**WINNEBAGO COUNTY**
**Forest City, Iowa**

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2009

**WINNEBAGO COUNTY**
**Forest City, Iowa**

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**WINNEBAGO COUNTY**
**Forest City, Iowa**

## OFFICIALS

(Before January 2009)

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

(After January 2009)

| Name | Title | Term Expires |
|---|---|---|
| James Oulman | Board of Supervisors | January 2011 |
| Warren Wubben | Board of Supervisors | January 2011 |
| Mike Stensrud | Board of Supervisors | January 2013 |
| Jennifer Fjelstad | Auditor | January 2013 |
| Julie Swenson | Treasurer | January 2011 |
| Kristin Colby | Recorder | January 2011 |
| Doug Jensen | Sheriff | January 2013 |
| Robert Cooper | Attorney | January 2011 |
| Lowell Ouverson | Assessor | Appointed |

Gardiner Thomsen
Certified Public Accountants

# Independent Auditors' Report

To the Officials of Winnebago County
Forest City, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winnebago County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Winnebago County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Winnebago County at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2010 on our consideration of Winnebago County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 – 9 and 36 – 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winnebago County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

March 2, 2010

Gardiner Thomsen, P.C.

Winnebago County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

## FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 24%, or approximately $2,384,030, from fiscal 2008 to fiscal 2009. Property tax increased approximately $380,263, operating grants, capital grants and contributions increased approximately $2,252,385 and charges for services decreased approximately $303,852.
- Program expenses were 3%, or approximately $575,150 more in fiscal 2009 than in fiscal 2008.
- The County's net assets increased 16%, or approximately $2,288,180 from June 30, 2008 to June 30, 2009.

## USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

### Reporting the County's Financial Activities

*Government-wide Financial Statements*

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

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

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

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

***Fund Financial Statements***

The County has three kinds of funds:

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Winnebago County's combined net assets increased from a year ago, from $14,273,641 to $16,561,821. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities
(Expressed in Thousands)

| | 2009 | 2008 |
|---|---|---|
| Current and Other Assets | $11,099 | $8,438 |
| Capital Assets | 13,192 | 11,250 |
| Total Assets | 24,291 | 19,688 |
| Long-Term Debt Outstanding | 2,556 | 866 |
| Other Liabilities | 5,173 | 4,548 |
| Total Liabilities | 7,729 | 5,414 |
| Net Assets: | | |
| Invested in Capital Assets, Net of debt | 12,433 | 11,236 |
| Restricted | 3,788 | 1,924 |
| Unrestricted | 341 | 1,114 |
| Total Net Assets | $16,562 | $14,274 |

Net assets of the Winnebago County's governmental activities increased by 16% ($16.56 million compared to $14.27 million). 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 sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenant, enabling legislation or other legal requirements was $341,207.

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

| Program Revenues: | 2009 | 2008 |
|---|---|---|
| Charges for Service | $1,892 | $2,193 |
| Operating Grants, Contributions and Restricted Interest | 3,541 | 2,780 |
| Capital Grants, Contributions and Restricted Interest | 1,717 | 225 |
| General Revenues: | | |
| Property Taxes | 3,859 | 3,479 |
| Penalty and Interest on Property Tax | 37 | 29 |
| State Tax Credits | 205 | 213 |
| Local Option Sales Tax | 383 | 310 |
| Unrestricted Investments Earnings | 88 | 136 |
| Other General Revenues | 424 | 398 |
| Total Revenues | 12,146 | 9,763 |
| Program Expenses: | | |
| Public Safety and Legal Services | 1,561 | 1,202 |
| Physical Health and Social Services | 825 | 729 |
| Mental Health | 1,475 | 1,455 |
| County Environment and Education | 651 | 553 |
| Roads and Transportation | 3,267 | 3,393 |
| Government Services to Residents | 397 | 340 |
| Administration | 908 | 797 |
| Non-program | 720 | 813 |
| Interest on Long-Term Debt | 54 | 1 |
| Total Expenses | 9,858 | 9,283 |
| Increase in Net Assets | 2,288 | 480 |
| Net Assets – Beginning of Year | 14,274 | 13,794 |
| Net Assets – End of Year | $16,562 | $14,274 |

The results of governmental activities for the year resulted in Winnebago County's net assets increasing by approximately $2,288,180. Revenues for governmental activities increased by approximately $2,384,030 over the prior year, with property tax revenue up from the prior year by approximately $380,263.

The cost of all governmental activities this year was $9,857,653 compared to $9,282,503 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was $2.70 million because of the cost was paid by those directly benefiting from the programs ($1,891,946) or by other governmental and organizations that subsidized certain programs with grants and contributions ($5,257,955). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2009 from approximately $5.198 million to $7.150 million. The County paid for the remaining "public benefit" portion of governmental activities with approximately $3.9 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

## INDIVIDUAL MAJOR FUNDS

As Winnebago County completed the year, its governmental funds reported a combined fund balance of $5,422,727, an increase of $1,996,169 above last year's total of $3,426,558. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately $541,840 and expenditures increased approximately $583,018 when compared to the prior year. The ending fund balance showed an increase of $290,295 from the prior year to $1,456,073.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately $1,477,809, an increase of 2% from the prior year. The Mental Health Fund balance at year end increased by approximately $234,694 over the prior year.
- Rural Service Fund revenues increased approximately $340,131 and expenditures increased approximately $268,199. The ending fund balance showed an increase of $124,273 from the prior year to $210,231.
- Secondary Roads Fund expenditures decreased by approximately $1,149,404 over the prior year. The Secondary Roads Fund ending balance increased approximately by $667,548.
- The Capital Projects fund was established during the current year. Proceeds from the issuance of debt totaled $1,750,000 while the County made expenditures of $1,103,231.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Winnebago County amended its budget two times. The amendments were made in December 2008 and May 2009, and resulted in an increase in budgeted disbursements related to most functions.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2009, Winnebago County had approximately $19.275 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of approximately $2,467,111 or 14% over last year.

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

| | 2009 | 2008 |
|---|---|---|
| Land | $1,038 | $1,038 |
| Buildings and Improvements | 3,985 | 3,985 |
| Equipment | 5,651 | 5,815 |
| Infrastructure | 7,403 | 5,970 |
| Construction in Progress | 1,198 | 0 |
| Total | $19,275 | $16,808 |

| This year's major additions include (expressed in thousands) | |
|---|---|
| Sheriff Vehicles | $72 |
| Infrastructure | 1,433 |
| | $1,505 |

The County had depreciation expense of $836,809 for the year ended June 30, 2009 and total accumulated depreciation of $6,082,164 at June 30, 2009.

The County's fiscal year 2009 capital budget included $1,180,500 for capital projects, principally for continued upgrading of secondary roads and bridges. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

**Long – Term Debt**

At June 30, 2009, Winnebago County had approximately $2,556,454 in general obligation notes and other debt outstanding compared to approximately $858,537 at June 30, 2008, as shown below.

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

| | 2009 | 2008 |
|---|---|---|
| Installment Purchases | $55 | $14 |
| General Obligation Urban Renewal Bonds | 1,750 | 0 |
| Notes & Contracts | 33 | 50 |
| Drainage Warrant and Improvement Certificates | 545 | 649 |
| Compensated Absences | 154 | 136 |
| Termination Benefits | 19 | 10 |
| | $2,556 | $859 |

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Winnebago County's outstanding general obligation debt is significantly below its constitutional debt limit of $34.4 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

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

Winnebago County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates, and the fees that will be charged for various County activities.

One of those factors is the economy. The County's nonagricultural employment continued to increase in 2009 as more family farms either sold to larger operations or stopped farming all together. The population in Winnebago County, however, continued to decline in 2009 as elderly population far exceeds the 20-30 age group and there were various job eliminations at local industries.

Unemployment in the County now stands at 8.2% versus 7.9% a year ago, which shows an increase of 1.3% with more people being unemployed in the County. This is mostly due to the large layoffs of employees from area manufacturing companies who are experiencing trying times due to the tough economic conditions nationwide and worldwide. This compares with the state unemployment rate of 5.9% for 2009 and the national rate of 9.5% for 2009. This shows that Winnebago County's citizens are experiencing a few more new job opportunities currently than the State or National averages. This is likely due in part to the large manufacturing base which resides in Winnebago County. The service sector (medical, insurance, finance) has remained relatively stable while the agricultural sector in Winnebago County actually saw a slight increase in investments being made.

Even in these tough economic times, Winnebago County residents have been creative in seeking new income opportunities. Some employees that have been laid off have gone back to college to pursue a different career course. Some residents have started their own business and others have found employment in the area (either part-time or temporary) to tide them over until another full-time opportunity arises. The people of Winnebago County have and will continue to use the resources available to them until the conditions improve and more job opportunities occur. The outlook for 2010 in the manufacturing job sector looks to stay stable or increase slightly while the service and agricultural job sectors also look to remain stable.

The food prices increased by 1.8% in 2009, while the fuel prices remained relatively unchanged during most of 2009, allowing Winnebago County residents to keep spending on these items approximately the same as in 2008. Utility expenses rose in early 2009 again, affecting the consumer's pocket book. The outlook for 2010 with these expenses remains unknown at this time pending the federal government's proposed "green" energy requirements that may be imposed upon utility companies nationwide.

With more dollars being spent on basic living expenses, Winnebago County's citizens' needs were considered when preparing the 2010 County Budget. Amounts available for appropriation in the operating budget are $11,942,606 million. The County has added no major new programs or initiatives in the 2010 budget and most departments kept their budgets unchanged from the prior year.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

**Exhibit A**

# WINNEBAGO COUNTY
## Forest City, Iowa

## STATEMENT OF NET ASSETS
June 30, 2009

| | Governmental Activities |
|---|---|
| **ASSETS** | |
| Cash & Pooled Investments | $5,265,744 |
| Receivables: | |
| Property Tax: | |
| Delinquent | 14,969 |
| Succeeding Year | 4,193,272 |
| Interest & Penalty On Property Tax | 53 |
| Accounts | 108,472 |
| Accrued Interest | 5,799 |
| Special Assessments | 37,121 |
| Drainage Assessments | 332,375 |
| Due From Other Governments | 538,769 |
| Inventories | 545,973 |
| Prepaid Insurance | 56,055 |
| Capital Assets (Net of Accumulated Depreciation) | 13,192,431 |
| **Total Assets** | 24,291,033 |
| **LIABILITIES** | |
| Accounts Payable | 723,523 |
| Accrued Interest Payable | 87,575 |
| Salaries & Benefits Payable | 36,085 |
| Due To Other Governments | 132,303 |
| Deferred Revenue: | |
| Succeeding Year Property Tax | 4,193,272 |
| Long Term Liabilities: | |
| Portion Due Or Payable Within One Year: | |
| Installment Purchases | 31,702 |
| Notes & Contracts | 4,958 |
| Compensated Absences | 153,688 |
| Termination Benefits | 11,165 |
| Portion Due Or Payable After One Year: | |
| Installment Purchases | 23,651 |
| Notes & Contracts | 27,760 |
| Bonds | 1,750,000 |
| Termination Benefits | 8,074 |
| Drainage Warrants/Improvement Certificates | 545,456 |
| **Total Liabilities** | 7,729,212 |
| **NET ASSETS** | |
| Invested in Capital Assets, Net of Related Debt | 12,433,263 |
| Restricted For: | |
| Mental Health Purposes | 416,272 |
| Secondary Roads Purposes | 1,668,900 |
| Capital Projects | 646,769 |
| Other Purposes | 1,055,410 |
| Unrestricted | 341,207 |
| **Total Net Assets** | $16,561,821 |

See Notes To Financial Statements

**WINNEBAGO COUNTY**
**Forest City, Iowa**

## STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

| | | Program Revenues |
|---|---|---|
| | Expenses | Charges for Service |
| **FUNCTIONS/PROGRAMS:** | | |
| Governmental Activities: | | |
| Public Safety & Legal Services | $1,561,279 | $252,060 |
| Physical Health & Social Services | 825,316 | 432,785 |
| Mental Health | 1,474,862 | 18,057 |
| County Environment & Education | 650,872 | 66,229 |
| Roads & Transportation | 3,266,628 | 233,029 |
| Governmental Services to Residents | 397,029 | 221,602 |
| Administrative Services | 907,778 | 106,992 |
| Non-Program | 720,332 | 561,192 |
| Interest on Long Term Debt | 53,557 | 0 |
| **TOTAL FUNCTIONS/PROGRAMS** | $9,857,653 | $1,891,946 |
| **GENERAL REVENUES:** | | |
| Property & Other County Tax Levied For: | | |
| General Purposes | | |
| Penalty & Interest on Property Tax | | |
| State Tax Credits | | |
| Local Option Sales Tax | | |
| Tax Increment Financing | | |
| Unrestricted Investment Earnings | | |
| Miscellaneous | | |
| Gain on Disposal of Capital Assets | | |
| **TOTAL GENERAL REVENUES** | | |
| **CHANGE IN NET ASSETS** | | |
| **NET ASSETS, BEGINNING OF YEAR** | | |
| **NET ASSETS END OF YEAR** | | |

See Notes To Financial Statements

**Exhibit B**

| Program Revenues | | |
|---|---|---|
| Operating Grants, Contributions, & Restricted Interest | Capital Grants, Contributions, & Restricted Interest | Net (Expense) Revenue & Changes in Net Assets |
| $323,886 | $0 | $(985,333) |
| 221,528 | 0 | (171,003) |
| 1,265,806 | 0 | (190,999) |
| 67,350 | 161,197 | (356,096) |
| 1,657,786 | 1,554,199 | 178,386 |
| 0 | 0 | (175,427) |
| 4,776 | 1,427 | (794,583) |
| 0 | 0 | (159,140) |
| 0 | 0 | (53,557) |
| $3,541,132 | $1,716,823 | (2,707,752) |
| | | 3,858,742 |
| | | 36,500 |
| | | 204,613 |
| | | 383,243 |
| | | 181,375 |
| | | 87,885 |
| | | 109,124 |
| | | 134,450 |
| | | 4,995,932 |
| | | 2,288,180 |
| | | 14,273,641 |
| | | $16,561,821 |

**Exhibit C**

# WINNEBAGO COUNTY
## Forest City, Iowa

BALANCE SHEET
**GOVERNMENTAL FUNDS**
June 30, 2009

| | | Special Revenue | | | | | |
|---|---|---|---|---|---|---|---|
| | General | Mental Health | Rural Services | Secondary Roads | Capital Projects | Nonmajor | Total |
| **ASSETS** | | | | | | | |
| Cash & Pooled Investments | $1,279,892 | $523,929 | $285,423 | $1,206,880 | $1,031,901 | $925,654 | $5,253,679 |
| Receivables: | | | | | | | |
| Property Tax: | | | | | | | |
| Delinquent | 8,868 | 1,787 | 4,314 | 0 | 0 | 0 | 14,969 |
| Succeeding Year | 2,132,218 | 410,357 | 1,453,939 | 0 | 0 | 196,758 | 4,193,272 |
| Interest & Penalty on Property Tax | 53 | 0 | 0 | 0 | 0 | 0 | 53 |
| Accounts | 42,614 | 8,939 | 0 | 5,037 | 0 | 51,882 | 108,472 |
| Accrued Interest | 5,675 | 0 | 0 | 0 | 0 | 124 | 5,799 |
| Assessments | 0 | 0 | 0 | 37,121 | 0 | 0 | 37,121 |
| Drainage Assessments | 0 | 0 | 0 | 0 | 0 | 332,375 | 332,375 |
| Due From Other Governments | 148,926 | 53,698 | 0 | 137,284 | 0 | 198,861 | 538,769 |
| Inventories | 0 | 0 | 0 | 545,973 | 0 | 0 | 545,973 |
| Prepaid Insurance | 32,971 | 0 | 0 | 23,084 | 0 | 0 | 56,055 |
| Total Assets | $3,651,217 | $998,710 | $1,743,676 | $1,955,379 | $1,031,901 | $1,705,654 | $11,086,537 |
| **LIABILITIES & FUND BALANCES** | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts Payable | $50,145 | $42,816 | $74,192 | $142,200 | $385,132 | $29,038 | $723,523 |
| Interest Payable | 0 | 0 | 0 | 0 | 0 | 82,073 | 82,073 |
| Salaries & Benefits Payable | 1,931 | 0 | 1,000 | 22,065 | 0 | 11,089 | 36,085 |
| Due To Other Governments | 2,015 | 129,265 | 0 | 648 | 0 | 375 | 132,303 |
| Deferred Revenue: | | | | | | | |
| Succeeding Year Property Tax | 2,132,218 | 410,357 | 1,453,939 | 0 | 0 | 196,758 | 4,193,272 |
| Other | 8,835 | 5,995 | 4,314 | 37,121 | 0 | 440,289 | 496,554 |
| Total Liabilities | 2,195,144 | 588,433 | 1,533,445 | 202,034 | 385,132 | 759,622 | 5,663,810 |
| Fund Balances | | | | | | | |
| Reserved For: | | | | | | | |
| Inventories | 0 | 0 | 0 | 545,973 | 0 | 0 | 545,973 |
| Unreserved, Reported In: | | | | | | | |
| General Fund | 1,456,073 | 0 | 0 | 0 | 0 | 0 | 1,456,073 |
| Special Revenue Funds | 0 | 410,277 | 210,231 | 1,207,372 | 0 | 946,032 | 2,773,912 |
| Capital Projects | 0 | 0 | 0 | 0 | 646,769 | 0 | 646,769 |
| Total Fund Balances | 1,456,073 | 410,277 | 210,231 | 1,753,345 | 646,769 | 946,032 | 5,422,727 |
| Total Liabilities and Fund Balances | $3,651,217 | $998,710 | $1,743,676 | $1,955,379 | $1,031,901 | $1,705,654 | $11,086,537 |

See Notes To Financial Statements

**WINNEBAGO COUNTY**
**Forest City, Iowa**

**RECONCILIATION OF THE BALANCE SHEET**
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**
June 30, 2009

| | |
|---|---|
| **Total Governmental Fund Balances (Page 13)** | $5,422,727 |
| *Amounts reported for governmental activities in the Statement of Net Assets are different because:* | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is $19,274,595 and the accumulated depreciation is $6,082,164. | 13,192,431 |
| Other long term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. | 496,554 |
| The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. | 12,065 |
| Long-term liabilities, including capital lease purchase agreements payable, bonds payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. | (2,561,956) |
| **Net Assets of Governmental Activities (Pages 11 and 12)** | $16,561,821 |

See Notes to Financial Statements.

**Exhibit E**

# WINNEBAGO COUNTY
## Forest City, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
**GOVERNMENTAL FUNDS**
Year Ended June 30, 2009

| | | Special Revenue | | | | | |
|---|---|---|---|---|---|---|---|
| | General | Mental Health | Rural Services | Secondary Roads | Capital Projects | Nonmajor | Total |
| **REVENUES:** | | | | | | | |
| Property & Other County Tax | $2,035,937 | $410,236 | $1,418,183 | $0 | $0 | $586,728 | $4,451,084 |
| Interest & Penalty on Property Tax | 36,500 | 0 | 0 | 0 | 0 | 0 | 36,500 |
| Intergovernmental | 709,044 | 1,288,186 | 71,097 | 1,779,307 | 0 | 333,649 | 4,181,283 |
| Licenses & Permits | 1,226 | 0 | 660 | 13,065 | 0 | 6,424 | 21,375 |
| Charges for Services | 265,876 | 0 | 0 | 66,257 | 0 | 479,827 | 811,960 |
| Use of Money & Property | 92,886 | 0 | 0 | 34,480 | 0 | 1,841 | 129,207 |
| Miscellaneous | 46,766 | 14,081 | 1,282 | 93,982 | 0 | 578,290 | 734,401 |
| Total Revenues | 3,188,235 | 1,712,503 | 1,491,222 | 1,987,091 | 0 | 1,986,759 | 10,365,810 |
| **EXPENDITURES:** | | | | | | | |
| Operating: | | | | | | | |
| Public Safety & Legal Services | 1,533,470 | 0 | 60,330 | 0 | 0 | 5,142 | 1,598,942 |
| Physical Health & Social Services | 137,405 | 0 | 0 | 0 | 0 | 680,537 | 817,942 |
| Mental Health | 0 | 1,477,809 | 0 | 0 | 0 | 0 | 1,477,809 |
| County Environment & Education | 214,901 | 0 | 215,959 | 0 | 0 | 170,330 | 601,190 |
| Roads & Transportation | 0 | 0 | 401,439 | 2,288,163 | 0 | 0 | 2,689,602 |
| Governmental Services to Residents | 399,415 | 0 | 504 | 0 | 0 | 0 | 399,919 |
| Administrative Services | 863,068 | 0 | 532 | 0 | 0 | 0 | 863,600 |
| Non-Program | 0 | 0 | 4,440 | 0 | 0 | 920,703 | 925,143 |
| Debt Service | 7,881 | 0 | 0 | 18,227 | 0 | 0 | 26,108 |
| Capital Projects | 0 | 0 | 0 | 1,558 | 1,103,231 | 67,580 | 1,172,369 |
| Total Expenditures | 3,156,140 | 1,477,809 | 683,204 | 2,307,948 | 1,103,231 | 1,844,292 | 10,572,624 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 32,095 | 234,694 | 808,018 | (320,857) | 1,103,231 | 142,467 | (206,814) |
| Other Financing Sources (Uses): | | | | | | | |
| Sale of Capital Assets | 0 | 0 | 0 | 134,450 | 0 | 0 | 134,450 |
| Operating Transfers In | 364,213 | 0 | 147,282 | 799,027 | 0 | 135,500 | 1,446,022 |
| Operating Transfers Out | (153,924) | 0 | (831,027) | 0 | 0 | (461,071) | (1,446,022) |
| Proceeds from Long-Term Debt | 47,911 | 0 | 0 | 0 | 1,750,000 | 0 | 1,797,911 |
| Proceeds of Issuance of Stamped | 0 | 0 | 0 | 0 | 0 | 215,694 | 215,694 |
| Total Other Financing Sources (Uses) | 258,200 | 0 | (683,745) | 933,477 | 1,750,000 | (109,877) | 2,148,055 |
| Net Change in Fund Balances | 290,295 | 234,694 | 124,273 | 612,620 | 646,769 | 32,590 | 1,941,241 |
| Fund Balances – Beginning of Year | 1,165,778 | 175,583 | 85,958 | 1,085,797 | 0 | 913,442 | 3,426,558 |
| Increase in Reserve For Inventories | 0 | 0 | 0 | 54,928 | 0 | 0 | 54,928 |
| Fund Balances – End of Year | $1,456,073 | $410,277 | $210,231 | $1,753,345 | $646,769 | $946,032 | $5,422,727 |

See Notes To Financial Statements

**Exhibit F**

# WINNEBAGO COUNTY
## Forest City, Iowa

## RECONCILIATION OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

| | | |
|---|---|---|
| **Net Change in Fund Balances - Total Governmental Funds (Page 15)** | | $1,941,241 |
| *Amounts reported for governmental activities in the Statement of Activities are different because:* | | |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlays exceeded depreciation expense in the current year as follows: | | |
| Expenditures for Capital Assets | $1,346,306 | |
| Capital Assets Contributed by the Iowa Department of Transportation | 1,432,679 | |
| Depreciation Expense | (836,809) | 1,942,176 |
| 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 | (5,616) | |
| Other | 54,251 | 48,635 |
| Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the Statement of Net Assets. Current year issues exceeded repayments as follows: | | |
| Issued | (2,035,866) | |
| Repaid | 356,049 | (1,679,817) |
| 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 | (18,099) | |
| Interest on Long-Term Debt | (4,407) | (22,506) |
| Inventories in the governmental funds have been recorded as expenditures when paid. However, the statement of activities will report these items as expenditures in the period that the corresponding net asset is exhausted. | | 54,928 |
| The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities | | 3,523 |
| **Change in Net Assets of Governmental Activities (Page 12)** | | $2,288,180 |

See Notes to Financial Statements

**Exhibit G**

**WINNEBAGO COUNTY**
**Forest City, Iowa**

STATEMENT OF NET ASSETS
**PROPRIETARY FUND**
June 30, 2009

| | Internal Service Employee Group Health |
|---|---|
| **ASSETS** | |
| Cash & Cash Equivalents | $12,065 |
| **NET ASSETS** | |
| Unrestricted | $12,065 |

See Notes To Financial Statements

**Exhibit H**

**WINNEBAGO COUNTY**
**Forest City, Iowa**

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
**PROPRIETARY FUND**
Year Ended June 30, 2009

| | Internal Service Employee Group Health |
|---|---|
| Operating Revenues: | |
| Reimbursements from Operating Funds | $642,091 |
| Reimbursements from Employees | 76,220 |
| Other Reimbursements | 40,848 |
| Total Operating Revenues | 759,159 |
| Operating Expenses: | |
| Medical Claims | 84,025 |
| Insurance Premiums | 661,248 |
| Administrative Fees | 10,363 |
| Total Operating Expenses | 755,636 |
| Net Income | 3,523 |
| Net Assets Beginning of Year | 8,542 |
| Net Assets End of Year | $12,065 |

See Notes To Financial Statements

**Exhibit I**

**WINNEBAGO COUNTY**
**Forest City, Iowa**

STATEMENT OF CASH FLOWS
**PROPRIETARY FUND**
Year Ended June 30, 2009

| | Internal Service Employee Group Health |
|---|---|
| Cash Flows from Operating Activities: | |
| Cash Received from Operating Fund Reimbursements | $642,091 |
| Cash Received from Employees and Others | 117,068 |
| Cash Payments to Suppliers for Services | (755,636) |
| Net Cash Provided by Operating Activities | 3,523 |
| Net Increase in Cash and Cash Equivalents | 3,523 |
| Cash and Cash Equivalents at Beginning of Year | 8,542 |
| Cash and Cash Equivalents at End of Year | $12,065 |
| **Reconciliation of Operating Loss to Net Cash Used in Operating Activities:** | |
| Operating Income | $3,523 |
| Net Cash Provided by Operating Activities | $3,523 |

See Notes To Financial Statements

**Exhibit J**

# WINNEBAGO COUNTY
## Forest City, Iowa

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
**AGENCY FUNDS**
June 30, 2009

| | |
|---|---|
| **ASSETS** | |
| Cash & Pooled Investments | |
| County Treasurer | $680,317 |
| Other County Officials | 8,601 |
| Receivables: | |
| Property Tax: | |
| Delinquent | 186 |
| Succeeding Year | 9,894,418 |
| Accounts | 29,027 |
| Accrued Interest | 94 |
| Assessments | 420,014 |
| Total Assets | 11,032,657 |
| **LIABILITIES** | |
| Accounts Payable | 29,859 |
| Due To Other Governments | 10,977,414 |
| Trusts Payable | 18,040 |
| Compensated Absences | 7,344 |
| Total Liabilities | 11,032,657 |
| **NET ASSETS** | $0 |

See Notes To Financial Statements

# Notes to Financial Statements

## *Note 1: Summary of Significant Accounting Policies*

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

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

### A. Reporting Entity

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

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

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

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

*Note 1: Summary of Significant Accounting Policies (Continued)*

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

B. BASIS OF PRESENTATION

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

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

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

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

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

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

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

*Note 1: Summary of Significant Accounting Policies (Continued)*

B. BASIS OF PRESENTATION (CONTINUED)

The County reports the following major governmental funds:

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

Special Revenue

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

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

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Additionally, the County reports the followings funds:

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

*Note 1: Summary of Significant Accounting Policies (Continued)*

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

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

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

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

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

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

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

*Note 1: Summary of Significant Accounting Policies (Continued)*

D. ASSETS, LIABILITIES AND FUND EQUITY

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

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2008.

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

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

*Note 1: Summary of Significant Accounting Policies (Continued)*

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2009, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class | Amount |
|---|---|
| Infrastructure | $50,000 |
| Land, buildings and improvements | 25,000 |
| Equipment and vehicles | 5,000 |

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

| Asset Class | Estimated Useful Lives (In Years) |
|---|---|
| Buildings | 20-50 |
| Infrastructure | 30-50 |
| Equipment | 2-20 |

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

*Note 1: Summary of Significant Accounting Policies (Continued)*

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health and Secondary Roads Funds.

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

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

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

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

***Note 1: Summary of Significant Accounting Policies (Continued)***

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded amounts budgeted in the Debt Service function and disbursements in certain departments exceeded the amounts appropriated.

***Note 2: Cash and Pooled Investments***

The County's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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) to 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.

***Note 3: Inter-fund Transfers***

The detail of inter-fund transfers for the year ended June 30, 2009 is as follows:

| Transfer To | Transfer From | Amount |
|---|---|---|
| | Special Revenue: | |
| General | Local Option Sales Tax | $291,846 |
| General | Conservation Reserve | 50,424 |
| General | Solid Waste Management | 19,061 |
| General | Debt Service | 2,882 |
| | | |
| Special Revenue: | Special Revenue: | |
| Rural Services | Local Option Sales Tax | 97,282 |
| Rural Services | Solid Waste Management | 50,000 |
| Secondary Roads | Rural Services | 799,027 |
| Fair Association | Rural Services | 32,000 |
| Public Health | General | 54,500 |
| Winnebago/Worth BETCO | General | 49,000 |
| Conservation Reserve | General | 50,424 |
| Total | | $1,496,446 |

*Note 3: Inter-fund Transfers (Continued)*

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

*Note 4: Capital Assets*

Capital assets activity for the year ended June 30, 2009 was as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | $1,037,733 | $0 | $0 | $1,037,733 |
| Construction in Progress | 0 | 1,198,288 | 0 | 1,198,288 |
| Total Capital Assets Not Being Depreciated | 1,037,733 | 1,198,288 | 0 | 2,236,021 |
| Capital Assets Being Depreciated: | | | | |
| Buildings | 3,537,918 | 0 | 0 | 3,537,918 |
| Improvements Other Than Buildings | 446,894 | 0 | 0 | 446,894 |
| Machinery and Equipment | 3,775,491 | 49,020 | 105,275 | 3,719,236 |
| Vehicles | 2,039,425 | 98,997 | 206,598 | 1,931,824 |
| Infrastructure, Road Network | 5,970,023 | 1,432,679 | 0 | 7,402,702 |
| Total Capital Assets Being Depreciated | 15,769,751 | 1,580,696 | 311,873 | 17,038,574 |
| Less Accumulated Depreciation For: | | | | |
| Buildings | 625,697 | 71,358 | 0 | 697,055 |
| Improvements Other Than Buildings | 231,152 | 11,637 | 0 | 242,789 |
| Machinery and Equipment | 2,613,935 | 227,902 | 105,275 | 2,736,562 |
| Vehicles | 1,424,301 | 142,040 | 206,598 | 1,359,743 |
| Infrastructure, Road Network | 662,143 | 383,872 | 0 | 1,046,015 |
| Total Accumulated Depreciation | 5,557,228 | 836,809 | 311,873 | 6,082,164 |
| Total Capital Assets Being Depreciated, Net | 10,212,522 | 743,887 | 0 | 10,956,410 |
| Governmental Activities Capital Assets, Net | $11,250,255 | $1,942,175 | $0 | $13,192,431 |

| Depreciation expense was charged to the following functions: | |
|---|---|
| Public Safety and Legal Services | $20,416 |
| Physical Health and Social Services | 7,296 |
| Mental Health | 856 |
| County Environment and Education | 20,909 |
| Roads and Transportation | 712,971 |
| Governmental Services to Residents | 1,175 |
| Administration | 73,186 |
| Total Depreciation Expense – Governmental Activities | $836,809 |

***Note 5: Due to Other Governments***

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

| Fund | Description | Amount |
|---|---|---|
| General | Services | $2,015 |
| Special Revenue | | |
| Mental Health | Services | 129,265 |
| Secondary Roads | | 648 |
| Public Health | | 375 |
| Total for governmental funds | | $132,303 |
| Agency: | | |
| Agricultural Extension | Collections | $126,978 |
| Assessor | | 173,679 |
| Schools | | 5,912,087 |
| Community Colleges | | 263,744 |
| Corporations | | 3,330,377 |
| Auto License & Use Tax | | 249,764 |
| All Others | | 920,785 |
| Total for agency funds | | $10,977,414 |

***Note 6: Changes in Long-Term Liabilities***

A summary of changes in long-term liabilities for the year ended June 30, 2009, is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Compensated Absences | $135,588 | $18,100 | $0 | $153,688 | $153,688 |
| Drainage Warrants | 639,206 | 215,694 | 315,788 | 539,112 | 0 |
| Drainage Improvement Certificates | 9,516 | 0 | 3,172 | 6,344 | 3,172 |
| General Obligation Urban Renewal Bonds | 0 | 1,750,000 | 0 | 1,750,000 | 0 |
| Secondary Road Loan | 49,579 | 0 | 16,861 | 32,718 | 4,958 |
| Sheriff's Vehicle Loans | 14,469 | 47,911 | 7,027 | 55,353 | 31,702 |
| Termination Benefits | 10,179 | 22,261 | 13,201 | 19,239 | 11,165 |
| Total | $858,537 | $2,053,966 | $356,049 | $2,556,454 | $204,685 |

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

General Obligation Bonds

On May 15, 2009, the County issued $1,750,000 of General Obligation Urban Renewal County Road Improvement Bonds, Series 2009A. The bonds were issued for the purpose of paying the costs of County Road projects in the Urban Renewal area. Interest is due semiannually, December 1 and June 1, commencing on December 1, 2009 through June 1, 2019. Principal is due annually commencing June 1, 2011, through June 1, 2019. Interest ranges from 1.75% to 3.75% over the term of the debt. The County was in compliance in the issuance of this debt.

A summary of the debt outstanding is as follows:

| Year ended June 30, | Interest Rate | Principal | Interest | Total |
|---|---|---|---|---|
| 2010 | 1.75% | $0 | $57,035 | $57,035 |
| 2011 | 1.75% | 100,000 | 54,607 | 154,607 |
| 2012 | 2.00% | 150,000 | 52,858 | 202,858 |
| 2013 | 2.25% | 200,000 | 49,707 | 249,707 |
| 2014 | 2.55% | 200,000 | 44,708 | 244,708 |
| 2015-2016 | 2.85-3.75% | 1,100,000 | 125,072 | 1,225,072 |
| | | $1,750,000 | $383,987 | $2,133,987 |

Installment Agreements

During the year ended June 30, 2008, the Sheriff entered into an installment agreement for the purchase of a squad car. The payments are due annually on January 4, 2008 through 2010. Payments during the year totaled $7,881.

A summary of the County's indebtedness is as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2010 | $7,442 | $439 | $7,881 |

Sheriff's Loans

In August of 2008, the Sheriff's Department issued $47,911 of debt for the purpose of purchasing two Sheriff's vehicles. The loan is at 5% interest, with equal payments due on July 1, 2009 and July 1, 2010.

A summary of the debt outstanding is as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2010 | $24,260 | $381 | $24,641 |
| 2011 | 23,651 | 990 | 24,641 |
| | $47,911 | $1,371 | $49,282 |

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

Secondary Road Note

On April 15, 2008, Secondary Road entered into a loan agreement for $49,579 for the purpose of construction of a road. The loan will be repaid with special assessments collected from the adjoining land owners. The loan requires annual payments of principal and interest on November 1, 2008 through 2018. Interest is 4%. The department made irregular payments on the note as assessments were received, totaling $16,861 during the year ended June 30, 2009.

A summary of the County's indebtedness is as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2010 | $4,958 | $451 | $5,409 |
| 2011 | 4,958 | 1,126 | 6,084 |
| 2012 | 4,958 | 925 | 5,883 |
| 2013 | 4,958 | 726 | 5,684 |
| 2014 | 4,958 | 523 | 5,481 |
| 2015-2016 | 7,928 | 441 | 8,369 |
| | $32,718 | $4,192 | $36,910 |

Retirement Benefits

Secondary Road workers who retire after 20 years of continuous service shall receive the basic single policy of health or supplemental insurance through the County for the first three years from the date of the employee's last day of work. During the year ended June 30, 2009, premiums were paid for two retirees totaling $13,200.

A summary of the liability for two remaining employees is as follows:

| Year ended June 30, | |
|---|---|
| 2010 | $11,165 |
| 2011 | 6,576 |
| 2012 | 1,498 |
| | $19,239 |

Drainage Warrants/Drainage Improvement Certificates Payable

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

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

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

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

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

*Note 7: Pension and Retirement Benefits*

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the County is required to contribute 6.35% 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, 2009, 2008 and 2007 were $217,346, $184,319 and $169,316, respectively, equal to the required contributions for each year.

*Note 8: Risk Management*

Winnebago County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 577 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

*Note 8: Risk Management (Continued)*

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expense due and payable in the current year, plus all of any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contribution to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2009 were $149,517.

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 $10,000,000 in aggregate per year. For members requiring specific coverage from $3,000,000 to $10,000,000 such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to $100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

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 probably that such losses have occurred and the amount of such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, at June 30, 2009, no liability has been recorded in the County's financial statements. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

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

*Note 8: Risk Management (Continued)*

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

*Note 9: Employee Heath Insurance*

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

Monthly payments of plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the agreement with Wellmark monthly payments of premiums are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2009 was $642,092.

*Note 10: Related Party Transaction*

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

*Note 11: E911 Enhancement Loan*

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

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

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

During the year ended June 30, 2009, principal of $27,632 and interest of $774 were paid for the E911 Service Board. The payments are not included in the County's financial statements.

The following is a schedule of payments under the agreement in effect at June 30, 2009:

| Year Ending June 30, | Interest Rate | Principal | Interest | Total |
|---|---|---|---|---|
| 2010 | | $7,063 | $38 | $7,101 |

**WINNEBAGO COUNTY**
**Forest City, Iowa**

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN BALANCES
**BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS**
**REQUIRED SUPPLEMENTARY INFORMATION**
Year Ended June 30, 2009

| | Actual | Less Funds Not Required to Be Budgeted | Net | Budgeted Amounts Original | Budgeted Amounts Final | Final to Net Variance |
|---|---|---|---|---|---|---|
| **RECEIPTS:** | | | | | | |
| Property & Other County Tax | $4,457,623 | $0 | $4,457,623 | $4,369,366 | $4,369,366 | $88,257 |
| Interest & Penalty on Property Tax | 36,774 | 0 | 36,774 | 28,200 | 28,200 | 8,574 |
| Intergovernmental | 4,163,325 | 0 | 4,163,325 | 3,682,097 | 3,883,836 | 279,489 |
| Licenses & Permits | 22,442 | 0 | 22,442 | 5,440 | 5,440 | 17,002 |
| Charges for Services | 814,691 | 0 | 814,691 | 613,538 | 613,538 | 201,153 |
| Use of Money & Property | 134,049 | 0 | 134,049 | 152,205 | 352,205 | (218,156) |
| Miscellaneous | 721,103 | 491,931 | 229,172 | 80,800 | 105,176 | 123,996 |
| Total Receipts | 10,350,007 | 491,931 | 9,858,076 | 8,931,646 | 9,357,761 | 500,315 |
| **DISBURSEMENTS:** | | | | | | |
| Public Safety & Legal Services | 1,579,570 | 0 | 1,579,570 | 1,750,755 | 1,758,255 | 178,685 |
| Physical Health & Social Services | 800,418 | 0 | 800,418 | 769,011 | 819,011 | 18,593 |
| Mental Health | 1,482,191 | 0 | 1,482,191 | 1,385,000 | 1,485,000 | 2,809 |
| County Environment & Education | 606,341 | 0 | 606,341 | 606,719 | 868,719 | 262,378 |
| Roads & Transportation | 2,662,315 | 0 | 2,662,315 | 3,122,000 | 3,122,000 | 459,685 |
| Governmental Services to Residents | 398,594 | 0 | 398,594 | 443,850 | 443,850 | 45,256 |
| Administrative Services | 876,522 | 0 | 876,522 | 896,190 | 991,155 | 114,633 |
| Non-Program | 912,721 | 726,837 | 185,884 | 4,500 | 185,944 | 60 |
| Debt Service | 26,108 | 0 | 26,108 | 0 | 0 | (26,108) |
| Capital Projects | 784,220 | 0 | 784,220 | 305,500 | 1,180,500 | 396,280 |
| Total Disbursements | 10,129,000 | 726,837 | 9,402,163 | 9,283,525 | 10,854,434 | 1,452,271 |
| Excess (Deficiency) of Receipts Over (Under) Disbursements | 221,007 | (234,906) | 455,913 | (351,879) | (1,496,673) | 1,952,586 |
| Other Financing Sources, Net | 2,148,055 | 215,694 | 1,932,361 | 0 | 875,000 | 1,057,361 |
| Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements & Other Financing Uses | 2,369,062 | (19,212) | 2,388,274 | (351,879) | (621,673) | 3,009,947 |
| Balance Beginning of Year | 2,884,617 | 146,339 | 2,738,278 | 2,256,703 | 2,256,703 | 481,575 |
| Balance End of Year | $5,253,679 | $127,127 | $5,126,552 | $1,904,824 | $1,635,030 | $3,491,522 |

See Accompanying Independent Auditors' Report

**WINNEBAGO COUNTY**
**Forest City, Iowa**

BUDGET COMPARISON SCHEDULE –
BUDGET TO GAAP RECONCILIATION
**REQUIRED SUPPLEMENTARY INFORMATION**
Year Ended June 30, 2009

| | Governmental Funds | | |
|---|---|---|---|
| | Cash Basis | Accrual Adjustments | Modified Accrual Basis |
| Revenues | $10,350,007 | $15,803 | $10,365,810 |
| Expenditures | 10,129,000 | 443,624 | 10,572,624 |
| Net | 221,007 | (427,821) | (206,814) |
| Other Financing Sources, Net | 2,148,055 | 0 | 2,148,055 |
| Beginning Fund Balances | 2,884,617 | 541,941 | 3,426,558 |
| Increase in Reserve For: Inventories | 0 | 54,928 | 54,928 |
| Ending Fund Balances | $5,253,679 | $169,048 | $5,422,727 |

See Accompanying Independent Auditors' Report

**Winnebago County**
**Forest City, Iowa**

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by $1,570,909. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the Debt Service function and disbursements in certain departments exceeded the amounts appropriated.

**WINNEBAGO COUNTY**
**Forest City, Iowa**

COMBINING BALANCE SHEET
**NONMAJOR GOVERNMENTAL FUNDS**
June 30, 2009

| | Special Revenue | | |
|---|---|---|---|
| | Resource Enhancement & Protection | County Recorder's Records Management | Conservation Land Acquisition Trust |
| **ASSETS** | | | |
| Cash & Pooled Investments | $26,683 | $14,712 | $56,105 |
| Receivables: | | | |
| Property Tax: | | | |
| Succeeding Year | 0 | 0 | 0 |
| Accounts | 0 | 822 | 5,838 |
| Accrued Interest | 4 | 3 | 0 |
| Drainage Assessments | 0 | 0 | 0 |
| Due from Other Governments | 0 | 0 | 112,775 |
| **TOTAL ASSETS** | $26,687 | $15,537 | $174,718 |
| **LIABILITIES & FUND BALANCES** | | | |
| Liabilities: | | | |
| Accounts Payable | $0 | $0 | $3,094 |
| Interest Payable | 0 | 0 | 0 |
| Salaries & Benefits Payable | 0 | 0 | 0 |
| Due to Other Governments | 0 | 0 | 0 |
| Deferred Revenue | | | |
| Succeeding Year Property Tax | 0 | 0 | 0 |
| Other | 0 | 0 | 107,914 |
| Total Liabilities | 0 | 0 | 111,008 |
| Fund Balances: | | | |
| Unreserved | 26,687 | 15,537 | 63,710 |
| **TOTAL LIABILITIES & FUND BALANCES** | $26,687 | $15,537 | $174,718 |

See Accompanying Auditor's Report

**Schedule 1**

| Special Revenue | | | | | |
|---|---|---|---|---|---|
| Local Option Sales Tax | Tax Increment Financing | Seizure | DARE | Jail Phone Account | Board Prisoners |
| $0 | $0 | $5,119 | $4,950 | $4,170 | $78,460 |
| 0 | 196,758 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 722 | 550 |
| 0 | 0 | 0 | 1 | 1 | 31 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 24,155 | 0 | 0 | 0 | 0 | 0 |
| $24,155 | $196,758 | $5,119 | $4,951 | $4,893 | $79,041 |
| $0 | $0 | $0 | $0 | $0 | $0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 196,758 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 196,758 | 0 | 0 | 0 | 0 |
| 24,155 | 0 | 5,119 | 4,951 | 4,893 | 79,041 |
| $24,155 | $196,758 | $5,119 | $4,951 | $4,893 | $79,041 |

**WINNEBAGO COUNTY**
**Forest City, Iowa**

COMBINING BALANCE SHEET (CONTINUED)
**NONMAJOR GOVERNMENTAL FUNDS**
June 30, 2009

| | Special Revenue | | |
|---|---|---|---|
| | Sheriff's Reserve | Public Health | WinnWorth BETCO |
| **ASSETS** | | | |
| Cash & Pooled Investments | $233 | $399,016 | $52,789 |
| Receivables: | | | |
| Property Tax: | | | |
| Succeeding Year | 0 | 0 | 0 |
| Accounts | 0 | 24,406 | 0 |
| Accrued Interest | 0 | 0 | 0 |
| Drainage Assessments | 0 | 0 | 0 |
| Due from Other Governments | 0 | 52,451 | 4,974 |
| **TOTAL ASSETS** | $233 | $475,873 | $57,763 |
| **LIABILITIES & FUND BALANCES** | | | |
| Liabilities: | | | |
| Accounts Payable | $0 | $25,023 | $921 |
| Interest Payable | 0 | 0 | 0 |
| Salaries & Benefits Payable | 0 | 10,866 | 223 |
| Due to Other Governments | 0 | 375 | 0 |
| Deferred Revenue | | | |
| Succeeding Year Property Tax | 0 | 0 | 0 |
| Other | 0 | 0 | 0 |
| Total Liabilities | 0 | 36,264 | 1,144 |
| Fund Balances: | | | |
| Unreserved | 233 | 439,609 | 56,619 |
| **TOTAL LIABILITIES & FUND BALANCES** | $233 | $475,873 | $57,763 |

| Special Revenue | | | | | |
|---|---|---|---|---|---|
| Solid Waste Management | RBEG Grant Revolving Loan | EMS Training/ Ambulance | County Home Trust | Drainage | Total |
| $0 | $99,089 | $2,272 | $54,929 | $127,127 | $925,654 |
| 0 | 0 | 0 | 0 | 0 | 196,758 |
| 19,544 | 0 | 0 | 0 | 0 | 51,882 |
| 23 | 16 | 0 | 45 | 0 | 124 |
| 0 | 0 | 0 | 0 | 332,375 | 332,375 |
| 0 | 0 | 4,506 | 0 | 0 | 198,861 |
| $19,567 | $99,105 | $6,778 | $54,974 | $459,502 | $1,705,654 |
| $0 | $0 | $0 | $0 | $0 | $29,038 |
| 0 | 0 | 0 | 0 | 82,073 | 82,073 |
| 0 | 0 | 0 | 0 | 0 | 11,089 |
| 0 | 0 | 0 | 0 | 0 | 375 |
| 0 | 0 | 0 | 0 | 0 | 196,758 |
| 0 | 0 | 0 | 0 | 332,375 | 440,289 |
| 0 | 0 | 0 | 0 | 414,448 | 759,622 |
| 19,567 | 99,105 | 6,778 | 54,974 | 45,054 | 946,032 |
| $19,567 | $99,105 | $6,778 | $54,974 | $459,502 | $1,705,654 |

**WINNEBAGO COUNTY**
**Forest City, Iowa**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
**NONMAJOR GOVERNMENTAL FUNDS**
Year Ended June 30, 2009

| | Special Revenue | | |
|---|---|---|---|
| | Resource Enhancement & Protection | County Recorder's Records Management | Conservation Land Acquisition Trust |
| Revenues: | | | |
| Property and Other County Tax | $0 | $0 | $0 |
| Intergovernmental | 15,619 | 0 | 37,664 |
| Licenses and Permits | 0 | 0 | 0 |
| Charges for Services | 0 | 2,361 | 3,499 |
| Use of Money and Property | 53 | 80 | 137 |
| Miscellaneous | 0 | 0 | 37,656 |
| Total Revenues | 15,672 | 2,441 | 78,956 |
| Expenditures: | | | |
| Operating: | | | |
| Public Safety and Legal Services | 0 | 0 | 0 |
| Physical Health and Social Services | 0 | 0 | 0 |
| County Environment and Education | 4,795 | 0 | 0 |
| Non-Program | 0 | 0 | 0 |
| Capital Projects | 0 | 0 | 67,580 |
| Total Expenditures | 4,795 | 0 | 67,580 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 10,877 | 2,441 | 11,376 |
| Other Financing Sources (Uses): | | | |
| Operating Transfers In | 0 | 0 | 0 |
| Operating Transfers Out | 0 | 0 | 0 |
| Proceeds from Issuance of Stamped Warrants | 0 | 0 | 0 |
| | 0 | 0 | 0 |
| Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures | 10,877 | 2,441 | 11,376 |
| Fund Balances – Beginning of Year | 15,810 | 13,096 | 52,334 |
| Fund Balances – End of Year | $26,687 | $15,537 | $63,710 |

See Accompanying Auditor's Report

**Schedule 2**

| Special Revenue | | | | | |
|---|---|---|---|---|---|
| Local Option Sales Tax | Tax Increment Financing | Seizure | DARE | Jail Phone Account | Board Prisoners |
| $383,243 | $181,374 | $0 | $0 | $0 | $0 |
| 0 | 70 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 1,899 | 10,239 |
| 0 | 0 | 0 | 19 | 15 | 613 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 383,243 | 181,444 | 0 | 19 | 1,914 | 10,852 |
| | | | | | |
| 0 | 0 | 0 | 0 | 480 | 4,662 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 181,444 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 181,444 | 0 | 0 | 480 | 4,662 |
| | | | | | |
| 383,243 | 0 | 0 | 19 | 1,434 | 6,190 |
| | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 |
| (389,128) | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| (389,128) | 0 | 0 | 0 | 0 | 0 |
| | | | | | |
| (5,885) | 0 | 0 | 19 | 1,434 | 6,190 |
| | | | | | |
| 30,040 | 0 | 5,119 | 4,932 | 3,459 | 72,851 |
| | | | | | |
| $24,155 | $0 | $5,119 | $4,951 | $4,893 | $79,041 |

**WINNEBAGO COUNTY**
**Forest City, Iowa**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
**NONMAJOR GOVERNMENTAL FUNDS**
Year Ended June 30, 2009

| | Special Revenue | | |
|---|---|---|---|
| | Sheriff's Reserve | Fair Association | Public Health |
| Revenues: | | | |
| Property and Other County Tax | $0 | $0 | $0 |
| Intergovernmental | 0 | 0 | 142,708 |
| Licenses and Permits | 0 | 0 | 6,424 |
| Charges for Services | 0 | 0 | 393,731 |
| Use of Money and Property | 1 | 0 | 0 |
| Miscellaneous | 55 | 0 | 32,630 |
| Total Revenues | 56 | 0 | 575,493 |
| Expenditures: | | | |
| Operating: | | | |
| Public Safety and Legal Services | 0 | 0 | 0 |
| Physical Health and Social Services | 0 | 0 | 680,537 |
| County Environment and Education | 0 | 32,000 | 0 |
| Non-Program | 0 | 0 | 0 |
| Capital Projects | 0 | 0 | 0 |
| Total Expenditures | 0 | 32,000 | 680,537 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 56 | (32,000) | (105,044) |
| Other Financing Sources (Uses): | | | |
| Operating Transfers In | 0 | 32,000 | 54,500 |
| Operating Transfers Out | 0 | 0 | 0 |
| Proceeds from Issuance of Stamped Warrants | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | 0 | 32,000 | 54,500 |
| Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures | 56 | 0 | (50,544) |
| Fund Balances – Beginning of Year | 177 | 0 | 490,153 |
| Fund Balances – End of Year | $233 | $0 | $439,609 |

See Accompanying Auditor's Report

| Special Revenue | | | | | | | |
|---|---|---|---|---|---|---|---|
| WinnWorth BETCO | Solid Waste Management | RBEG Grant Revolving Loan | EMS Training/ Ambulance | County Home Trust | Drainage | Debt Service | Total |
| $22,111 | $0 | $0 | $0 | $0 | $0 | $0 | $586,728 |
| 50,082 | 0 | 83,000 | 4,506 | 0 | 0 | 0 | 333,649 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6,424 |
| 0 | 68,098 | 0 | 0 | 0 | 0 | 0 | 479,827 |
| 0 | 219 | 105 | 0 | 599 | 0 | 0 | 1,841 |
| 18 | 0 | 16,000 | 0 | 0 | 491,931 | 0 | 578,290 |
| 72,211 | 68,317 | 99,105 | 4,506 | 599 | 491,931 | 0 | 1,986,759 |
| | | | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,142 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 680,537 |
| 133,535 | 0 | 0 | 0 | 0 | 0 | 0 | 170,330 |
| 0 | 0 | 0 | 0 | 0 | 739,259 | 0 | 920,703 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 67,580 |
| 133,535 | 0 | 0 | 0 | 0 | 739,259 | 0 | 1,844,292 |
| | | | | | | | |
| (61,324) | 68,317 | 99,105 | 4,506 | 599 | (247,328) | 0 | 142,467 |
| | | | | | | | |
| 49,000 | 0 | 0 | 0 | 0 | 0 | 0 | 135,500 |
| 0 | (69,061) | 0 | 0 | 0 | 0 | (2,882) | (461,071) |
| 0 | 0 | 0 | 0 | 0 | 215,694 | 0 | 215,694 |
| 49,000 | (69,061) | 0 | 0 | 0 | 215,694 | (2,882) | (109,877) |
| | | | | | | | |
| (12,324) | (744) | 99,105 | 4,506 | 599 | (31,634) | (2,882) | 32,590 |
| 68,943 | 20,311 | 0 | 2,272 | 54,375 | 76,688 | 2,882 | 913,442 |
| $56,619 | $19,567 | $99,105 | $6,778 | $54,974 | $45,054 | $0 | $946,032 |

**WINNEBAGO COUNTY**
**Forest City, Iowa**

COMBINING SCHEDULE OF
FIDUCIARY ASSETS AND LIABILITIES
**AGENCY FUNDS**
June 30, 2009

| | County Offices | Agricultural Extension Education | County Assessor | Schools | Community Colleges |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash & Pooled Investments: | | | | | |
| County Treasurer | $0 | $1,940 | $66,238 | $88,323 | $4,284 |
| Other County Officials | 8,601 | 0 | 0 | 0 | 0 |
| Receivables: | | | | | |
| Property Tax: | | | | | |
| Delinquent | 0 | 2 | 2 | 91 | 4 |
| Succeeding Year | 0 | 125,036 | 112,881 | 5,823,673 | 259,456 |
| Accounts | 500 | 0 | 0 | 0 | 0 |
| Accrued Interest | 0 | 0 | 0 | 0 | 0 |
| Assessments | 0 | 0 | 0 | 0 | 0 |
| **TOTAL ASSETS** | $9,101 | $126,978 | $179,121 | $5,912,087 | $263,744 |
| **LIABILITIES** | | | | | |
| Accounts Payable | $0 | $0 | $0 | $0 | $0 |
| Due to Other Governments | 817 | 126,978 | 173,679 | 5,912,087 | 263,744 |
| Trusts Payable | 8,284 | 0 | 0 | 0 | 0 |
| Compensated Absences | 0 | 0 | 5,442 | 0 | 0 |
| **TOTAL LIABILITIES** | $9,101 | $126,978 | $179,121 | $5,912,087 | $263,744 |

See Accompanying Independent Auditors' Report

**Schedule 3**

| Corporations | Townships | City Special Assessments | Auto License & Use Tax | Other | Total |
|---|---|---|---|---|---|
| $38,956 | $1,901 | $6,953 | $249,764 | $221,958 | $680,317 |
| 0 | 0 | 0 | 0 | 0 | 8,601 |
| 85 | 0 | 0 | 0 | 2 | 186 |
| 3,291,336 | 122,780 | 0 | 0 | 159,256 | 9,894,418 |
| 0 | 0 | 0 | 0 | 28,527 | 29,027 |
| 0 | 0 | 0 | 0 | 94 | 94 |
| 0 | 0 | 420,014 | 0 | 0 | 420,014 |
| $3,330,377 | $124,681 | $426,967 | $249,764 | $409,837 | $11,032,657 |
| $0 | $0 | $0 | $0 | $29,859 | $29,859 |
| 3,330,377 | 124,681 | 426,967 | 249,764 | 368,320 | 10,977,414 |
| 0 | 0 | 0 | 0 | 9,756 | 18,040 |
| 0 | 0 | 0 | 0 | 1,902 | 7,344 |
| $3,330,377 | $124,681 | $426,967 | $249,764 | $409,837 | $11,032,657 |

**WINNEBAGO COUNTY**
**Forest City, Iowa**

COMBINING SCHEDULE OF CHANGES IN
FIDUCIARY ASSETS AND LIABILITIES
**AGENCY FUNDS**
June 30, 2009

| | County Offices | Agricultural Extension Education | County Assessor |
|---|---|---|---|
| **Assets and Liabilities** | | | |
| Balances – Beginning of Year | $10,301 | $122,258 | $182,113 |
| Additions: | | | |
| Property and Other County Tax | 0 | 124,880 | 112,729 |
| E911 Surcharge | 0 | 0 | 0 |
| State Tax Credits | 0 | 6,533 | 6,407 |
| Office Fees and Collections | 328,409 | 0 | 0 |
| Electronic Transaction Fees | 0 | 0 | 0 |
| Auto License, Use Tax and Postage | 0 | 0 | 0 |
| Assessments | 0 | 0 | 0 |
| Trusts | 489,654 | 0 | 0 |
| Miscellaneous | 0 | 70 | 1,465 |
| Total Additions | 818,063 | 131,483 | 120,601 |
| Deductions: | | | |
| Agency Remittances: | | | |
| To Other Funds | 136,894 | 0 | 0 |
| To Other Governments | 182,752 | 126,763 | 123,593 |
| Trusts Paid Out | 499,617 | 0 | 0 |
| Total Deductions | 819,263 | 126,763 | 123,593 |
| Balances – End of Year | $9,101 | $126,978 | $179,121 |

See Accompanying Independent Auditors' Report

**Schedule 4**

| Schools | Community Colleges | Corporations | Townships | City Special Assessments | Auto License & Use Tax | Other | Total |
|---|---|---|---|---|---|---|---|
| $5,503,239 | $269,979 | $3,067,027 | $121,464 | $390,771 | $235,081 | $478,153 | $10,380,386 |
| 5,813,388 | 259,110 | 3,297,888 | 123,075 | 0 | 0 | 159,043 | 9,890,113 |
| 0 | 0 | 0 | 0 | 0 | 0 | 97,766 | 97,766 |
| 295,581 | 14,428 | 144,303 | 5,775 | 0 | 0 | 8,897 | 481,924 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 328,409 |
| 0 | 0 | 0 | 0 | 0 | 0 | 2,567 | 2,567 |
| 0 | 0 | 0 | 0 | 0 | 2,604,706 | 0 | 2,604,706 |
| 0 | 0 | 0 | 162 | 151,549 | 0 | 0 | 151,711 |
| 0 | 0 | 0 | 0 | 0 | 0 | 105,556 | 595,210 |
| 3,037 | 154 | 0 | 90 | 0 | 0 | 196,579 | 201,395 |
| 6,112,006 | 273,692 | 3,442,191 | 129,102 | 151,549 | 2,604,706 | 570,408 | 14,353,801 |
| 0 | 0 | 0 | 0 | 0 | 80,293 | 0 | 217,187 |
| 5,703,158 | 279,927 | 3,178,841 | 125,885 | 115,353 | 2,509,730 | 526,472 | 12,872,474 |
| 0 | 0 | 0 | 0 | 0 | 0 | 112,252 | 611,869 |
| 5,703,158 | 279,927 | 3,178,841 | 125,885 | 115,353 | 2,590,023 | 638,724 | 13,701,530 |
| $5,912,087 | $263,744 | $3,330,377 | $124,681 | $426,967 | $249,764 | $409,837 | $11,032,657 |

**WINNEBAGO COUNTY**
**Forest City, Iowa**

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

| | Modified Accrual Basis | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| Revenues: | | | |
| Property and Other County Tax | $4,451,084 | $4,020,706 | $3,833,937 |
| Interest and Penalty on Property Tax | 36,500 | 29,296 | 39,916 |
| Intergovernmental | 4,181,283 | 3,336,356 | 4,233,902 |
| Licenses and Permits | 21,375 | 31,094 | 4,789 |
| Charges for Service | 811,960 | 1,279,985 | 746,885 |
| Use of Money and Property | 129,207 | 141,908 | 153,053 |
| Miscellaneous | 734,401 | 734,363 | 866,228 |
| Total | $10,365,810 | $9,573,708 | $9,878,710 |
| Expenditures: | | | |
| Operating: | | | |
| Public Safety and Legal Services | $1,598,942 | $1,206,878 | $1,028,744 |
| Physical Health and Social Services | 817,942 | 714,991 | 630,928 |
| Mental Health | 1,477,809 | 1,446,283 | 1,376,244 |
| County Environment and Education | 601,190 | 524,126 | 492,594 |
| Roads and Transportation | 2,689,602 | 2,792,585 | 3,147,858 |
| Government Services to Residents | 399,919 | 333,528 | 340,398 |
| Administrative Services | 863,600 | 715,120 | 723,964 |
| Non-Program | 925,143 | 1,032,144 | 2,388,287 |
| Debt Service | 26,108 | 165,447 | 0 |
| Capital Projects | 1,172,369 | 1,046,234 | 239,610 |
| Total | $10,572,624 | $9,977,336 | $10,368,627 |

See Accompanying Independent Auditors' Report

| 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|
| $3,442,431 | $3,436,568 | $3,425,587 | $3,207,833 |
| 29,813 | 23,197 | 23,710 | 25,627 |
| 3,291,966 | 3,592,136 | 3,343,500 | 3,249,146 |
| 1,440 | 6,688 | 4,318 | 5,437 |
| 526,760 | 635,858 | 623,015 | 532,835 |
| 88,420 | 64,266 | 47,350 | 77,013 |
| 1,230,263 | 672,265 | 553,359 | 485,504 |
| $8,611,093 | $8,430,978 | $8,020,839 | $7,583,395 |
| | | | |
| $1,159,504 | $1,028,856 | $1,068,430 | $947,793 |
| 921,911 | 638,859 | 634,685 | 595,080 |
| 1,230,189 | 1,283,480 | 1,319,996 | 1,425,307 |
| 577,202 | 528,916 | 589,841 | 292,896 |
| 2,789,407 | 3,056,178 | 2,846,418 | 3,205,298 |
| 443,203 | 357,808 | 334,201 | 716,100 |
| 737,438 | 699,019 | 724,891 | 2,848 |
| 1,896,728 | 863,504 | 597,397 | 812,449 |
| 0 | 327,919 | 119,324 | 0 |
| 117,327 | 282,570 | 493,070 | 936,125 |
| $9,872,909 | $9,067,109 | $8,728,253 | $8,933,896 |

Gardiner Thomsen
Certified Public Accountants

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

To the Officials of Winnebago County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Winnebago County, Forest City, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 2, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings to be material weaknesses, items A, B and C.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies, specifically, item D.

Compliance and Other Matters.

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

March 2, 2010

Gardiner Thomsen, P.C.

**WINNEBAGO COUNTY**
**Forest City, Iowa**

**Schedule of Findings**
**Year Ended June 30, 2009**

**Findings Related to the Financial Statements**

**SIGNIFICANT DEFICIENCIES:**

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

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

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

*Conclusion* – Response accepted.

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

*Recommendation* – The County should implement procedures to ensure all receivables, payables and proceeds of debt are identified and included in the County's financial statements.

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

*Conclusion* – Response accepted.

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

**Findings Related to the Financial Statements (Continued)**

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

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

*Conclusion* – Response acknowledged.

D. **Debt Issuance** – During the audit, we identified a loan agreement for the purchase of 2 Sheriff's vehicles for which the proceeds of the debt issuance were not recorded. In addition, since the proceeds were paid directly to the vendor, no claim for the purchase of the cars was recorded.

*Recommendation* – Proceeds of debt and purchase of equipment should be recorded when funds are borrowed to purchase equipment.

*Response* – In the future, we will receipt the proceeds of debt, prepare a claim, and record the purchase of vehicles as required.

*Conclusion* – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters reported.

**Other Findings Related to Required Statutory Reporting**

1. **Certified Budget** – Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the Debt Service function. Disbursements in certain departments exceeded the amounts appropriated.

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

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

**Findings Related to the Financial Statements (Continued)**

*Response* – We will amend the budget when required and appropriations will be watched more closely by the departments. We will award additional appropriations when necessary.

*Conclusion* – Response accepted.

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

| Paid to | Purpose | Amount |
|---|---|---|
| **Barb's Kitchen** | | |
| Two Invoices for Public Health | Rolls and Muffins for Board of Health Meeting | $21 |
| **Bill's Family Foods** | | |
| One Invoice for Public Health | Snacks for Board of Health Meeting | $38 |
| One Invoice for Conservation | Chips and Punch for Program Supplies | $15 |
| **Driver's Choice Restaurant** | | |
| Two Invoices for Public Health | Meals for Tobacco Grant | $283 |
| **Pizza Ranch** | | |
| One Invoice for Public Health | Meals for Tobacco Grant | $65 |
| **Jayne Shaffer, Public Health** | Dozen Donuts for Meeting | $6 |
| **Shooterz Sports Bar and Grill** | | |
| One Invoice for Public Health | Meals for Tobacco Grant | $95 |
| **Sky Ventures, Inc.** | | |
| One Invoice for Public Health | Pizza for Bioterrorism Drill | $76 |

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

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

**Findings Related to the Financial Statements (Continued)**

*Response* –
Conservation – The expenses were properly paid for through donations to support conservation programs. As recommended, a policy will be implemented as soon as possible.

Public Health – The expenses were proper and were part of a long standing practice of providing meals to the Board of Health or funded by a grant. As recommended, a policy will be implemented as soon as possible.

*Conclusion* – Response accepted.

3. **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

4. **Business Transactions** – The following business transactions between the County and County officials or employees were noted.

| Name, Title, and Business Relationship | Description | Amount |
|---|---|---|
| **Jennifer Fjelstad – County Auditor** | | |
| David's Super Foods – Owned by Jennifer's Husband and Family | Gift Cards | $200 |
| **Mark Krull – Thompson Shop Maintenance Operator** | Oil, Grease, Hydraulic Fluid | |
| Gary E. Krull - Father | and Antifreeze | $24,469 |

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with David's Super Foods do not appear to represent conflicts of interest since total transactions were less than $1,500 during the fiscal year.

In accordance with Chapter 331.342 of the Code of Iowa, the transactions over $1,500 with Gary E. Kull do not appear to represent a conflict of interest since Mark Krull appears not to participate in acquiring the above services.

*Recommendation* – The County should refrain from conducting business with related parties.

*Response* – We will refrain from conducting business with related parties when possible.

*Conclusion* – Response acknowledged.

**Other Findings Related to Required Statutory Reporting (Continued)**

5. **Bond Coverage** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure that the coverage is adequate for current operations.

6. **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.

7. **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

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

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

   Disbursements during the year ended June 30, 2009 for the County Extension Office did not exceed the amount budgeted.