 1,568,370	\$ 1,491,544
Physical health and social services	1,424,742	1,372,241	1,350,847	1,381,162
Mental health	2,198,888	2,081,849	1,973,584	2,113,732
County environment and education services	1,079,757	1,002,931	969,412	943,942
Roads and transportation	5,063,759	4,320,893	4,464,945	4,495,658
Governmental services to residents	285,872	449,990	275,852	275,390
Administrative services	1,125,199	1,090,546	1,213,439	1,080,717
Nonprogram	16,382	5,251	3,317	3,344
Debt service	551,322	2,781,219	569,658	821,934
Capital project	704,588	2,002,286	1,479,367	1,135,748
<b>Total expenditures</b>	<b>\$ 14,220,270</b>	<b>\$ 16,780,877</b>	<b>\$ 13,868,791</b>	<b>\$ 13,743,171</b>

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2007

Section I: Summary of the Independent Auditor's Results	Yes	No	None Reported
<b>Financial Statements</b>			
Type of auditor's report issued: unqualified			
<b>Internal control over financial reporting:</b>			
• Material weakness(es) identified?		X	
• Significant deficiencies identified that are not considered to be material weaknesses?	X		
• Noncompliance material to financial statements noted?		X	
<b>Federal Awards</b>			
<b>Internal control over major programs:</b>			
• Material weakness(es) identified?		X	
• Significant deficiencies identified that are not considered to be material weaknesses?	X		
Type of auditor's report issued on compliance for major programs: Unqualified			
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	X		
Identification of major programs CFDA Number 20.205, Highway Planning and Construction			
Dollar threshold used to distinguish between Type A and Type B Programs: \$300,000			
Auditee qualified as low-risk auditee?		X	

WINNESHIEK COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2007

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Section II: Findings Related to the Financial Statements

07-1 Financial Report Preparation

Reporting financial data reliably in accordance with generally accepted accounting principles requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Obtaining additional generally accepted accounting principles knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in their ability to prepare and take responsibility for reliable generally accepted accounting principles financial statements.

Response

Management is cognizant of this limitation.

Conclusion

Response acknowledged.

07-2 Segregation of Duties

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

Recommendation

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

Response and Corrective Action Planned

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

Conclusion

Response accepted.

Section III: Findings and Questioned Costs for Federal Awards

CFDA Number 20.205, Highway Planning and Construction  
Federal Award Year: 2007  
U.S. Department of Transportation  
Passed through Iowa Department of Transportation

See 07-1 and 07-2 above

WINNESHIEK COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2007

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Section IV: Other Findings Related to Required Statutory Reporting

See Management Letter dated December 26, 2007

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

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>Explanation</u>
06-1	Segregation of duties	Not corrected	The County has limited staff and segregates duties to the best of their abilities.

WINNEBAGO COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2007

Grantor/Program	CFDA Number	Grant Number/Description	Program Expenditures
<b>Indirect</b>			
U.S. Department of Agriculture			
Passed through Iowa Department of Human Services			
State Administrative Matching Grants for Food Stamp Program	10.561	LAE Reimbursement	\$ 9,521
U.S. Department of Housing and Urban Development			
Passed through Iowa Department of Economic Development			
Community Development Block Grant	14.228	02-CF-027	912
		04-ED-005	1,011
			<u>1,923</u>
U.S. Department of Transportation			
Passed through Iowa Department of Transportation			
Highway Planning and Construction	20.205	BROS-CO96(80)--8J-96	326,607
		BROS-CO96(84)--8J-96	127,478
			<u>454,085</u>
Passed through Iowa Department of Public Safety			
Alcohol Traffic Safety and Drunk Driving			
Prevention Incentive Grants	20.601	PAP 05-163, Task 13	17,304
Safety Incentive Grants for Use of Seatbelts	20.604	07-157, Task 190	3,776
Sub-total U.S. Department of Transportation			<u>475,165</u>
U.S. Department of Health and Human Services			
Passed through Iowa Department of Human Rights			
Temporary Assistance for Needy Families	93.558	FaDSS-06-25-F4	128,083
		LAE Reimbursement	12,924
			<u>141,007</u>
Passed through Iowa Department of Public Health			
Immunization Grants	93.268	5886I425	2,212
		5887I425	1,464
			<u>3,676</u>
Maternal and Child Health Services Block Grant to the States	93.994	5886MH10	1,251
		5887MH10	3,135
			<u>4,386</u>

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

WINNESHIEK COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2007

Grantor/Program	CFDA Number	Grant Number/Description	Program Expenditures
<b>Indirect (Continued)</b>			
U.S. Department of Health and Human Services (Continued)			
Passed through Hancock County Public Health Services			
Centers for Disease Control and Prevention, Investigations, and			
Technical Assistance			
	93.283	BT06016	\$ 7,580
		BT07016	30,445
			<u>38,025</u>
Passed through Iowa Department of Human Services			
Social Services Block Grant			
	93.667	96-001	71,311
		LAE Reimbursement	8,496
			<u>79,807</u>
<b>Other Federal Financial Assistance</b>			
Human Services Administrative Reimbursements			
Refugee and Entrant Assistance - State Administered Program:			
	93.566	LAE Reimbursement	22
Child Care and Development Block Grant			
	93.575	LAE Reimbursement	4
Child Care Mandatory and Matching Funds of the Child Care			
and Development Fund			
	93.596	LAE Reimbursement	2,865
Foster Care - Title IV-E			
	93.658	LAE Reimbursement	7,087
Adoption Assistance			
	93.659	LAE Reimbursement	1,440
State Children's Insurance Program			
	93.767	LAE Reimbursement	84
Medical Assistance Program			
	93.778	LAE Reimbursement	16,821
			<u>28,323</u>
Sub-total U.S. Department of Health and Human Services			<u>295,224</u>
U.S. Department of Homeland Security			
Passed through Iowa Department of Public Defense			
Emergency Management Performance Grants			
	97.042	EMPG Reimbursement	9,210
Homeland Security Grant Program			
	97.067	HSGP Reimbursement	831
Subtotal U.S. Department of Homeland Security			<u>10,041</u>
Total Federal Financial Assistance			<u>\$ 791,874</u>

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

WINNESHIEK COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2007

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Note 1. Basis of Presentation

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

Note 2. Loans Outstanding

Winneshiek County has outstanding notes payable to the Rural Housing and Community Development Service totaling \$87,698 and \$123,213 as of June 30, 2007. The proceeds from these notes were advanced under the Water and Waste Disposal Systems for Rural Communities Program.

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

To the Board of Supervisors  
Winneshiek County  
Decorah, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Winneshiek County as of and for the year ended June 30, 2007, which collectively comprise Winneshiek County's basic financial statements and have issued our report thereon dated December 26, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency exists when the design or operation of a 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 the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over financial reporting described in the accompanying Schedule of Findings and Questioned Costs as item 07-1 and 07-2 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity'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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

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

We noted certain matters that we reported to management of Winneshiek County in a separate letter dated December 26, 2007.

Winneshiek County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Winneshiek County's response and, accordingly, we express no opinion on it.

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

*Hacker Nelson & Co., P.C.*

Decorah, Iowa  
December 26, 2007

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

To the Board of Supervisors  
Winneshiek County  
Decorah, Iowa

Compliance

We have audited the compliance of Winneshiek County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on Winneshiek County's compliance based on our audit.

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

In our opinion, Winneshiek County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Winneshiek County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Winneshiek County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first page of this section and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined above. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-1 and 07-2 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Winneshiek County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Winneshiek County's response and, accordingly, we express no opinion on it.

#### Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Winneshiek County as of and for the year ended June 30, 2007, and have issued our report thereon dated December 26, 2007. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
December 26, 2007

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**MANAGEMENT LETTER**

To the Board of Supervisors  
Winneshiek County  
Decorah, Iowa

In planning and performing our audit of the basic financial statements of Winneshiek County for the year ended June 30, 2007, we considered the County's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the County's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 10 below are compliance comments required by the Iowa Auditor of State. A separate report dated December 26, 2007, contains our report on significant deficiencies in the County's internal controls. This letter does not affect our report dated December 26, 2007 on the basic financial statements of Winneshiek County. Comments 1, 10, and 14 are unresolved comments from the prior year. All other prior year statutory comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the County's responses and, accordingly, we express no opinion on them.

1. Certified Budget

Disbursements for the year ended June 30, 2007 exceeded the amounts budgeted in the debt service function. Disbursements for the year ended June 30, 2007 exceeded the amounts budgeted in the nondepartmental department prior to the first budget amendment.

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

Due to refinancing of bonds we were unaware of the \$200 charge.

Conclusion

Response accepted.

2. Questionable Expenditures

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

3. Travel Expense

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

4. Business Transactions

We noted no business transactions between the County and County officials and/or employees for the year ended June 30, 2007.

5. Bond Coverage

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

6. Board Minutes

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

7. Resource Enhancement and Protection Certification

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

8. County Extension Office

The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A through D.

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

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

The County Extension Office has two outstanding checks that are greater than three years old.

Recommendation

We recommend the County turn the outstanding checks over to the State as unclaimed property.

Response

We will monitor the outstanding checks over two years old and turn over to the State.

Conclusion

Response accepted.

9. Deposits and Investments

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

10. County Sheriff Office

The County Sheriff Office has four outstanding checks that are greater than three years old.

Recommendation

We recommend the County turn the outstanding checks over to the State as unclaimed property.

Response

We will monitor the outstanding checks over two years old and turn over to the State.

Conclusion

Response accepted.

11. Property and Equipment Records

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

Recommendation

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

Response

We are working on getting the property and equipment records up-to-date and will work on taking inventory at least once a year.

Conclusion

Response accepted.

12. Solid Waste Fees Retainage

During the year ended June 30, 2007, the solid waste fees established by Chapter 455E.11(2), (11), (13) and (15) of the Code of Iowa, were administered by Winneshiek County Area Solid Waste Agency. The agency is a 28E organization of which Winneshiek County is a member.

13. Recorder's Office

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

Recommendation

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

Response

We will watch account balances closer.

Conclusion

Response accepted.

14. Disbursements

During our audit, we noticed there were two reimbursements for mileage that were paid at a higher rate than what was set by the Board.

Recommendation

We recommend mileage reimbursements be paid at the rate set by the Board for all departments.

Response

Mileage rates for public health are set by the Board of Health and not the Board of Supervisors.

Conclusion

Response accepted.

15. Grants

During our audit of grants, it was noted that files requested in the Veterans Affairs office could not be immediately found and that the Conservation office was slow in making grant files available for inspection.

Recommendation

We recommend that grant files be properly maintained and up to date so that they are immediately available for inspection upon request by authorized individuals/entities.

Response

Offices were contacted to bring in their information in a timely manner.

Conclusion

Response accepted.

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

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Winneshiek County during the course of our examination.

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

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
December 26, 2007