

**WINNEBAGO COUNTY**

**Forest City, Iowa**

**INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**June 30, 2010**

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

**TABLE OF CONTENTS**

---

	<u>Page</u>
<b>OFFICIALS</b> .....	1
<b>INDEPENDENT AUDITORS' REPORT</b> .....	2-3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	4-9
<b>BASIC FINANCIAL STATEMENTS:</b>	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets .....	A ..... 10
Statement of Activities .....	B ..... 11-12
Governmental Fund Financial Statements:	
Balance Sheet .....	C ..... 13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets .....	D ..... 14
Statement of Revenues, Expenditures and Changes in Fund Balances .....	E ..... 15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities .....	F ..... 16
Proprietary Fund Financial Statements:	
Statement of Net Assets .....	G ..... 17
Statement of Revenues, Expenses and Changes in Fund Net Assets.....	H ..... 18
Statement of Cash Flows .....	I ..... 19
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities – Agency Funds .....	J ..... 20
Notes to Financial Statements.....	21-38
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds .....	39
Budget to GAAP Reconciliation .....	40
Notes to Required Supplementary Information – Budgetary Reporting ..	41
Schedule of Funding Progress for the Retiree Health Plan .....	42

## **TABLE OF CONTENTS (Continued)**

---

<b>OTHER SUPPLEMENTARY INFORMATION:</b>	<u>Schedule</u>	<u>Page</u>
Non-Major Governmental Funds:		
Combining Balance Sheet .....	1.....	43-46
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances.....	2.....	47-50
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities.....	3.....	51-52
Combining Schedule of Changes in Fiduciary Assets and Liabilities .....	4.....	53-54
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds .....	5.....	55-56
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i> .....</b>		<b>57-58</b>
<b>SCHEDULE OF FINDINGS .....</b>		<b>59-64</b>

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

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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

\* Jennifer Fjelstad resigned on December 31, 2009. Karla Niederkofler was appointed to complete the term.



**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, 2010, 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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Winnebago County at June 30, 2010, 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 April 22, 2011 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 – 9 and 39 – 42 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 seven years ended June 30, 2009 (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.

April 22, 2011

*Gardiner Thomsen, P.C.*

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

Winnebago County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities decreased 7%, or approximately \$844,648, from fiscal 2009 to fiscal 2010. Property tax increased approximately \$152,970, operating grants, capital grants and contributions decreased approximately \$867,016 and charges for services increased approximately \$46,248.
- Program expenses were 11%, or approximately \$1,134,774 more in fiscal 2010 than in fiscal 2009.
- The County's net assets increased 1%, or approximately \$311,758 from June 30, 2009 to June 30, 2010.

### **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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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 \$16,561,821 to \$16,873,579. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities  
(Expressed in Thousands)

	2010	2009
Current and Other Assets	\$29,227	\$11,099
Capital Assets	18,916	13,192
Total Assets	<u>48,143</u>	<u>24,291</u>
Long-Term Debt Outstanding	21,598	2,556
Other Liabilities	9,671	5,173
Total Liabilities	<u>31,269</u>	<u>7,729</u>
Net Assets:		
Invested in Capital Assets, Net of debt	12,772	12,433
Restricted	3,080	3,788
Unrestricted	1,022	341
Total Net Assets	<u>\$16,874</u>	<u>\$16,562</u>

Net assets of the Winnebago County's governmental activities increased by 17% (\$16.87 million compared to \$16.56 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 \$1,022,349.

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

	2010	2009
Program Revenues:		
Charges for Service	\$1,938	\$1,892
Operating Grants, Contributions and Restricted Interest	3,487	3,541
Capital Grants, Contributions and Restricted Interest	904	1,717
General Revenues:		
Property Taxes	4,012	3,859
Penalty and Interest on Property Tax	34	37
State Tax Credits	188	205
Local Option Sales Tax	315	383
Unrestricted Investments Earnings	115	88
Other General Revenues	311	424
Total Revenues	<u>11,304</u>	<u>12,146</u>
Program Expenses:		
Public Safety and Legal Services	1,715	1,561
Physical Health and Social Services	912	825
Mental Health	1,400	1,475
County Environment and Education	612	651
Roads and Transportation	3,931	3,267
Government Services to Residents	420	397
Administration	1,227	908
Non-program	491	720
Interest on Long-Term Debt	284	54
Total Expenses	<u>10,992</u>	<u>9,858</u>
Increase in Net Assets	312	2,288
Net Assets – Beginning of Year	<u>16,562</u>	<u>14,274</u>
Net Assets – End of Year	<u>\$16,874</u>	<u>\$16,562</u>

The results of governmental activities for the year resulted in Winnebago County's net assets increasing by approximately \$311,758. Revenues for governmental activities decreased by approximately \$841,648 over the prior year, with property tax revenue up from the prior year by approximately \$152,970.

The cost of all governmental activities this year was \$10,992,427 compared to \$9,857,653 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was \$4.66 million because of the cost was paid by those directly benefiting from the programs (\$1,938,194) or by other governmental and organizations that subsidized certain programs with grants and contributions (\$4,390,939). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in 2010 from approximately \$7.150 million to \$6.329 million. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$4 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 \$19,198,710, an increase of \$13,775,983 above last year's total of \$5,422,727. 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 \$52,641 and expenditures decreased approximately \$49,351 when compared to the prior year. The ending fund balance showed an increase of \$337,894 from the prior year to \$1,793,035.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,395,856, a decrease of 6% from the prior year. The Mental Health Fund balance at year end increased by approximately \$46,187 over the prior year.
- Rural Service Fund revenues increased approximately \$29,490 and expenditures increased approximately \$25,041. The ending fund balance showed an increase of \$75,261 from the prior year to \$286,424.
- Secondary Roads Fund expenditures increased by approximately \$638,945 over the prior year. The Secondary Roads Fund ending balance decreased by approximately \$180,271.
- The Capital Projects fund was established during the current year. Proceeds from the issuance of debt totaled \$17,484,237 while the County made expenditures of \$5,645,828.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Winnebago County amended its budget three times. The amendments were made in September 2009, February 2010, and May 2010, and resulted in increases in revenue, primarily, proceeds from issuance of debt and in budgeted disbursements related to most functions, primarily capital projects.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of 2010, Winnebago County had approximately \$25.883 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 \$6,608,721 or 34% over last year.

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

	2010	2009
Land	\$1,262	\$1,038
Buildings and Improvements	3,985	3,985
Equipment	5,873	5,651
Infrastructure	10,762	7,403
Construction in Progress	4,001	1,198
Total	<u>\$25,883</u>	<u>\$19,275</u>

This year's major additions include (expressed in thousands)

Conservation Land	\$225
Secondary Road Equipment	174
Infrastructure	4,192
	<u>\$4,591</u>

The County had depreciation expense of \$970,828 for the year ended June 30, 2010 and total accumulated depreciation of \$6,967,059 at June 30, 2010.

The County's fiscal year 2010 capital budget included \$4,640,947 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, 2010, Winnebago County had approximately \$21,543,786 in general obligation bonds and other debt outstanding compared to approximately \$2,556,454 at June 30, 2009, as shown below.

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

	2010	2009
Installment Purchases	\$24	\$55
General Obligation Urban Renewal Bonds	20,950	1,750
Notes & Contracts	26	33
Drainage Warrant and Improvement Certificates	378	545
Compensated Absences	157	154
Termination Benefits	9	19
	<u>\$21,544</u>	<u>\$2,556</u>

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 \$35.1 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 2011 budget, tax rates, and the fees that will be charged for various County activities. One of these factors is the economy.

The County's nonagricultural employment, according to Iowa Works (Iowa Workforce Development) once again increased in 2010, with more family farms going out of business or being sold to larger corporate farming operations. This has, unfortunately, been an ongoing trend since the mid 1980's and likely will continue into the future. It is extremely difficult to fund and operate a small family farm and compete with larger corporate farming operations.

The population of Winnebago County also continued to decline in 2010 according to the U.S. Census. The County's population decline is attributed to the following: continued death of an aged population, the out-migration of young to middle-aged workers whose jobs were eliminated, and an out-migration of youth entering college and not returning upon receiving educational degrees to live in Winnebago County and raise families.

The County unemployment rate is currently 6.9% (Feb. 2011) versus 7.5% one year ago (Feb. 2010), according to Iowa Works (Iowa Workforce Development). This shows a decrease of .6% with slightly less people in the County being unemployed. This slight decrease is likely due to one of the area's major manufacturing industries hiring new employees within the last 6 months. The Winnebago County 2010 average unemployment rate was 7.1% according to Iowa Works (Iowa Workforce Development). The 2010 average state and national unemployment rates were 6.1% and 9.6%, respectively (according to the U.S. Bureau of Labor Statistics). This shows that Winnebago County citizens are experiencing around the same amount of job growth as the rest of the State, and are experiencing more job growth than the nation as a whole at this time.

While the manufacturing sector in Winnebago County has been hit hard in the last 24-36 months with job eliminations and layoffs, the agricultural sector has seen marginal growth. The service sector (medical, insurance, finance) has remained relatively stable. The County housing market has been stagnant, and in the last 12 months has seen some foreclosures precipitated by long layoffs for some of the area workforce. Even though the manufacturing sector has seen job eliminations and layoffs in recent years, the manufacturing orders to our local industries began to increase late 2010. This could signal an increase again in manufacturing, which will have a positive impact on all business/industry sectors in Winnebago County. The outlook for 2011 in the manufacturing sector looks to increase while the service and agricultural sectors look to remain stable or increase marginally.

Winnebago County citizens paid more for basic living expenses in 2010 too. Food prices increased by 1.5%. Electric prices remained relatively unchanged, or increased, depending on if the citizen was provided service by a local electrical cooperative or a large utility provider. Fuel oil increased by 5.6%. Natural gas increased by .9%. Gasoline prices increased by 2.4% and diesel by 5.1% taking a bigger bite out of paychecks and bank accounts, as well as decreasing the amount of miles driven locally and regionally by County residents. All increases in basic living expenses in 2010 also impacted the local businesses and Main Street districts as residents had less disposable income to spend in restaurants and retail stores.

Because of trying economic conditions in Winnebago County, the Citizens' needs were considered when preparing the 2011 County Budget. Amounts available for appropriation in the operating budget are \$15.7 million. The County has added no new major programs or initiatives in the 2011 budget. Most, and nearly all, departments kept their budgets unchanged from the prior year. Any increases were minimal and only allowed for necessary or mandatory expenses.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

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

**WINNEBAGO COUNTY**  
**Forest City, Iowa**  
**STATEMENT OF NET ASSETS**  
 June 30, 2010

	Governmental Activities
<b>ASSETS</b>	
Cash & Pooled Investments	\$23,095,026
Receivables:	
Property Tax:	
Delinquent	13,465
Succeeding Year	4,678,966
Accounts	106,868
Accrued Interest	31,563
Special Assessments	19,988
Drainage Assessments	299,792
Due From Other Governments	473,811
Notes Receivable	34,737
Inventories	414,494
Prepaid Insurance	58,169
Capital Assets (Net of Accumulated Depreciation)	18,916,257
<b>Total Assets</b>	<b>48,143,136</b>
<b>LIABILITIES</b>	
Accounts Payable	4,624,186
Accrued Interest Payable	127,115
Salaries & Benefits Payable	125,807
Due To Other Governments	114,813
Deferred Revenue:	
Succeeding Year Property Tax	4,678,966
Long Term Liabilities:	
Portion Due Or Payable Within One Year:	
Installment Purchases	23,651
General Obligation Bonds	100,000
Notes & Contracts	4,958
Compensated Absences	156,924
Termination Benefits	7,326
Portion Due Or Payable After One Year:	
General Obligation Bonds	20,850,000
Notes & Contracts	21,371
Termination Benefits	1,642
Drainage Warrants/Improvement Certificates	377,914
Net OPEB Liability	54,884
<b>Total Liabilities</b>	<b>31,269,557</b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	12,772,462
Restricted For:	
Mental Health Purposes	474,399
Secondary Roads Purposes	1,475,456
Capital Projects	(2,135,475)
Other Purposes	3,264,388
Unrestricted	1,022,349
<b>Total Net Assets</b>	<b>\$16,873,579</b>

See Notes To Financial Statements

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

**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2010

	Expenses	Program Revenues
		Charges for Service
<b>FUNCTIONS/PROGRAMS:</b>		
Governmental Activities:		
Public Safety & Legal Services	\$1,715,137	\$265,975
Physical Health & Social Services	912,287	605,380
Mental Health	1,399,469	1,931
County Environment & Education	612,151	29,540
Roads & Transportation	3,931,308	174,312
Governmental Services to Residents	419,957	204,352
Administrative Services	1,226,917	114,603
Non-Program	491,092	542,101
Interest on Long Term Debt	284,109	0
<b>TOTAL FUNCTIONS/PROGRAMS</b>	<b>\$10,992,427</b>	<b>\$1,938,194</b>

**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  
Loss on Disposal of Capital Assets  
**TOTAL GENERAL REVENUES**

**CHANGE IN NET ASSETS**

**NET ASSETS, BEGINNING OF YEAR**

**NET ASSETS END OF YEAR**

See Notes To Financial Statements

Program Revenues		
Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions, & Restricted Interest	Net (Expense) Revenue & Changes in Net Assets
\$344,862	\$0	\$(1,104,300)
259,939	0	(46,968)
1,022,428	0	(375,110)
35,969	307,494	(239,148)
1,820,738	596,580	(1,339,678)
0	0	(215,605)
2,929	0	(1,109,385)
0	0	51,009
0	0	(284,109)
<b>\$3,486,865</b>	<b>\$904,074</b>	<b>(4,663,294)</b>

4,011,712
33,600
188,191
315,197
203,571
115,197
145,723
(38,139)
<b>4,975,052</b>
311,758
<b>16,561,821</b>
<b>\$16,873,579</b>

**WINNEBAGO COUNTY  
Forest City, Iowa**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010**

	Special Revenue						Total
	General	Mental Health	Rural Services	Secondary Roads	Capital Projects	Nonmajor	
<b>ASSETS</b>							
Cash & Pooled Investments	\$1,640,998	\$599,790	\$346,957	\$1,163,206	\$16,461,467	\$2,876,675	\$23,089,093
Receivables:							
Property Tax:							
Delinquent	7,898	1,520	4,047	0	0	0	13,465
Succeeding Year	2,332,136	412,120	1,565,765	0	0	368,945	4,678,966
Accounts	37,713	6	0	4,637	0	64,512	106,868
Accrued Interest	22,804	0	0	0	8,609	150	31,563
Assessments	0	0	0	19,988	0	0	19,988
Drainage Assessments	0	0	0	0	0	299,792	299,792
Due From Other Funds	9,284	0	0	0	0	0	9,284
Due From Other Governments	133,818	57,487	0	107,750	0	174,756	473,811
Notes Receivable	0	0	0	0	0	34,737	34,737
Inventories	0	0	0	414,494	0	0	414,494
Prepaid Insurance	33,699	0	0	24,417	0	53	58,169
<b>Total Assets</b>	<b>\$4,218,350</b>	<b>\$1,070,923</b>	<b>\$1,916,769</b>	<b>\$1,734,492</b>	<b>\$16,470,076</b>	<b>\$3,819,620</b>	<b>\$29,230,230</b>

**LIABILITIES & FUND BALANCES**

<b>Liabilities:</b>							
Accounts Payable	\$29,750	\$52,763	\$55,857	\$103,065	\$4,362,114	\$20,637	\$4,624,186
Interest Payable	0	0	0	0	0	58,516	58,516
Salaries & Benefits Payable	55,531	8,289	4,676	37,620	0	19,691	125,807
Due To Other Funds	0	9,284	0	0	0	0	9,284
Due To Other Governments	0	114,068	0	745	0	0	114,813
<b>Deferred Revenue:</b>							
Succeeding Year Property Tax	2,332,136	412,120	1,565,765	0	0	368,945	4,678,966
Other	7,898	17,935	4,047	19,988	0	370,080	419,948
<b>Total Liabilities</b>	<b>2,425,315</b>	<b>614,459</b>	<b>1,630,345</b>	<b>161,418</b>	<b>4,362,114</b>	<b>837,869</b>	<b>10,031,520</b>

<b>Fund Balances</b>							
<b>Reserved For:</b>							
Inventories	0	0	0	414,494	0	0	414,494
<b>Unreserved, Reported In:</b>							
General Fund	1,793,035	0	0	0	0	0	1,793,035
Special Revenue Funds	0	456,464	286,424	1,158,580	0	2,981,751	4,883,219
Capital Projects	0	0	0	0	12,107,962	0	12,107,962
<b>Total Fund Balances</b>	<b>1,793,035</b>	<b>456,464</b>	<b>286,424</b>	<b>1,573,074</b>	<b>12,107,962</b>	<b>2,981,751</b>	<b>19,198,710</b>

**Total Liabilities and Fund Balances \$4,218,350 \$1,070,923 \$1,916,769 \$1,734,492 \$16,470,076 \$3,819,620 \$29,230,230**

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, 2010

**Total Governmental Fund Balances (Page 13)** \$19,198,710

*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 \$25,883,316 and the accumulated depreciation/amortization is \$6,967,059. 18,916,257

Other long term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 419,948

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. 5,933

Long-term liabilities, including bonds payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (21,667,269)

**Net Assets of Governmental Activities (Pages 11 and 12)** \$16,873,579

See Notes to Financial Statements.

**WINNEBAGO COUNTY  
Forest City, Iowa**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2010**

	Special Revenue				Capital Projects	Nonmajor	Total
	General	Mental Health	Rural Services	Secondary Roads			
<b>REVENUES:</b>							
Property & Other County Tax	\$2,128,433	\$409,628	\$1,454,603	\$0	\$0	\$224,084	\$4,216,748
Local Option Sales Tax	0	0	0	0	0	315,197	315,197
Interest & Penalty on Property Tax	33,600	0	0	0	0	0	33,600
Intergovernmental	691,441	1,026,057	63,998	1,820,738	0	683,919	4,286,153
Licenses & Permits	529	0	930	7,275	0	10,204	18,938
Charges for Services	235,738	0	0	27,715	0	623,213	886,666
Use of Money & Property	85,510	0	0	3,000	21,600	13,368	123,478
Miscellaneous	65,625	6,358	1,181	146,705	9,565	607,122	836,556
Total Revenues	3,240,876	1,442,043	1,520,712	2,005,433	31,165	2,477,107	10,717,336
<b>EXPENDITURES:</b>							
Operating:							
Public Safety & Legal Services	1,559,014	0	89,747	0	0	47,271	1,696,032
Physical Health & Social Services	118,464	0	0	0	0	783,808	902,272
Mental Health	0	1,395,856	0	0	0	0	1,395,856
County Environment & Education	193,400	0	175,166	0	0	190,622	559,188
Roads & Transportation	0	0	421,408	2,502,267	0	0	2,923,675
Governmental Services to Residents	412,044	0	658	0	0	0	412,702
Administrative Services	791,345	0	0	0	0	0	791,345
Non-Program	0	0	8,880	0	0	796,029	804,909
Debt Service	32,522	0	0	7,465	0	53,581	93,568
Capital Projects	0	0	12,386	437,161	5,645,828	229,596	6,324,971
Total Expenditures	3,106,789	1,395,856	708,245	2,946,893	5,645,828	2,100,907	15,904,518
Excess (Deficiency) of Revenues Over (Under) Expenditures	134,087	46,187	812,467	(941,460)	(5,614,663)	376,200	(5,187,182)
Other Financing Sources (Uses):							
Sale of Capital Assets	0	0	0	59,095	0	0	59,095
Operating Transfers In	252,807	0	128,367	833,573	0	134,181	1,348,928
Operating Transfers Out	(49,000)	0	(865,573)	0	(53,181)	(381,174)	(1,348,928)
General Obligation Bonds Issued	0	0	0	0	17,484,237	1,715,763	19,200,000
Discount on General Obligation Bonds Issued	0	0	0	0	(355,200)	0	(355,200)
Drainage Warrants/Drainage Improvement Certificates Issued	0	0	0	0	0	190,749	190,749
Total Other Financing Sources (Uses)	203,807	0	(737,206)	892,668	17,075,856	1,659,519	19,094,644
Net Change in Fund Balances	337,894	46,187	75,261	(48,792)	11,461,193	2,035,719	13,907,462
Fund Balances – Beginning of Year	1,455,141	410,277	211,163	1,753,345	646,769	946,032	5,422,727
Decrease in Reserve For Inventories	0	0	0	(131,479)	0	0	(131,479)
Fund Balances – End of Year	\$1,793,035	\$456,464	\$286,424	\$1,573,074	\$12,107,962	\$2,981,751	\$19,198,710

See Notes To Financial Statements

**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, 2010**

**Net Change in Fund Balances - Total Governmental Funds (Page 15)** **\$13,907,462**

*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/amortization expense in the current year as follows:

Expenditures for Capital Assets	\$6,171,508	
Capital Assets Contributed by the Iowa Department of Transportation	596,580	
Capital Assets Contributed by Others	23,800	
Depreciation/Amortization Expense	<u>(970,828)</u>	5,821,060

In the Statement of Activities, the loss on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (97,234)

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	(1,465)	
Other	<u>(75,141)</u>	(76,606)

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	(19,390,749)	
Repaid	<u>396,382</u>	(18,994,367)

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	(3,236)	
Other Postemployment Benefits/Termination Benefits	(44,613)	
Interest on Long-Term Debt	<u>(63,097)</u>	(110,946)

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. (131,479)

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 (6,132)

**Change in Net Assets of Governmental Activities (Page 12)** **\$311,758**

See Notes to Financial Statements

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

**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
June 30, 2010

	Internal Service Employee Group Health
<hr/>	
<b>ASSETS</b>	
Cash & Cash Equivalents	\$5,933
<hr/>	
<b>NET ASSETS</b>	
Unrestricted	\$5,933
<hr/>	

See Notes To Financial Statements

WINNEBAGO COUNTY  
Forest City, Iowa

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS  
**PROPRIETARY FUND**  
Year Ended June 30, 2010

	Internal Service Employee Group Health
<hr/>	
Operating Revenues:	
Reimbursements from Operating Funds	\$598,521
Reimbursements from Employees	91,468
Other Reimbursements	20,158
<hr/>	
Total Operating Revenues	710,147
<hr/>	
Operating Expenses:	
Medical Claims	75,809
Insurance Premiums	627,436
Administrative Fees	10,706
Miscellaneous	2,328
<hr/>	
Total Operating Expenses	716,279
<hr/>	
Net Loss	(6,132)
<hr/>	
Net Assets Beginning of Year	12,065
<hr/>	
Net Assets End of Year	\$5,933
<hr/>	

See Notes To Financial Statements

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

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
Year Ended June 30, 2010

	Internal Service Employee Group Health
<hr/>	
Cash Flows from Operating Activities:	
Cash Received from Operating Fund Reimbursements	\$598,521
Cash Received from Employees and Others	111,626
Cash Paid to Suppliers for Services	(716,279)
Net Cash Used in Operating Activities	(6,132)
<hr/>	
Net Decrease in Cash and Cash Equivalents	(6,132)
Cash and Cash Equivalents at Beginning of Year	12,065
<hr/>	
Cash and Cash Equivalents at End of Year	\$5,933
<hr/>	
<b>Reconciliation of Operating Loss to Net Cash Used in</b>	
<b>Operating Activities:</b>	
Operating Loss	\$(6,132)
<hr/>	
Net Cash Used in Operating Activities	\$(6,132)
<hr/>	

See Notes To Financial Statements

**WINNEBAGO COUNTY  
Forest City, Iowa**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2010**

**ASSETS**

Cash & Pooled Investments	
County Treasurer	\$638,960
Other County Officials	11,656
Receivables:	
Property Tax:	
Succeeding Year	10,692,416
Accounts	16,636
Accrued Interest	49
Assessments	341,347
<b>Total Assets</b>	<b>11,701,064</b>

**LIABILITIES**

Accounts Payable	17,177
Salaries and Benefits Payable	5,659
Due To Other Governments	11,648,553
Trusts Payable	22,002
Compensated Absences	7,673
<b>Total Liabilities</b>	<b>11,701,064</b>

**NET ASSETS** **\$0**

See Notes To Financial Statements

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

**Notes to Financial Statements**

---

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

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

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

A. REPORTING ENTITY

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

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

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

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

## Notes to Financial Statements (Continued)

---

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

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

#### B. BASIS OF PRESENTATION

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

The Statement of Net Assets presents the County's nonfiduciary 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/amortization and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

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

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

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

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

## Notes to Financial Statements (Continued)

---

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

#### B. BASIS OF PRESENTATION (CONTINUED)

The County reports the following major governmental funds:

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

#### Special Revenue

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

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

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

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

Additionally, the County reports the following funds:

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

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

#### C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

## **Notes to Financial Statements (Continued)**

---

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

#### **C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)**

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

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

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

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

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

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

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

## Notes to Financial Statements (Continued)

---

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

#### D. ASSETS, LIABILITIES AND FUND EQUITY

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

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2009.

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

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

## Notes to Financial Statements (Continued)

---

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

#### D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2010, 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.

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20-50
Infrastructure	30-50
Intangibles	5-20
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.

## Notes to Financial Statements (Continued)

---

### 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, 2010. 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 Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

## Notes to Financial Statements (Continued)

---

### 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, 2010, disbursements exceeded amounts budgeted in the Capital Projects 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, 2010 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.

At June 30, 2010, the County had the following investments:

Type	Fair Value	Maturity
U.S. Government Treasury Bill	\$1,499,755	July 8, 2010
U.S. Government Treasury Bill	1,499,685	July 22, 2010
U.S. Government Treasury Bill	1,499,615	August 5, 2010
U.S. Government Treasury Bill	1,499,507	August 19, 2010
U.S. Government Treasury Bill	1,499,393	September 9, 2010
U.S. Government Treasury Bill	1,499,318	September 23, 2010

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.

Concentration of Credit Risk: U.S. Government Treasury Bills are excluded given the direct guarantee of the government.

## Notes to Financial Statements (Continued)

### Note 3: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2010 is as follows:

Transfer To	Transfer From	Amount
	Special Revenue:	
General	Local Option Sales Tax	\$235,102
General	Solid Waste Management	17,705
Special Revenue:	Special Revenue:	
Rural Services	Local Option Sales Tax	78,367
Rural Services	Solid Waste Management	50,000
Secondary Roads	Rural Services	833,573
Fair Association	Rural Services	32,000
Winnebago/Worth BETCO	General	49,000
Linden Urban Renewal Project	Capital Projects	53,181
Total		<u>\$1,348,928</u>

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, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated/Amortized:				
Land	\$1,037,733	\$320,705	\$96,000	\$1,262,438
Construction in Progress	1,198,288	4,191,784	1,388,602	4,001,470
Total Capital Assets Not Being Depreciated/Amortized	2,236,021	4,512,489	1,484,602	5,263,908
Capital Assets Being Depreciated/Amortized:				
Buildings	3,537,918	0	0	3,537,918
Improvements Other Than Buildings	446,894	0	0	446,894
Machinery and Equipment	3,719,236	71,059	7,192	3,783,103
Vehicles	1,931,824	237,595	79,975	2,089,444
Infrastructure, Road Network	7,402,702	3,359,347	0	10,762,049
Total Capital Assets Being Depreciated/Amortized	17,038,574	3,668,001	87,167	20,619,408

## Notes to Financial Statements (Continued)

### Note 4: Capital Assets (Continued)

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities (Continued):				
Less Accumulated Depreciation/Amortization For:				
Buildings	\$697,055	\$71,358	\$0	\$768,413
Improvements Other Than Buildings	242,789	11,637	0	254,426
Machinery and Equipment	2,736,562	231,833	7,021	2,961,374
Vehicles	1,359,743	138,913	78,912	1,419,744
Infrastructure, Road Network	1,046,015	517,087	0	1,563,102
Total Accumulated Depreciation/Amortization	6,082,164	970,828	85,933	6,967,059
Total Capital Assets Being Depreciated/Amortized, Net	10,956,410	2,697,173	1,234	13,653,349
Governmental Activities Capital Assets, Net	\$13,192,431	\$7,209,662	\$1,485,836	\$18,916,257

Depreciation/Amortization expense was charged to the following functions:

Public Safety and Legal Services	\$31,580
Physical Health and Social Services	7,323
Mental Health	856
County Environment and Education	21,374
Roads and Transportation	833,802
Governmental Services to Residents Administration	1,973
	73,920
Total Depreciation/Amortization Expense – Governmental Activities	\$970,828

### 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
Special Revenue		
Mental Health	Services	\$114,068
Secondary Roads		745
Total for governmental funds		\$114,813

## Notes to Financial Statements (Continued)

### Note 5: Due to Other Governments (Continued)

Fund	Description	Amount
Agency:		
Agricultural Extension	Collections	\$133,039
Assessor		176,289
Schools		6,553,899
Community Colleges		291,352
Corporations		3,436,422
Auto License & Use Tax		244,784
All Others		812,768
Total for agency funds		<u>\$11,648,553</u>

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

A summary of changes in long-term liabilities for the year ended June 30, 2010, is as follows:

	General Obligation Bonds	Drainage Warrants	Drainage Improvement Certificates	Secondary Road Loan
Balance Beginning of Year	\$1,750,000	\$539,112	\$6,344	\$32,718
Increases	19,200,000	190,749	0	0
Decreases	0	355,119	3,172	6,389
Balance End of Year	<u>\$20,950,000</u>	<u>\$374,742</u>	<u>\$3,172</u>	<u>\$26,329</u>
Due Within One Year	<u>\$100,000</u>	<u>\$0</u>	<u>\$3,172</u>	<u>\$4,958</u>

  

	Sheriff's Vehicle Loans	Compensated Absences	Termination Benefits	Total
Balance Beginning of Year	\$55,353	\$153,688	\$19,239	\$2,556,454
Increases	0	3,236	998	19,394,983
Decreases	31,702	0	11,269	407,651
Balance End of Year	<u>\$23,651</u>	<u>\$156,924</u>	<u>\$8,968</u>	<u>\$21,543,786</u>
Due Within One Year	<u>\$23,651</u>	<u>\$156,924</u>	<u>\$7,326</u>	<u>\$296,031</u>

## Notes to Financial Statements (Continued)

### 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.

A summary of the debt outstanding is as follows:

Year ended June 30,	Interest Rate	Principal	Interest	Total
2011	1.75%	\$100,000	\$50,917	\$150,917
2012	2.00%	150,000	49,168	199,168
2013	2.25%	200,000	46,167	246,167
2014	2.55%	200,000	41,668	241,668
2015	2.85%	205,000	36,567	241,567
2016-2019	3.10-3.75%	895,000	80,398	975,398
		<u>\$1,750,000</u>	<u>\$304,885</u>	<u>\$2,054,885</u>

On May 15, 2010, the County issued \$19,200,000 of General Obligation Urban Renewal County Road Improvement Bonds, Series 2010A. The bonds were issued for the purpose of paying the costs of County Road projects in the expanded Urban Renewal Area. Interest is due semiannually, December 1, and June 1, commencing on December 1, 2010 through June 1, 2028. Principal is due annually commencing June 1, 2014 through June 1, 2028. Interest ranges from 2% to 4.25% 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
2011	2.00%	\$0	\$722,426	\$722,426
2012	2.00%	0	691,685	691,685
2013	2.00%	0	691,685	691,685
2014	2.00%	300,000	691,685	991,685
2015	2.30%	800,000	685,685	1,485,685
2016-2020	2.50-3.50%	5,970,000	3,004,415	8,974,415
2021-2025	3.65-4.00%	7,115,000	1,896,770	9,011,770
2026-2028	4.05-4.25%	5,015,000	425,898	5,440,898
		<u>\$19,200,000</u>	<u>\$8,810,249</u>	<u>\$28,010,249</u>

#### 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 were due annually on January 4, 2008 through 2010. The agreement was paid in full during the year ended June 30, 2010.

## Notes to Financial Statements (Continued)

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

#### 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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$23,651	\$990	\$24,641

#### 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%. During the years ending June 30, 2009 and 2010, the department made irregular payments on the note with assessments as collected. They will continue to make payments as assessments are collected.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$4,958	\$939	\$5,897
2012	4,958	867	5,825
2013	4,958	667	5,625
2014	4,958	465	5,423
2015	4,958	264	5,222
2016	1,539	62	1,601
	<u>\$26,329</u>	<u>\$3,264</u>	<u>\$29,593</u>

#### 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, 2010, premiums were paid for two retirees totaling \$11,269.

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

<u>Year ended June 30,</u>	
2011	\$7,326
2012	1,642
	<u>\$8,968</u>

## **Notes to Financial Statements (Continued)**

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

#### **Drainage Warrants/Drainage Improvement Certificates Payable**

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

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

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

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

### **Note 7: Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 4.30% of their annual covered salary and the County is required to contribute 6.65% 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, 2010, 2009 and 2008 were \$240,410, \$217,346 and \$184,319, 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 634 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.

## Notes to Financial Statements (Continued)

---

### *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, 2010 were \$89,591.

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 \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, at June 30, 2010, no liability has been recorded in the County's financial statements. As of June 30, 2010, 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.

## **Notes to Financial Statements (Continued)**

---

### **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. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Note 9: Employee Health Insurance**

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

Monthly payments of plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the agreement with Wellmark monthly payments of premiums are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2010 was \$598,521.

### **Note 10: Other Postemployment Benefits (OPEB)**

Winnebago County implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the year ended June 30, 2010.

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 74 active and 1 retired members in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a fully insured medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution of the County (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

## Notes to Financial Statements (Continued)

### Note 10: Other Postemployment Benefits OPEB (Continued)

The table shows the components of the County's annual OPEB cost for June 30, 2010, the amount actually contributed to the plan and the changes in the County's net OPEB obligation:

Annual required contribution	\$56,334
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	56,334
Contributions made	(1,450)
Increase in net OPEB obligation	54,884
Net OPEB obligation – beginning of year	0
Net OPEB obligation – end of the year	\$54,884

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2010.

For the fiscal year 2010, the County contributed \$1,450 to the medical plan. There were no contributions from retirees.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$56,334	2.57%	\$54,884

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$425,286, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$425,286. The covered payroll (annual payroll of active employees covered by the plan) was \$3,091,192, and the ratio of the UAAL to the covered payroll was 13.75%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

## **Notes to Financial Statements (Continued)**

---

### **Note 10: Other Postemployment Benefits OPEB (Continued)**

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

As of July 1, 2009 actuarial date, the Frozen Entry Age Actuarial Cost method was used. The actuarial assumptions included 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2007 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized on a level dollar basis over 30 years.

### **Note 11: Related Party Transaction**

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

### **Note 12: 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, 2010, principal of \$7,063 and interest of \$38 were paid for the E911 Service Board. The payments are not included in the County's financial statements. The loan was paid in full during the year ended June 30, 2010.

**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, 2010**

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
<b>RECEIPTS:</b>						
Property & Other County Tax	\$4,530,237	\$0	\$4,530,237	\$4,551,497	\$4,551,497	\$(21,260)
Interest & Penalty on Property Tax	33,653	0	33,653	28,200	28,200	5,453
Intergovernmental	4,321,468	0	4,321,468	4,097,312	4,567,717	(246,249)
Licenses & Permits	18,551	0	18,551	7,370	7,370	11,181
Charges for Services	857,095	0	857,095	651,594	681,409	175,686
Use of Money & Property	97,724	0	97,724	338,846	340,846	(243,122)
Miscellaneous	830,052	530,591	299,461	109,336	115,336	184,125
<b>Total Receipts</b>	<b>10,688,780</b>	<b>530,591</b>	<b>10,158,189</b>	<b>9,784,155</b>	<b>10,292,375</b>	<b>(134,186)</b>
<b>DISBURSEMENTS:</b>						
Public Safety & Legal Services	\$1,687,946	0	1,687,946	1,770,565	1,848,683	160,737
Physical Health & Social Services	905,181	0	905,181	818,744	966,544	61,363
Mental Health	1,383,533	0	1,383,533	1,449,427	1,449,427	65,894
County Environment & Education	560,542	0	560,542	1,589,707	794,907	234,365
Roads & Transportation	2,966,283	0	2,966,283	3,006,754	3,006,754	40,471
Governmental Services to Residents	404,998	0	404,998	447,829	447,829	42,831
Administrative Services	778,074	0	778,074	905,172	906,772	128,698
Non-Program	828,466	683,818	144,648	198,454	198,454	53,806
Debt Service	93,568	0	93,568	77,148	130,329	36,761
Capital Projects	2,339,419	0	2,339,419	300,746	4,640,947	2,301,528
<b>Total Disbursements</b>	<b>11,948,010</b>	<b>683,818</b>	<b>11,264,192</b>	<b>10,564,546</b>	<b>14,390,646</b>	<b>3,126,454</b>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(1,259,230)	(153,227)	(1,106,003)	(780,391)	(4,098,271)	2,992,268
Other Financing Sources, Net	19,094,644	190,749	18,903,895	810,000	3,310,000	15,593,895
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements & Other Financing Uses	17,835,414	37,522	17,797,892	29,609	(788,271)	18,586,163
Balance Beginning of Year	5,253,679	127,127	5,126,552	2,071,517	2,071,517	3,055,035
<b>Balance End of Year</b>	<b>\$23,089,093</b>	<b>\$164,649</b>	<b>\$22,924,444</b>	<b>\$2,101,126</b>	<b>\$1,283,246</b>	<b>\$21,641,198</b>

See Accompanying Independent Auditors' Report

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

**BUDGET COMPARISON SCHEDULE –**  
**BUDGET TO GAAP RECONCILIATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
Year Ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$10,688,780	\$28,556	\$10,717,336
Expenditures	11,948,010	3,956,508	15,904,518
Net	(1,259,230)	(3,927,952)	(5,187,182)
Other Financing Sources, Net	19,094,644	0	19,094,644
Beginning Fund Balances	5,253,679	169,048	5,422,727
Decrease in Reserve For: Inventories	0	(131,479)	(131,479)
Ending Fund Balances	\$23,089,093	\$(3,890,383)	\$19,198,710

See Accompanying Independent Auditors' Report

**Winnebago County  
Forest City, Iowa**

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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, three budget amendments increased budgeted disbursements by \$3,826,100. 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, 2010, disbursements exceeded the amounts budgeted in the Capital Projects function and disbursements in certain departments exceeded the amounts appropriated.

Winnebago County

Required Supplementary Information

Schedule of Funding Progress for the Retiree Health Plan (In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
July 1, 2009	\$0	\$425	\$425	0%	\$3,091	13.75%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB costs and Net OPEB Obligation, and the funded status and funding progress.

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

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2010

	Special Revenue			
	Resource Enhancement & Protection	County Recorder's Records Management	Conservation Land Acquisition Trust	Conservation Special Projects
<b>ASSETS</b>				
Cash & Pooled Investments	\$33,935	\$17,167	\$237,660	\$0
Receivables:				
Property Tax:				
Succeeding Year	0	0	0	0
Accounts	0	503	0	8,113
Notes	0	0	0	0
Accrued Interest	6	8	39	0
Drainage Assessments	0	0	0	0
Due from Other Governments	0	0	0	4,510
Prepaid Insurance	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$33,941</b>	<b>\$17,678</b>	<b>\$237,699</b>	<b>\$12,623</b>
<b>LIABILITIES &amp; FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$0	\$0	\$2,142	\$1,995
Interest Payable	0	0	0	0
Salaries & Benefits Payable	0	0	0	0
Deferred Revenue				
Succeeding Year Property Tax	0	0	0	0
Other	0	0	0	0
Total Liabilities	0	0	2,142	1,995
Fund Balances:				
Unreserved	33,941	17,678	235,557	10,628
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$33,941</b>	<b>\$17,678</b>	<b>\$237,699</b>	<b>\$12,623</b>

See Accompanying Auditor's Report

**Schedule 1**

**Special Revenue**

Local Option Sales Tax	Tax Increment Financing	Seizure	DARE	Jail Phone Account	Board Prisoners	Sheriff's Reserve	Firearm Permitting Program
\$0	\$58,186	\$5,119	\$4,608	\$6,726	\$71,593	\$5,403	\$1,992
0	368,945	0	0	0	0	0	0
0	0	0	0	0	300	0	0
0	0	0	0	0	0	0	0
0	0	0	1	1	23	1	1
0	0	0	0	0	0	0	0
25,883	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
<b>\$25,883</b>	<b>\$427,131</b>	<b>\$5,119</b>	<b>\$4,609</b>	<b>\$6,727</b>	<b>\$71,916</b>	<b>\$5,404</b>	<b>\$1,993</b>
\$0	\$0	\$0	\$0	\$490	\$0	\$565	\$10
0	0	0	0	0	0	0	0
0	0	0	0	0	91	0	0
0	368,945	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	368,945	0	0	490	91	565	10
25,883	58,186	5,119	4,609	6,237	71,825	4,839	1,983
<b>\$25,883</b>	<b>\$427,131</b>	<b>\$5,119</b>	<b>\$4,609</b>	<b>\$6,727</b>	<b>\$71,916</b>	<b>\$5,404</b>	<b>\$1,993</b>

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

**COMBINING BALANCE SHEET (CONTINUED)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
 June 30, 2010

	Special Revenue			
	Fair Association	Public Health	WinnWorth BETCO	Solid Waste Management
<b>ASSETS</b>				
Cash & Pooled Investments	\$297	\$327,854	\$65,628	\$0
Receivables:				
Property Tax:				
Succeeding Year	0	0	0	0
Accounts	0	38,034	0	17,562
Notes	0	0	0	0
Accrued Interest	0	0	0	19
Drainage Assessments	0	0	0	0
Due from Other Governments	0	133,640	4,993	0
Prepaid Insurance	0	53	0	0
<b>TOTAL ASSETS</b>	<b>\$297</b>	<b>\$499,581</b>	<b>\$70,621</b>	<b>\$17,581</b>
<b>LIABILITIES &amp; FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$0	\$13,130	\$2,305	\$0
Interest Payable	0	0	0	0
Salaries & Benefits Payable	0	17,922	1,678	0
Deferred Revenue				
Succeeding Year Property Tax	0	0	0	0
Other	0	35,551	0	0
Total Liabilities	0	66,603	3,983	0
Fund Balances:				
Unreserved	297	432,978	66,638	17,581
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$297</b>	<b>\$499,581</b>	<b>\$70,621</b>	<b>\$17,581</b>

**Schedule 1 (Continued)**

Special Revenue						
RBEG Grant Revolving Loan	EMS Training/ Ambulance	County Home Trust	Drainage	Linden Urban Renewal	Urban Renewal	Total
\$82,193	\$1,778	\$55,403	\$164,649	\$10,914	\$1,725,570	\$2,876,675
0	0	0	0	0	0	368,945
0	0	0	0	0	0	64,512
34,737	0	0	0	0	0	34,737
15	0	36	0	0	0	150
0	0	0	299,792	0	0	299,792
0	5,730	0	0	0	0	174,756
0	0	0	0	0	0	53
<b>\$116,945</b>	<b>\$7,508</b>	<b>\$55,439</b>	<b>\$464,441</b>	<b>\$10,914</b>	<b>\$1,725,570</b>	<b>\$3,819,620</b>
\$0	\$0	\$0	\$0	\$0	\$0	\$20,637
0	0	0	58,516	0	0	58,516
0	0	0	0	0	0	19,691
0	0	0	0	0	0	368,945
34,737	0	0	299,792	0	0	370,080
34,737	0	0	358,308	0	0	837,869
82,208	7,508	55,439	106,133	10,914	1,725,570	2,981,751
<b>\$116,945</b>	<b>\$7,508</b>	<b>\$55,439</b>	<b>\$464,441</b>	<b>\$10,914</b>	<b>\$1,725,570</b>	<b>\$3,819,620</b>

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

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
Year Ended June 30, 2010

	Special Revenue			
	Resource Enhancement & Protection	County Recorder's Management	Conservation Land Acquisition Trust	Conservation Special Projects
<b>Revenues:</b>				
Property and Other County Tax	\$0	\$0	\$0	\$0
Local Option Sales Tax	0	0	0	0
Intergovernmental	18,050	0	373,558	5,320
Licenses and Permits	0	0	0	0
Charges for Services	0	2,076	3,889	1,253
Use of Money and Property	65	65	273	0
Miscellaneous	0	0	23,723	6,050
Total Revenues	18,115	2,141	401,443	12,623
<b>Expenditures:</b>				
Operating:				
Public Safety and Legal Services	0	0	0	0
Physical Health and Social Services	0	0	0	0
County Environment and Education	10,861	0	0	1,995
Non-Program	0	0	0	0
Debt Service	0	0	0	0
Capital Projects	0	0	229,596	0
Total Expenditures	10,861	0	229,596	1,995
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,254	2,141	171,847	10,628
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	0	0	0
General Obligation Bonds Issued	0	0	0	0
Drainage Warrants Issued	0	0	0	0
	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	7,254	2,141	171,847	10,628
Fund Balances – Beginning of Year	26,687	15,537	63,710	0
Fund Balances – End of Year	\$33,941	\$17,678	\$235,557	\$10,628

See Accompanying Auditor's Report

**Schedule 2**

Special Revenue

Local Option Sales Tax	Tax Increment Financing	Seizure	DARE	Jail Phone Account	Board Prisoners	Sheriff's Reserve	Firearm Permitting Program
\$0	\$193,954	\$0	\$0	\$0	\$0	\$0	\$0
315,197	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	0	0	4,243	16,735	0	5,204
0	0	0	8	8	366	6	4
0	0	0	0	0	0	8,572	0
315,197	193,954	0	8	4,251	17,101	8,578	5,208
0	0	0	350	2,907	24,317	3,972	3,225
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	135,768	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	135,768	0	350	2,907	24,317	3,972	3,225
315,197	58,186	0	(342)	1,344	(7,216)	4,606	1,983
0	0	0	0	0	0	0	0
(313,469)	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
(313,469)	0	0	0	0	0	0	0
1,728	58,186	0	(342)	1,344	(7,216)	4,606	1,983
24,155	0	5,119	4,951	4,893	79,041	233	0
\$25,883	\$58,186	\$5,119	\$4,609	\$6,237	\$71,825	\$4,839	\$1,983

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

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (CONTINUED)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
Year Ended June 30, 2010

	Special Revenue			
	Fair Association	Public Health	WinnWorth BETCO	Solid Waste Management
<b>Revenues:</b>				
Property and Other County Tax	\$0	\$0	\$20,513	\$0
Local Option Sales Tax	0	0	0	0
Intergovernmental	0	207,348	49,000	0
Licenses and Permits	0	10,204	0	0
Charges for Services	0	524,208	0	65,605
Use of Money and Property	0	0	0	114
Miscellaneous	0	35,417	2,569	0
<b>Total Revenues</b>	<b>0</b>	<b>777,177</b>	<b>72,082</b>	<b>65,719</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public Safety and Legal Services	0	0	0	0
Physical Health and Social Services	0	783,808	0	0
County Environment and Education	31,703	0	111,063	0
Non-Program	0	0	0	0
Debt Service	0	0	0	0
Capital Projects	0	0	0	0
<b>Total Expenditures</b>	<b>31,703</b>	<b>783,808</b>	<b>111,063</b>	<b>0</b>
<b>Excess (Deficiency) of Revenues</b>				
Over (Under) Expenditures	(31,703)	(6,631)	(38,981)	65,719
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In	32,000	0	49,000	0
Operating Transfers Out	0	0	0	(67,705)
General Obligation Bonds Issued	0	0	0	0
Drainage Warrants Issued	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>32,000</b>	<b>0</b>	<b>49,000</b>	<b>(67,705)</b>
<b>Excess (Deficiency) of Revenues and Other</b>				
Financing Sources Over (Under) Expenditures	297	(6,631)	10,019	(1,986)
<b>Fund Balances – Beginning of Year</b>	<b>0</b>	<b>439,609</b>	<b>56,619</b>	<b>19,567</b>
<b>Fund Balances – End of Year</b>	<b>\$297</b>	<b>\$432,978</b>	<b>\$66,638</b>	<b>\$17,581</b>

See Accompanying Auditor's Report

**Schedule 2 (Continued)**

Special Revenue							
RBEG Grant					Linden		
Revolving	EMS Training/	County Home			Urban	Urban	Total
Loan	Ambulance	Trust	Drainage		Renewal	Renewal	
\$0	\$0	\$0	\$0		\$9,617	\$0	\$224,084
0	0	0	0		0	0	315,197
17,413	13,230	0	0		0	0	683,919
0	0	0	0		0	0	10,204
0	0	0	0		0	0	623,213
490	0	465	0		1,697	9,807	13,368
200	0	0	530,591		0	0	607,122
18,103	13,230	465	530,591		11,314	9,807	2,477,107
<hr/>							
0	12,500	0	0		0	0	47,271
0	0	0	0		0	0	783,808
35,000	0	0	0		0	0	190,622
0	0	0	660,261		0	0	796,029
0	0	0	0		53,581	0	53,581
0	0	0	0		0	0	229,596
35,000	12,500	0	660,261		53,581	0	2,100,907
<hr/>							
(16,897)	730	465	(129,670)		(42,267)	9,807	376,200
<hr/>							
0	0	0	0		53,181	0	134,181
0	0	0	0		0	0	(381,174)
0	0	0	0		0	1,715,763	1,715,763
0	0	0	190,749		0	0	190,749
0	0	0	190,749		53,181	1,715,763	1,659,519
<hr/>							
(16,897)	730	465	61,079		10,914	1,725,570	2,035,719
99,105	6,778	54,974	45,054		0	0	946,032
\$82,208	\$7,508	\$55,439	\$106,133		\$10,914	\$1,725,570	\$2,981,751

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

COMBINING SCHEDULE OF  
 FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>ASSETS</b>					
Cash & Pooled Investments:					
County Treasurer	\$0	\$1,631	\$68,422	\$76,081	\$3,383
Other County Officials	11,656	0	0	0	0
Receivables:					
Property Tax:					
Succeeding Year	0	131,408	118,291	6,477,818	287,969
Accounts	10	0	0	0	0
Accrued Interest	0	0	0	0	0
Assessments	0	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$11,666</b>	<b>\$133,039</b>	<b>\$186,713</b>	<b>\$6,553,899</b>	<b>\$291,352</b>
<b>LIABILITIES</b>					
Accounts Payable	\$0	\$0	\$173	\$0	\$0
Salaries and Benefits Payable	0	0	2,578	0	0
Due to Other Governments	325	133,039	176,289	6,553,899	291,352
Trusts Payable	11,341	0	0	0	0
Compensated Absences	0	0	7,673	0	0
<b>TOTAL LIABILITIES</b>	<b>\$11,666</b>	<b>\$133,039</b>	<b>\$186,713</b>	<b>\$6,553,899</b>	<b>\$291,352</b>

See Accompanying Independent Auditors' Report

**Schedule 3**

Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$38,950	\$1,377	\$4,799	\$244,784	\$199,533	\$638,960
0	0	0	0	0	11,656
3,397,472	130,753	0	0	148,705	10,692,416
0	0	0	0	16,626	16,636
0	0	0	0	49	49
0	0	341,347	0	0	341,347
<b>\$3,436,422</b>	<b>\$132,130</b>	<b>\$346,146</b>	<b>\$244,784</b>	<b>\$364,913</b>	<b>\$11,701,064</b>
\$0	\$0	\$0	\$0	\$17,004	\$17,177
0	0	0	0	3,081	5,659
3,436,422	132,130	346,146	244,784	334,167	11,648,553
0	0	0	0	10,661	22,002
0	0	0	0	0	7,673
<b>\$3,436,422</b>	<b>\$132,130</b>	<b>\$346,146</b>	<b>\$244,784</b>	<b>\$364,913</b>	<b>\$11,701,064</b>

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

COMBINING SCHEDULE OF CHANGES IN  
 FIDUCIARY ASSETS AND LIABILITIES  
**AGENCY FUNDS**  
 June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor
<b>Assets and Liabilities</b>			
Balances – Beginning of Year	\$9,101	\$126,978	\$179,121
Additions:			
Property and Other County Tax	0	131,186	118,090
E911 Surcharge	0	0	0
State Tax Credits	0	6,107	5,514
Office Fees and Collections	230,841	0	0
Electronic Transaction Fees	0	0	0
Auto License, Use Tax and Postage	0	0	0
Assessments	0	0	0
Trusts	56,146	0	0
Miscellaneous	0	65	1,825
Total Additions	286,987	137,358	125,429
Deductions:			
Agency Remittances:			
To Other Funds	118,752	0	0
To Other Governments	109,445	131,297	117,837
Trusts Paid Out	56,225	0	0
Total Deductions	284,422	131,297	117,837
Balances – End of Year	\$11,666	\$133,039	\$186,713

See Accompanying Independent Auditors' Report

**Schedule 4**

Schools	Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$5,912,087	\$263,744	\$3,330,377	\$124,681	\$426,967	\$249,764	\$409,837	\$11,032,657
6,465,784	287,507	3,412,352	130,830	0	0	148,423	10,694,172
0	0	0	0	0	0	77,467	77,467
285,028	12,673	138,796	5,382	0	0	7,779	461,279
0	0	0	0	0	0	0	230,841
0	0	0	0	0	0	6,143	6,143
0	0	0	0	0	2,792,609	0	2,792,609
0	0	0	0	24,101	0	0	24,101
0	0	0	0	0	0	164,776	220,922
2,926	134	0	86	0	0	164,000	169,036
6,753,738	300,314	3,551,148	136,298	24,101	2,792,609	568,588	14,676,570
0	0	0	0	0	86,663	0	205,415
6,111,926	272,706	3,445,103	128,849	104,922	2,710,926	449,641	13,582,652
0	0	0	0	0	0	163,871	220,096
6,111,926	272,706	3,445,103	128,849	104,922	2,797,589	613,512	14,008,163
\$6,553,899	\$291,352	\$3,436,422	\$132,130	\$346,146	\$244,784	\$364,913	\$11,701,064

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

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

	Modified Accrual Basis			
	2010	2009	2008	2007
<b>Revenues:</b>				
Property and Other County Tax	\$4,531,945	\$4,451,084	\$4,020,706	\$3,833,937
Interest and Penalty on Property Tax	33,600	36,500	29,296	39,916
Intergovernmental	4,286,153	4,181,283	3,336,356	4,233,902
Licenses and Permits	18,938	21,375	31,094	4,789
Charges for Service	886,666	811,960	1,279,985	746,885
Use of Money and Property	123,478	129,207	141,908	153,053
Miscellaneous	836,556	734,401	734,363	866,228
Total	<u>\$10,717,336</u>	<u>\$10,365,810</u>	<u>\$9,573,708</u>	<u>\$9,878,710</u>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public Safety and Legal Services	\$1,696,032	\$1,598,942	\$1,206,878	\$1,028,744
Physical Health and Social Services	902,272	817,942	714,991	630,928
Mental Health	1,395,856	1,477,809	1,446,283	1,376,244
County Environment and Education	559,188	601,190	524,126	492,594
Roads and Transportation	2,923,675	2,689,602	2,792,585	3,147,858
Government Services to Residents	412,702	399,919	333,528	340,398
Administrative Services	791,345	863,600	715,120	723,964
Non-Program	804,909	925,143	1,032,144	2,388,287
Debt Service	93,568	26,108	165,447	0
Capital Projects	6,324,971	1,172,369	1,046,234	239,610
Total	<u>\$15,904,518</u>	<u>\$10,572,624</u>	<u>\$9,977,336</u>	<u>\$10,368,627</u>

See Accompanying Independent Auditors' Report

**Schedule 5**

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
<b>\$8,611,093</b>	<b>\$8,430,978</b>	<b>\$8,020,839</b>	<b>\$7,583,395</b>

\$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
<b>\$9,872,909</b>	<b>\$9,067,109</b>	<b>\$8,728,253</b>	<b>\$8,933,896</b>



**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, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated April 22, 2011. 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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

A significant deficiency is a deficiency or a combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 which 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, 2010 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.

April 22, 2011

*Gardiner Thomsen, P.C.*

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

**Schedule of Findings**  
**Year Ended June 30, 2010**

**Findings Related to the Financial Statements**

**INTERNAL CONTROL 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, proceeds of debt and capital assets 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, proceeds of debt and capital assets are identified and included in the County's financial statements.

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

*Conclusion* – Response accepted.

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

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

**Schedule of Findings**  
**Year Ended June 30, 2010**

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

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

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

*Conclusion* – Response acknowledged.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Other Findings Related to Required Statutory Reporting**

1. **Certified Budget** – Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the Capital Projects 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.

*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.

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

**Schedule of Findings**  
**Year Ended June 30, 2010**

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

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:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
<b>Barb’s Kitchen</b>	Rolls and Muffins for	
Three Invoices for Public Health	Board of Health Meeting	\$55
<b>Pizza Ranch</b>		
One Invoice for Sheriff’s Department	Meals for Tobacco Grant	\$105

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.

*Response* –  
 Sheriff – A policy is in the process of being implemented.

Public Health – The expenses were proper and were part of a long standing practice of providing meals to the Board of Health.

*Conclusion* – Response accepted.

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

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

**Schedule of Findings**  
**Year Ended June 30, 2010**

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

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

<u>Name, Title, and Business Relationship</u>	<u>Description</u>	<u>Amount</u>
<b>Sandy Larson – Sheriff’s Department</b>		
Body Works – Owned by Mike Larson, Husband	Decals for Sheriff’s Cars	\$600
<b>Mark Krull – Thompson Shop Maintenance Operator</b>		
Gary E. Krull – Father	Hydraulic Fluid, Oil and Grease	26,225
<b>Colleen Lamping – Assessor’s Office</b>		
Brad Lamping – Husband	Bridge Asbestos Testor	1,100
<b>Travis Hassebroek – Secondary Roads Department</b>		
Hassebroek Mowing & Tiling – Owned by Travis Hassebroek	Mowing Services for Conservation	550
<b>Jane Langerud – Auditor’s Office</b>		
Tom Langerud – Husband	Election Services	318

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Body Works, Brad Lamping, Hassebroek Mowing & Tiling, and Tom Langerud 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.

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.

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

**Schedule of Findings**  
**Year Ended June 30, 2010**

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

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

The board went into closed session on November 17, 2009, December 1, 2009, and December 8, 2009. The specific exemption per Chapter 21 of the Code of Iowa was not documented for any of the three meetings and the December 8, 2009 roll call vote was not documented.

*Recommendation* – The Board of Supervisors should ensure that all closed sessions comply with Chapter 21 of the Code of Iowa.

*Response* – The roll call was taken, however not documented. We will document it in the future.

*Conclusion* – Response accepted.

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. **Economic Development** – During the year ended June 30, 2010, the County paid \$108,224 for economic development which appears to be an appropriate expenditure of public funds since the benefits to be derived have been clearly documented.

10. **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, 2010 for the County Extension Office did not exceed the amount budgeted.

11. **Sale of County Property** – In disposing of an interest of real property by sale or exchange, the Board shall set forth its proposal in a resolution in accordance with Chapter 331.361 of the Code of Iowa, and shall publish notice of the time and place of a public hearing on the proposal, in accordance with Chapter 331.305 of the Code of Iowa. We noted there was no resolution documented in the minutes, and the public notice was published after sealed bids had been taken and the highest bid had been accepted by the Board.

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

**Schedule of Findings**  
**Year Ended June 30, 2010**

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

*Recommendation* – The Board should set forth its proposal in a resolution and publish public notice of a public hearing in regard to the sale of real property prior to advertising for sealed bids or accepting the highest bid.

*Response* – We thought the published notice for a public hearing regarding the sale of property to the highest bidder would satisfy the requirements of Chapter 331.306. We will follow proper procedures in the future.

*Conclusion* – Response accepted.

## News Release

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

Gardiner Thomsen, P.C. reported that the County had local tax revenue of \$15,907,722 for the year ended June 30, 2010, which included \$649,470 in tax credits from the State. The County then forwarded \$10,369,804 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained \$4,752,271 of the local tax revenue to finance County operations, a 1% increase from the prior year. Other revenues included charges for service of \$1,938,194, operating grants, contributions and restricted interest of \$3,486,865, capital grants, contributions and restricted interest of \$904,074, unrestricted investment earnings of \$115,197 and other general revenues of \$145,723.

Expenses for the County operations totaled \$10,992,427, a 11% increase from the prior year. Expenses included \$3,931,308 for Roads and Transportation, \$1,399,469 for Mental Health and \$1,715,137 for Public Safety and Legal Services..

A copy of the audit report is available for review in the County Auditor's office, in the office of Auditor of State and on the Auditor of States website at <http://auditor.iowa.gov/reports/reports.html>.

#####