

**WINNESHIEK COUNTY
DECORAH, IOWA**

FINANCIAL REPORT

JUNE 30, 2010

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WINNESHIEK COUNTY

OFFICIALS

Name	Title	Term Expires
Dean Darling	Chairperson	December 2010
Les Askelson	Vice-Chairperson	December 2012
Steve Bouska	Supervisor	December 2012
John Logsdon	Supervisor	December 2010
Bill Ibanez	Supervisor	December 2012
Benjamin Steines	County Auditor	December 2012
Wayne Walter	County Treasurer	December 2010
LaVonne Bjergum	County Recorder	December 2010
Leon Bohr	County Sheriff	December 2012
Andrew Van Der Maaten	County Attorney	December 2010
James Alstad	County Assessor	Appointed
Lee Bjerke	County Engineer	Appointed

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Decorah, Iowa 52101
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**INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS**

**To the Board of Supervisors
Winneshiek County
Decorah, Iowa**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Winneshiek County as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Winneshiek County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Winneshiek County as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2011, on our consideration of Winneshiek County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, and funding progress for the retiree health plan on page 4 and pages 38 through 41, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
January 21, 2011

WINNESHIEK COUNTY
DECORAH, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2010

Management of Winneshiek County provides this management's discussion and analysis of Winneshiek County's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 0.2%, or approximately \$32,000, from fiscal 2009 to fiscal 2010. Charges for services increased approximately \$263,000, while operating grants and contributions decreased approximately \$172,000 and capital grants and contributions decreased approximately \$919,000.
- Program expenses were 17.52%, or approximately \$2,246,000, more in fiscal 2010 than in fiscal 2009. Mental health expenses decreased approximately \$158,000 and roads and transportation expenses increased approximately \$2,443,000.
- The County's net assets increased 2.54%, or approximately \$1,117,000, from June 30, 2009 to June 30, 2010.

USING THE BASIC FINANCIAL STATEMENTS

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

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

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

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

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

Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

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

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

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

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

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Condensed Statement of Net Assets (Expressed in Thousands)				
Governmental Activities				
	2010		2009	Percent Change
Current and other assets	\$ 15,144	\$	13,225	14.51%
Capital assets	41,806		40,580	3.02%
Total assets	56,950		53,805	5.85%
Long-term debt outstanding	2,885		1,184	143.67%
Other liabilities	8,915		8,588	3.81%
Total liabilities	11,800		9,772	20.75%
Net assets				
Invested in capital assets, net of related debt	41,004		39,650	3.41%
Restricted	2,247		2,925	-23.18%
Unrestricted	1,899		1,458	30.25%
Total net assets	\$ 45,150	\$	44,033	2.54%

Condensed Statement of Net Assets
(Expressed in Thousands)

	Business-type Activities		
	2010	2009	Percent Change
Current and other assets	\$ 66	\$ 61	8.20%
Capital assets	1,296	1,382	-6.22%
Total assets	1,362	1,443	-5.61%
Long-term debt outstanding	208	214	-2.80%
Other liabilities	29	26	11.54%
Total liabilities	237	240	-1.25%
Net assets			
Invested in capital assets, net of related debt	1,097	1,178	-6.88%
Restricted	304	283	7.42%
Unrestricted	(276)	(258)	-6.98%
Total net assets	\$ 1,125	\$ 1,203	-6.48%

The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with the sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets-the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements-increased for the governmental activities approximately \$441,000 or 30.25% and decreased for the business-type activities approximately \$18,000 or 6.98%.

The increase in net assets for the governmental activities is due to an increase in charges for services and an increase in property taxes with a decrease in expenditures for mental health, government services to residents, administration, and nonprogram. The decrease in net assets for the business-type activities is due to the Burr Oak sewer fund and Festina sewer fund paying of bonds and depreciation expense.

The following analysis shows the change in net assets for the year ending June 30, 2010:

	Changes in Net Assets (Expressed in Thousands)		
	Governmental Activities		
	2010	2009	Percent Change
Revenues:			
Program revenue			
Charges for service	\$ 1,754	\$ 1,491	17.64%
Operating grants	5,158	5,330	-3.23%
Capital grants	808	1,727	-53.21%
General revenue			
Property taxes	6,663	5,749	15.90%
Local option sales tax	1,234	1,276	-3.29%
Penalty and interest on property taxes	61	58	5.17%
State tax credits	308	311	-0.96%
Rents	106	114	-7.02%
Unrestricted investment earnings	85	130	-34.62%
Other	14	37	62.16%
Total revenues	16,191	16,223	-0.20%
Program expenses:			
Public safety and legal services	2,055	1,966	4.53%
Physical health and social services	1,669	1,643	1.58%
Mental health	2,066	2,224	-7.10%
County environment and education	1,335	1,324	0.83%
Roads and transportation	6,018	3,575	68.34%
Government services to residents	323	410	-21.22%
Administration or general government	1,284	1,330	-3.46%
Non-program	279	299	-6.69%
Interest on long-term debt	33	45	-26.67%
Total expenses	15,062	12,816	17.52%
Increase in net assets	1,129	3,407	66.86%
Net assets beginning of year as restated	44,021	40,626	8.36%
Net assets end of year	\$ 45,150	\$ 44,033	2.54%

	Business-type Activities		
	2010	2009	Percent Change
Revenues:			
Program revenue			
Charges for service	\$ 265	\$ 254	4.33%
Program expenses:			
Operating expenses	343	342	0.29%
Operating loss	(78)	(88)	-11.36%
Net assets beginning of year	1,203	1,291	-6.82%
Net assets end of year	\$ 1,125	\$ 1,203	-6.48%

INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$4,316,595, approximately \$349,585 decrease of the 2009 fiscal year end balance of \$4,666,180.

- The general fund ending fund balance showed an increase from the prior year of \$461,810 to \$1,804,657, due primarily to increasing revenues in property and other county tax, intergovernmental, and miscellaneous of \$850,000, \$113,000, and \$220,000, respectively. The increased revenues offset increasing expenditures in public safety and legal services, physical health and social services, and county environment and education services of \$70,000, \$118,000, and \$2,233,000, respectively. The County issued new debt for WCASWA in the amount of \$2,100,000 and the expenditure was paid out through the county environment and education services function.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$2,065,000, a decrease of 7.8% from the prior year. The mental health fund balance at year end increased by approximately \$116,000 over the prior year.
- Secondary roads fund revenues decreased approximately \$879,276 over the prior year. For the year, expenditures totaled \$7,306,184, an increase of \$1,134,926. The decrease in revenues along with the increase in expenditures resulted in a decrease in the secondary roads fund ending balance of approximately \$977,000, or 60.85%. The County issued new debt for secondary roads fund in the amount of \$436,873 and these expenditures are reflected in the roads and transportation function.
- The ending fund balance for the rural service fund increased slightly by \$574 or 0.16% over prior year. The increase is due to an increase of revenues of approximately \$107,000, a decrease of expenditures of about \$60,000 along with an increase in transfers out of \$111,000.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget three times. The amendments were made in December 2009, March 2010, and May 2010 and resulted in an increase in public safety and legal services, physical health and social service, county environment and education services, roads and transportation, governmental services to residents, administration, and nonprogram disbursements. However, this did not require an increase in taxes as the County received more intergovernmental, charges for services, and miscellaneous receipts than originally projected.

The amendment made during the 2010 fiscal year should have no impact on the 2011 fiscal year's budget.

The following chart shows the original and amended budget for fiscal 2010 as well as the actual revenue and expenditures for the year:

	Budgetary Comparison Schedule (Expressed in Thousands)			
	Budget Basis	Budget Amounts		Variance
		Original	Final	
REVENUES				
Property and other County tax	\$ 7,901	\$ 7,979	\$ 7,979	\$ (78)
Interest and penalty on property tax	61	41	41	20
Intergovernmental	6,508	6,793	8,698	(2,190)
Licenses and permits	12	16	16	(4)
Charges for service	573	598	600	(27)
Use of money and property	190	265	265	(75)
Miscellaneous	493	474	1,190	(697)
Total revenues	\$ 15,738	\$ 16,166	\$ 18,789	\$ (3,051)
EXPENDITURES				
Public safety and legal services	\$ 2,060	\$ 2,130	\$ 2,207	\$ 147
Physical health and social services	1,677	1,687	1,902	225
Mental health	2,003	2,651	2,651	648
County environment and education services	3,454	1,257	3,712	258
Roads and transportation	6,472	5,388	6,524	52
Governmental services to residents	327	357	374	47
Administrative services	1,389	1,524	1,553	164
Non-program	3	-	3	-
Debt service	488	499	488	-
Capital project	504	1,254	748	244
Total expenditures	\$ 18,377	\$ 16,747	\$ 20,162	\$ 1,785

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2010, Winneshiek County had \$41,806,620 invested in a broad range of capital assets, including large road equipment, infrastructure and construction in progress for the governmental activities. For the enterprise funds, the County had \$1,296,091 invested in land, landfill and sewer systems.

The County had depreciation expense of \$1,809,732 for fiscal year 2010 and total accumulated depreciation of \$27,016,437 as of June 30, 2010 for the governmental activities. The County had depreciation/depletion expense of \$85,536 for fiscal year 2010 and total accumulated depreciation/depletion of 1,562,827 as of June 30, 2010 for the business-type activities. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Debt

At year-end, the County had approximately \$3,053,462 in bonds and other debt compared to approximately \$1,397,997 last year. More detail is presented in Note 9 to the financial statements.

The County's general obligation bond rating continues to carry the fourth highest rating possible, a rating that has been assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this \$67,420,885 limit.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Winneshiek County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates, and the fee that will be charged for various County activities. One of those factors is the economy.

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

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

WINNESHIEK COUNTY
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 4,696,669	\$ 43,924	\$ 4,740,593
Receivables			
Property tax			
Delinquent	64,272		64,272
Succeeding year	7,307,401		7,307,401
Accounts	96,723	3,345	100,068
Accrued interest	7,414		7,414
Due from other governments	824,194	18,392	842,586
Due from WCASWA	1,806,906		1,806,906
Inventories	268,263		268,263
Prepaid expenses	72,030		72,030
Nondepreciable assets	7,368,508	9,792	7,378,300
Capital assets, net of accumulated depreciation/depletion	34,438,112	1,286,299	35,724,411
Total assets	\$ 56,950,492	\$ 1,361,752	\$ 58,312,244
LIABILITIES AND NET ASSETS			
Accounts payable	\$ 1,231,360		\$ 1,231,360
Salaries and benefits payable	296,163	\$ 9,761	305,924
Accrued interest payable	12,763	180	12,943
Due to (from) other funds		18,566	18,566
Due to other governments	67,460		67,460
Deferred revenue			
Succeeding year property tax	7,307,401		7,307,401
Long-term liabilities			
Portion due within one year			
Bonds payable	775,000		775,000
Notes payable	109,200	4,182	113,382
Compensated absences	245,306	8,958	254,264
Portion due after one year			
Bonds payable	1,497,156		1,497,156
Net OPEB obligation	39,963		39,963
Notes payable	218,378	195,282	413,660
Total liabilities	11,800,150	236,929	12,037,079
NET ASSETS			
Invested in capital assets, net of related debt	41,004,042	1,096,627	42,100,669
Restricted for			
Mental health	1,075,797		1,075,797
Rural service	365,180		365,180
Secondary roads	427,903		427,903
Debt service	10,803		10,803
Other special revenue	218,395		218,395
Capital projects	145,310		145,310
Other purposes	4,195	304,176	308,371
Unrestricted	1,898,717	(275,980)	1,622,737
Total net assets	45,150,342	1,124,823	46,275,165
Total liabilities and net assets	\$ 56,950,492	\$ 1,361,752	\$ 58,312,244

See Notes to Financial Statements.

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WINNESHIEK COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
Governmental activities				
Public safety and legal services	\$ 2,055,369	\$ 63,226	\$ 10,167	
Physical health and social services	1,669,235	365,847	665,672	\$ 756
Mental health	2,065,537		881,655	
County environment and education	1,334,810	147,380	266,507	30,600
Roads and transportation	6,018,301	101,458	3,322,521	764,188
Government services to residents	323,068	845,532	11,681	12,298
Administration or general government	1,284,181			
Non-program	278,624	230,074		
Long-term debt interest	33,042			
Total governmental activities	<u>15,062,167</u>	<u>1,753,517</u>	<u>5,158,203</u>	<u>807,842</u>
Business-type activities				
Landfill	287,522	227,199		
Burr Oak sewer	28,468	19,262		
Festina sewer	27,460	18,616		
Total business-type activities	<u>343,450</u>	<u>265,077</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 15,405,617</u>	<u>\$ 2,018,594</u>	<u>\$ 5,158,203</u>	<u>\$ 807,842</u>
General revenues				
Property taxes levied for				
General purposes				
Debt service				
Local option sales tax				
Penalty and interest on property taxes				
State tax credits				
Rents				
Unrestricted investment earnings				
Loss on sale of capital assets				
Total general revenues				
Change in net assets				
Net assets, beginning of year, restated				
Net assets, end of year				

See Notes to Financial Statements.

EXHIBIT B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (1,981,976)		\$ (1,981,976)
(636,960)		(636,960)
(1,183,882)		(1,183,882)
(890,323)		(890,323)
(1,830,134)		(1,830,134)
546,443		546,443
(1,284,181)		(1,284,181)
(48,550)		(48,550)
(33,042)		(33,042)
(7,342,605)	\$ -	(7,342,605)
	(60,323)	(60,323)
	(9,206)	(9,206)
	(8,844)	(8,844)
-	(78,373)	(78,373)
(7,342,605)	(78,373)	(7,420,978)
6,407,561		6,407,561
255,341		255,341
1,234,237		1,234,237
61,083		61,083
308,409		308,409
105,579		105,579
84,871	55	84,926
14,495		14,495
8,471,576	55	8,471,631
1,128,971	(78,318)	1,050,653
44,021,371	1,203,141	45,224,512
\$ 45,150,342	\$ 1,124,823	\$ 46,275,165

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WINNESHIEK COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
ASSETS				
Cash and pooled investments	\$ 1,717,788	\$ 1,422,160	\$ 159,882	\$ 817,904
Receivables				
Property tax				
Delinquent	63,721	282	203	
Succeeding year	5,012,392	1,146,547	904,450	
Accounts	90,500			5,991
Accrued interest	6,858			
Due from other funds				
Due from other governments	188,682	12,263	226,432	376,817
Prepaid expenditures	41,619	1,161	4,340	24,910
Inventories				268,263
Total assets	\$ 7,121,560	\$ 2,582,413	\$ 1,295,307	\$ 1,493,885
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 115,856	\$ 285,411	\$ 5,742	\$ 680,979
Salaries and benefits payable	182,488	6,324	15,566	91,785
Due to other funds	361	343	29	45
Due to other governments	630	66,830		
Deferred revenue				
Succeeding year property tax	5,012,392	1,146,547	904,450	
Other	5,176	274	194	92,278
Total liabilities	5,316,903	1,505,729	925,981	865,087
Fund balances				
Reserved for				
Inventories				268,263
Prepaid expenditures	41,619	1,161	4,340	24,910
Other	4,195			
Debt service				
Special revenue funds		1,075,523	364,986	335,625
Capital projects				
Unreserved				
General fund	1,758,843			
Total fund balances	1,804,657	1,076,684	369,326	628,798
Total liabilities and fund balances	\$ 7,121,560	\$ 2,582,413	\$ 1,295,307	\$ 1,493,885

See Notes to Financial Statements.

EXHIBIT C

Other Governmental Funds	Total Governmental Funds
\$ 470,647	\$ 4,588,381
66	64,272
244,012	7,307,401
232	96,723
254	7,112
778	778
20,000	824,194
	72,030
	268,263
<u>\$ 735,989</u>	<u>\$ 13,229,154</u>
\$ 34,782	\$ 1,122,770
	296,163
	778
	67,460
244,012	7,307,401
20,065	117,987
<u>298,859</u>	<u>8,912,559</u>
	268,263
	72,030
	4,195
13,751	13,751
298,069	2,074,203
125,310	125,310
	<u>1,758,843</u>
<u>437,130</u>	<u>4,316,595</u>
<u>\$ 735,989</u>	<u>\$ 13,229,154</u>

WINNESHIEK COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

Reconciliation of governmental fund balances to net assets	
Total governmental fund balances	\$ 4,316,595
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds, net of accumulated depreciation of \$27,016,436	
	41,806,620
 Other assets, including due from WCASWA is not a receivable in the current period and therefore are not reported as assets in the funds	
	1,806,906
 Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	
	117,987
 Other liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the funds	
Net OPEB obligation	(39,963)
Bonds payable	(2,272,156)
Notes payable	(327,578)
Compensated absences	(245,306)
Accrued interest	(12,763)
	45,150,342
Net assets of governmental activities	\$ 45,150,342
 Cash and pooled investments of governmental activities include the following reclassifications:	
Internal service fund cash at June 30, 2010	\$ 108,288

See Notes to Financial Statements.

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WINNESHIEK COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
REVENUES				
Property and other County tax	\$ 4,458,114	\$ 1,276,927	\$ 691,988	
Local option sales tax			1,234,237	
Interest and penalty on property tax	61,083			
Intergovernmental	1,187,967	898,174	263,510	\$ 4,077,318
Licenses and permits	1,128		10,600	1,215
Charges for service	556,829		12,831	464
Use of money and property	187,708			
Miscellaneous	504,954	6,290	223	17,356
Total revenues	6,957,783	2,181,391	2,213,389	4,096,353
EXPENDITURES				
Current				
Public safety and legal services	2,044,387			
Physical health and social services	1,643,613		52,647	
Mental health		2,065,220		
County environment and education services	2,851,829		567,975	
Roads and transportation				6,737,583
Governmental services to residents	322,614		6,050	
Administrative services	1,358,709			
Non-program	2,644			
Debt service				
Capital project				568,601
Total expenditures	8,223,796	2,065,220	626,672	7,306,184
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,266,013)	116,171	1,586,717	(3,209,831)
OTHER FINANCING SOURCES (USES)				
Transfers in				1,728,027
Gain from disposal of capital assets				68,148
Proceeds from long-term debt	2,100,000			436,873
Transfers out	(372,177)		(1,586,143)	
	1,727,823	-	(1,586,143)	2,233,048
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	461,810	116,171	574	(976,783)
FUND BALANCES, beginning of year	1,342,847	960,513	368,752	1,605,581
FUND BALANCES, end of year	\$ 1,804,657	\$ 1,076,684	\$ 369,326	\$ 628,798

See Notes to Financial Statements.

EXHIBIT D

Other Governmental Funds	Total Governmental Funds
\$ 255,808	\$ 6,682,837
	1,234,237
	61,083
129,000	6,555,969
	12,943
4,329	574,453
1,730	189,438
10,695	539,518
<u>401,562</u>	<u>15,850,478</u>
	2,044,387
11,257	1,707,517
	2,065,220
28,706	3,448,510
	6,737,583
269	328,933
	1,358,709
36,573	39,217
487,723	487,723
18,684	587,285
<u>583,212</u>	<u>18,805,084</u>
<u>(181,650)</u>	<u>(2,954,606)</u>
230,293	1,958,320
	68,148
	2,536,873
	(1,958,320)
<u>230,293</u>	<u>2,605,021</u>
48,643	(349,585)
388,487	4,666,180
<u>\$ 437,130</u>	<u>\$ 4,316,595</u>

WINNESHIEK COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities		
Net change in fund balances - total governmental funds	\$	(349,585)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period		
Depreciation	\$	(1,809,732)
Capital outlays		<u>3,183,025</u>
		1,373,293
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		72,343
Other		<u>20,000</u>
		92,343
The net effect of disposal of capital assets		(160,068)
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities		564,295
Proceeds of long-term debt issuance are included in the governmental funds but increase long-term liabilities in the statement of activities		(436,873)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due		(319)
The internal service fund is used by management to charge the costs of employee health benefits to individual funds. The net revenue of the internal service fund is reported with governmental activities		76,792
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		
Net OPEB obligation		(39,963)
Compensated absences		<u>9,056</u>
Change in net assets of governmental activities	\$	<u>1,128,971</u>

See Notes to Financial Statements.

WINNESHIEK COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

	Business-type Activities			Governmental Activities
	Landfill	Nonmajor Enterprise Funds	Total	Internal Service
ASSETS				
Cash and pooled investments		\$ 43,924	\$ 43,924	\$ 108,288
Receivables				
Accounts		3,345	3,345	
Accrued interest receivable				302
Due from other governments	\$ 18,392		18,392	
Total current assets	<u>18,392</u>	<u>47,269</u>	<u>65,661</u>	<u>108,590</u>
Noncurrent assets				
Land		9,792	9,792	
Net capital assets	416,885	869,414	1,286,299	
Total noncurrent assets	<u>416,885</u>	<u>879,206</u>	<u>1,296,091</u>	<u>-</u>
Total assets	<u>\$ 435,277</u>	<u>\$ 926,475</u>	<u>\$ 1,361,752</u>	<u>\$ 108,590</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Salaries and benefits payable	\$ 9,761		\$ 9,761	\$ 108,590
Accrued interest payable		\$ 180	180	
Due to other funds	18,566		18,566	
Notes payable		4,182	4,182	
Total current liabilities	<u>28,327</u>	<u>4,362</u>	<u>32,689</u>	<u>108,590</u>
Long-term liabilities				
Compensated absences	8,958		8,958	
Total liabilities	<u>37,285</u>	<u>4,362</u>	<u>41,647</u>	<u>108,590</u>
Noncurrent liabilities				
Long-term debt		195,282	195,282	
Total liabilities	<u>37,285</u>	<u>199,644</u>	<u>236,929</u>	<u>108,590</u>
Net assets				
Invested in capital assets, net of related debt	416,885	679,742	1,096,627	
Restricted		304,176	304,176	
Unrestricted	(18,893)	(257,087)	(275,980)	
Total net assets	<u>397,992</u>	<u>726,831</u>	<u>1,124,823</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 435,277</u>	<u>\$ 926,475</u>	<u>\$ 1,361,752</u>	<u>\$ 108,590</u>

See Notes to Financial Statements.

WINNESHIEK COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2010

	Business-type Activities			Governmental Activities
	Landfill	Nonmajor Enterprise Funds	Total	Internal Service
OPERATING REVENUES				
Charges for service		\$ 37,878	\$ 37,878	\$ 1,067,729
Contract services	\$ 227,199		227,199	
Total operating revenues	227,199	37,878	265,077	1,067,729
OPERATING EXPENSES				
Wages and benefits	226,628	4,925	231,553	
Depletion	60,894		60,894	
Depreciation		24,642	24,642	
Other		16,986	16,986	
Insurance claims paid				994,685
Total operating expenses	287,522	46,553	334,075	994,685
Operating (loss) income	(60,323)	(8,675)	(68,998)	73,044
NONOPERATING REVENUES (EXPENSES)				
Interest income		55	55	3,748
Interest expense		(9,375)	(9,375)	
Net nonoperating revenues (expenses)	-	(9,320)	(9,320)	3,748
(Loss) income before contributions and transfers	(60,323)	(17,995)	(78,318)	76,792
TRANSFERS				
Transfer in		28,723	28,723	
Transfer out		(28,723)	(28,723)	
	-	-	-	-
Change in net assets	(60,323)	(17,995)	(78,318)	76,792
NET ASSETS, beginning of year	458,315	744,826	1,203,141	(76,792)
NET ASSETS, end of year	\$ 397,992	\$ 726,831	\$ 1,124,823	\$ -

See Notes to Financial Statements.

WINNESHIEK COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2010

	Business-type Activities			Governmental Activities
	Landfill	Nonmajor Enterprise Funds	Total	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from contract labor	\$ 226,628		\$ 226,628	
Cash received from charges for services		\$ 39,900	39,900	\$ 1,070,999
Cash payments to employees for services	(226,628)	(4,925)	(231,553)	
Cash payments to suppliers for services		(16,986)	(16,986)	(1,148,098)
Net cash provided by (used in) operating activities	-	17,989	17,989	(77,099)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating transfers in		28,723	28,723	
Operating transfers (out)		(28,723)	(28,723)	
Net cash provided by noncapital financing activities	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal payments on notes payable		(3,992)	(3,992)	
Interest paid on long-term borrowing		(9,386)	(9,386)	
Net cash used in capital and related financing activities	-	(13,378)	(13,378)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments		55	55	3,964
Net increase (decrease) in cash and cash equivalents	-	4,666	4,666	(73,135)
CASH and CASH EQUIVALENTS, beginning of year	-	39,258	39,258	181,423
CASH and CASH EQUIVALENTS, end of year	\$ -	\$ 43,924	\$ 43,924	\$ 108,288
Reconciliation of operating (loss) income to net cash provided by (used in) operating activities				
Operating (loss) income	\$ (60,323)	\$ (8,675)	\$ (68,998)	\$ 73,044
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities				
Depreciation and depletion	60,894	24,642	85,536	
Decrease in accounts receivable		2,022	2,022	
(Decrease) in accounts payable				(153,413)
(Increase) in due from other governments	(1,671)		(1,671)	
Increase in salaries and benefits payable	2,321		2,321	
Increase in deferred revenue				3,270
(Decrease) in accrued compensated absences	(1,221)		(1,221)	
Net cash provided by (used in) operating activities	\$ -	\$ 17,989	\$ 17,989	\$ (77,099)

See Notes to Financial Statements.

WINNESHIEK COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2010

ASSETS	
Cash and pooled investments	
County Treasurer	\$ 1,265,372
Other County officials	4,522
Receivables	
Property tax	
Delinquent	5,837
Succeeding year	18,244,631
Accounts	24,772
Accrued interest	498
Due from other governments	3,840
Prepaid insurance	1,800
	<hr/>
Total assets	\$ 19,551,272
LIABILITIES	
Accounts payable	\$ 1,205
Salaries and benefits payable	10,661
Due to other governments	19,521,621
Deferred revenue	3,840
Trusts payable	1,311
Compensated absences	12,634
	<hr/>
Total liabilities	\$ 19,551,272
NET ASSETS	<hr/> \$ None <hr/>

See Notes to Financial Statements.

WINNESHIEK COUNTY

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

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

b. Significant Accounting Policies

Scope of Reporting Entity

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

Jointly Governed Organizations

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

Government-wide Financial Statements

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

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

b. Significant Accounting Policies (Continued)

Government-wide Financial Statements (Continued)

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

Fund Financial Statements

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

The funds of the financial reporting entity are described below:

Governmental

General Fund

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

Special Revenue Funds

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

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

b. Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Proprietary Fund Types

Enterprise Fund

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

Internal Service Fund

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

Fiduciary Fund Types

Agency Funds

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

Measurement Focus

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

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

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

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

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

b. Significant Accounting Policies (Continued)

Measurement Focus (Continued)

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

Basis of Accounting

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

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

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

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

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

b. Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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

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

Assets, Liabilities and Fund Equity

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

Cash Management, Cash Equivalents, and Investments

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

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

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

Property Tax Receivable

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

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Interfund Transactions

During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2010, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the government-wide statements.

Due from Other Governments

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

Inventories

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

Prepaid Expenditures

Payments made for insurance for a future period beyond June 30, 2010 are recorded as prepaid insurance. The fund balances in the governmental fund types have been reserved for the prepaid expenditures recorded in those funds. This reflects the amount of net assets not currently available for expenditure.

Capital Assets

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

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Capital Assets (Continued)

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

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

For the year ended June 30, 2010, depletion is recorded on the landfill using the useful life of 27 years.

Due to Other Governments

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

Trusts Payable

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

Deferred Revenue

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

Long-term Obligations

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

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Compensated Absences

County employees receive vacation leave at the following rates:

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

Employees may accumulate up to 20 days vacation. Sick leave accrues at the rate of two days per month and employees may accumulate up to 120 days sick leave. These accumulations are not recognized as expenditures by the County until used. The County's policy prohibits payoff of accumulated sick leave at termination of employment. Consequently, no liability for accumulated sick leave at June 30, 2010 has been determined or presented. A liability is recorded when incurred in the government wide and fiduciary fund financial statements. The County's approximate maximum liability for accrued vacation pay at June 30, 2010 is \$245,306.

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

Fund Balance

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

Net Assets

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

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

Budgets and Budgetary Accounting

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

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

b. Significant Accounting Policies (Continued)

Revenues, Expenditures and Expenses

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

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

Management Estimates

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

2. Deposits and Investments

The County's deposits in banks at June 30, 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 and improvement certificates of a drainage district.

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

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$126,714 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to credit risk categorization.

NOTES TO FINANCIAL STATEMENTS

2. Deposits and Investments (Continued)

Interest Rate Risk

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

Credit Risk

The investment in Iowa Public Agency Investment Trust is unrated.

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2010:

Governmental		
General fund		
Medicaid	\$	29,485
Medicare		30,279
Miscellaneous state grants and reimbursements		66,732
DHS administration reimbursements		11,399
Other		50,787
		188,682
Special revenue		
Mental health fund		
Other		12,263
		12,263
Rural service fund		
Local option sales tax		226,432
		226,432
Secondary roads fund		
Road use tax		197,480
Grants		178,926
Other		411
		376,817
Prairie Farmer Trail fund		
Grant		20,000
		20,000
Total governmental		
		824,194
Business-type		
Proprietary		
Finance agreement landfill		18,392
		18,392
	\$	842,586

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets

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

	As Restated Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Governmental activities				
Land	\$ 484,290			\$ 484,290
County environment		\$ 5,617		5,617
Trail in progress	1,655,733	38,080		1,693,813
Infrastructure in progress	3,218,247	2,072,956	\$ 106,415	5,184,788
	5,358,270	2,116,653	106,415	7,368,508
Capital assets being depreciated				
Buildings	7,636,650			7,636,650
Equipment	6,654,112	739,201	233,528	7,159,785
Vehicles	914,338	32,374	23,629	923,083
Infrastructure	45,440,234	294,797		45,735,031
	60,645,334	1,066,372	257,157	61,454,549
Less accumulated depreciation				
Buildings	3,116,629	175,953		3,292,582
Equipment	3,455,739	352,408	181,057	3,627,090
Vehicles	650,360	67,810	22,447	695,723
Infrastructure	18,187,481	1,213,561		19,401,042
	25,410,209	1,809,732	203,504	27,016,437
Total capital assets being depreciated, net	35,235,125	(743,360)	53,653	34,438,112
Governmental activities				
Capital assets, net	\$ 40,593,395	\$ 1,373,293	\$ 160,068	\$ 41,806,620

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets (Continued)

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Business-type activities				
Land	\$ 9,792			\$ 9,792
Capital assets being depreciated or depleted				
Equipment	1,195,426			1,195,426
Landfill	1,653,700			1,653,700
Total capital assets being depreciated or depleted	2,849,126			2,849,126
Less accumulated depreciation or depletion				
Equipment	301,370	\$ 24,642		326,012
Landfill	1,175,921	60,894		1,236,815
Total accumulated depreciation or depletion	1,477,291	85,536		1,562,827
Total capital assets being depreciated or depleted, net	1,371,835	(85,536)		1,286,299
Business-type activities				
Capital assets, net	\$ 1,381,627	\$ (85,536)	\$ None	\$ 1,296,091

For the year ended June 30, 2010, depreciation expense was charged to functions of the primary government as follows:

Governmental activities	
Public safety and legal services	\$ 40,831
Physical health and social services	4,651
County environment and education	7,490
Roads and transportation	1,718,278
Governmental services to residents	21,959
Administrative services	16,523
	<u>\$ 1,809,732</u>
Business-type activities	
Burr Oak sewer fund	\$ 12,829
Festina sewer fund	11,813
	<u>\$ 24,642</u>

NOTES TO FINANCIAL STATEMENTS

5. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments as of June 30, 2010 is as follows:

<p>Governmental General fund</p>	<p>Services</p>	<p>\$ 630</p>
<p>Special revenue fund MH/DD</p>	<p>Services</p>	<p>66,830</p>
<p>Total governmental</p>		<p>\$ 67,460</p>
<p>Fiduciary Agency</p>		
<p>County offices</p>		<p>\$ 7,153</p>
<p>Agricultural Extension Education</p>		<p>188,690</p>
<p>County assessor collections</p>		<p>280,936</p>
<p>Schools</p>		<p>12,731,780</p>
<p>Area schools</p>		<p>829,090</p>
<p>Corporations</p>		<p>3,688,337</p>
<p>Townships</p>		<p>307,291</p>
<p>Auto license and use tax</p>		<p>421,029</p>
<p>Other</p>		<p>1,067,315</p>
<p>Total agency funds</p>		<p>\$ 19,521,621</p>

6. Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.30%, 4.10%, and 3.90% of their annual covered salary and the County is required to contribute 6.65%, 6.35%, and 6.05% of covered salary for the years ended June 30, 2010, 2009 and 2008 respectively. 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 \$342,344, \$320,076, and \$323,060, respectively equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

7. Construction, Purchase and Other Commitments

The total outstanding construction and purchase commitments of the County at June 30, 2010 amount to \$908,117 and commitments to be reimbursed is \$694,896.

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

The County entered into a union contract with the Sheriff's department, Road department, and Jailers that is in effect from July 1, 2008 through June 30, 2011.

8. Leases

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

The City of Decorah has leased space to Winneshiek County within the City's Police Department for \$124,134 from July 1, 2010 through June 30, 2011.

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

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

Future lease payments under these agreements are as follows:

Year ended June 30, 2011	<u>\$ 124,134</u>
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NOTES TO FINANCIAL STATEMENTS

9. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2010 was as follows:

	Balance June 30, 2009	Issued	(Paid)	Balance June 30, 2010	Amounts Due Within One Year
Governmental activities					
General Obligation Bonds					
County refunding	\$ 490,000		\$ (240,000)	\$ 250,000	\$ 250,000
County refunding	440,000		(215,000)	225,000	225,000
Solid Waste postclosure		\$ 2,100,000	(302,844)	1,797,156	300,000
Total bonds	930,000	2,100,000	(757,844)	2,272,156	775,000
Other liabilities					
Note payable		436,873	(109,295)	327,578	109,200
Net OPEB obligation		39,963		39,963	
Compensated absences	254,362	245,306	(254,362)	245,306	245,306
	254,362	722,142	(363,657)	612,847	354,506
Governmental activities					
Long-term liabilities	\$ 1,184,362	\$ 2,822,142	\$ (1,121,501)	\$ 2,885,003	\$ 1,129,506
Business-type activities					
Other liabilities					
Notes payable	\$ 203,456		\$ (3,992)	\$ 199,464	\$ 4,182
Compensated absences	10,179	\$ 8,958	(10,179)	8,958	8,958
Total other liabilities	213,635	8,958	(14,171)	208,422	13,140
Business-type activities					
Long-term liabilities	\$ 213,635	\$ 8,958	\$ (14,171)	\$ 208,422	\$ 13,140

General Obligation Bonds

On March 3, 2006 the County issued \$1,160,000 of General Obligation County Refunding Bonds. The proceeds of these bonds were used to refinance existing debt. The issue of bonds bears interest ranging from 3.45% to 3.5% and matures from June 1, 2010 to June 1, 2011. The County's intent in the sale was to take advantage of lower interest rates.

On March 3, 2006 the County also issued General Obligation County Refunding Bonds worth \$1,035,000. The proceeds from this issue were used to refinance existing debt. The issue of bonds bears interest ranging from 3.45% to 3.5% and matures from June 1, 2010 to June 1, 2011. The County's intent in the sale was to take advantage of lower interest rates.

On October 26, 2009 the County issued General Obligation Bonds worth \$2,100,000. The proceeds from this issue were for the purpose of funding the future landfill closure and postclosure costs. The issue of bonds bears interest ranging from 3.25% to 4.5% and matures from June 1, 2010 to June 1, 2016.

NOTES TO FINANCIAL STATEMENTS

9. Long-term Debt Obligations (Continued)

Notes Payable

Road Use Tax Fund Revenue Note

In July 2009 the County issued revenue notes totaling \$436,873 at 2.98% interest due in semi-annual payments of \$54,600 plus interest starting October 2009 through 2012. These notes were used to finance trucks for the County secondary road department recorded in the secondary road fund. Interest expense of \$9,272 is reported in the secondary roads fund.

USDA Rural Development

In April 1993 the County issued revenue notes totaling \$105,000 at 5% interest due in annual payments of \$6,226 starting July 1995 through 2032. These notes were used to partially finance the Burr Oak Sewer project, and are recorded in the enterprise fund. Interest expense of \$4,085 is reported in the Burr Oak Sewer enterprise fund. The County prepaid the payment in June 2010.

Department of Natural Resources

In April 2000 the County issued revenue notes totaling \$132,500 at 4.5% interest due in annual payments of \$7,342 starting July 2003 through 2039. These notes were issued to partially finance the Festina Wastewater Collection & Treatment System Project. Interest expense of \$5,290 is reported in the Festina Sewer enterprise fund. The County prepaid the payment in June 2010.

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

Year ending June 30,	Governmental Activities	
	General Obligation Bonds	
	Principal	Interest
2011	\$ 775,000	\$ 75,126
2012	300,000	48,750
2013	300,000	39,000
2014	300,000	29,250
2015	300,000	19,500
2016	297,156	9,750
Total	\$ 2,272,156	\$ 221,376

Year ending June 30,	Governmental Activities	
	Note Payable	
	Principal	Interest
2011	\$ 109,200	\$ 8,951
2012	109,200	5,697
2013	109,178	2,443
Total	\$ 327,578	\$ 17,091

NOTES TO FINANCIAL STATEMENTS

9. Long-term Debt Obligations (Continued)

Year ending June 30,	Business-type Activities	
	Notes/Leases Payable	
	Principal	Interest
2011	\$ 4,182	\$ 9,386
2012	4,381	9,187
2013	4,589	8,979
2014	4,807	8,761
2015	5,036	8,533
2016-2020	29,009	38,831
2021-2025	36,606	31,234
2026-2030	46,191	21,649
2031-2035	38,445	11,964
2036-2040	26,218	4,469
Total	\$ 199,464	\$ 152,993

At June 30, 2010, the debt issued by the County did not exceed its legal debt margin compiled as follows:

Total assessed valuation	\$1,348,417,692
Debt limit – 5% of total assessed valuation	\$ 67,420,885
Debt applicable to debt limit	
General obligation bonded debt outstanding	(475,000)
Refunding Solid Waste bond outstanding	(1,800,000)
Notes payable	(327,673)
Other debt	(499,338)
Legal debt margin	\$ 64,318,874

10. Due to/from Other Funds

As of June 30, 2010, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General fund		\$ 361
Special revenue funds		
Rural services		29
Mental health		343
Secondary roads		45
Recorder's records management	\$ 778	
	\$ 778	\$ 778

11. Other Postemployment Benefits (OPEB)

Plan Description

The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 118 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate 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 (ARC) of the County, 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.

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

Annual required contribution	\$	39,963
Interest on net OPEB obligation		None
Adjustment to annual required contribution		(None)
		39,963
Annual OPEB cost		39,963
Contributions made		None
		39,963
Interest in net OPEB obligation		39,963
Net OPEB obligation beginning of year		None
		39,963
Net OPEB obligation end of year	\$	39,963

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 actual contributions for the year ended June 30, 2010.

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:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 39,963	0.0%	\$ 39,963

11. Other Postemployment Benefits (OPEB) (Continued)

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 \$319,226, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$319,226. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,486,498 and the ratio of the UAAL to covered payroll was 7.12%. 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 assumptions about future employment, mortality and the health care 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, presents 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.

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 provide at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial method 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 long-term perspective of the calculations.

As of July 1, 2009, actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching 5% ultimate trend rate.

Mortality rates are from RP-2000 Combined Mortality Table projected to 2010 using Scale AA.

NOTES TO FINANCIAL STATEMENTS

12. Interfund Transfers

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

	Transfers In	Transfers Out
General fund		
Secondary roads		\$ 141,884
Nonmajor governmental		230,293
		372,177
Special revenue		
Rural services		1,586,143
Secondary roads	\$ 1,728,027	
	1,728,027	1,586,143
Debt service		
	230,293	None
Total	\$ 1,958,320	\$ 1,958,320

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

13. Fund Equity

The government-wide statement of net assets reports \$2,247,583 of restricted net assets, of which \$2,243,388 is restricted by enabling legislation. The amounts restricted at June 30, 2010 are as follows:

Restricted net assets	
General fund	
Forfeiture	\$ 4,195
Special revenue fund	
Mental health	1,075,797
Rural services	365,180
Secondary roads	427,903
Debt service	10,803
Nonmajor governmental funds	218,395
	2,098,078
Capital projects fund	145,310
	\$ 2,247,583
Restricted net assets	
Proprietary funds	
Nonmajor proprietary funds	\$ 304,176

NOTES TO FINANCIAL STATEMENTS

13. Fund Equity (Continued)

The amounts reserved at June 30, 2010 are as follows:

Reserved fund balances	
General fund	
Prepaid expenditures	\$ 41,619
Forfeiture	4,195
	45,814
Special revenue fund	
Mental health	1,075,523
Rural services	364,986
Secondary roads	335,625
Inventories	268,263
Prepaid expenditures	30,411
	2,074,808
Nonmajor governmental	437,130
	\$ 2,557,752

14. Joint Venture

The County is a participant in the Winneshiek County Area Solid Waste Agency. The County currently guarantees landfill tonnage (usage) by residents to the Agency. The County appoints a member to the agency board and is guaranteed access to the landfill so long as it is a member. The agency board sets tonnage fee rates which are charged to contracted haulers who are responsible for garbage collection and billing and collecting from local residents. Audited financial statements of Winneshiek County Area Solid Waste Agency are available from the Agency at 2000 140th Avenue, Decorah, IA 52101.

15. Accrued Closure and Postclosure Care Costs

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

DNR regulations require that the Agency place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$3,920,221 as of June 30, 2010, which is based on 61% usage (filled) of the landfill. It is estimated that an additional \$2,495,689 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2024).

15. Accrued Closure and Postclosure Care Costs (Continued)

The estimated total current cost of the landfill closure and postclosure care (\$6,415,910), as prepared by the Agency's engineering consultant, is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2010. Closure and postclosure care costs charged to operations for the year ended June 30, 2010 were \$322,672. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. This estimate is reviewed annually by the Agency.

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

Management believes that the Agency has materially complied with all state laws and regulations regarding closure and postclosure care financial assurance requirements. The Agency has demonstrated financial assurance for closure and postclosure care costs by using a dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code; accordingly, no County assets have been specifically restricted for this purpose. Management intends to fund these costs throughout the life of the landfill.

16. Contingent Liabilities

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of June 30, 2010 significant amounts of grant expenditures have not been audited by granting authorities but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

The County is currently contingently liable to perform environmental cleanup at two locations due to the Iowa Department of Natural Resources (DNR) classifying them as high risk sites. Proposals have been submitted to the Iowa DNR outlining the County's plans for clean up. As of June 30, 2010, no ruling has been made by the Iowa DNR. As a result, no estimate can be made of future clean up costs. Funds may be available from the Iowa Comprehensive Petroleum Underground Storage Tank fund to offset some of these potential costs.

17. Risk Management

Winneshiek County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 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.

17. Risk Management (Continued)

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2010 were \$153,928.

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 Traveler's 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 loss 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 claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

18. Restatement

Beginning net assets were restated due to correction of decreasing beginning accumulated depreciation. Depreciation was continuously being calculated on assets that had already been fully depreciated. Total net restatement is \$13,168 to net assets invested in capital assets, net of related debt.

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WINNESHIEK COUNTY
 BUDGETARY COMPARISON SCHEDULE
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 June 30, 2010

	Actual	Less Amounts not Budgeted	Budget Basis
RECEIPTS			
Property and other County tax	\$ 7,900,811		\$ 7,900,811
Interest and penalty on property tax	61,100		61,100
Intergovernmental	6,508,242		6,508,242
Licenses and permits	12,315		12,315
Charges for service	572,452		572,452
Use of money and property	190,338		190,338
Miscellaneous	496,466	\$ 4,195	492,271
Total receipts	15,741,724	4,195	15,737,529
DISBURSEMENTS			
Public safety and legal services	2,059,747		2,059,747
Physical health and social services	1,676,637		1,676,637
Mental health	2,003,041		2,003,041
County environment and education services	3,454,444		3,454,444
Roads and transportation	6,472,170		6,472,170
Governmental services to residents	327,219		327,219
Administrative services	1,389,059		1,389,059
Nonprogram	2,644		2,644
Debt service	487,723		487,723
Capital project	504,631		504,631
Total disbursements	18,377,315	-	18,377,315
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,635,591)	4,195	(2,639,786)
OTHER FINANCING SOURCES, NET	2,605,021		2,605,021
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	(30,570)	4,195	(34,765)
BALANCE, beginning of year	4,618,951		4,618,951
BALANCE, end of year	\$ 4,588,381	\$ 4,195	\$ 4,584,186

See Notes to Required Supplementary Information.

Budget Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 7,979,480	\$ 7,979,480	\$ (78,669)
40,950	40,950	20,150
6,793,397	8,698,235	(2,189,993)
15,950	15,950	(3,635)
597,978	599,978	(27,526)
264,907	264,907	(74,569)
473,636	1,189,509	(697,238)
<u>16,166,298</u>	<u>18,789,009</u>	<u>(3,051,480)</u>
2,129,638	2,207,067	147,320
1,686,611	1,902,328	225,691
2,651,319	2,651,319	648,278
1,257,331	3,712,012	257,568
5,388,580	6,523,867	51,697
357,243	373,818	46,599
1,524,289	1,553,463	164,404
	2,644	-
498,636	487,723	-
1,253,610	747,610	242,979
<u>16,747,257</u>	<u>20,161,851</u>	<u>1,784,536</u>
(580,959)	(1,372,842)	(1,266,944)
	60,000	2,545,021
(580,959)	(1,312,842)	1,278,077
<u>4,674,536</u>	<u>4,674,536</u>	<u>(55,585)</u>
<u>\$ 4,093,577</u>	<u>\$ 3,361,694</u>	<u>\$ 1,222,492</u>

WINNESHIEK COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 BUDGET TO GAAP RECONCILIATION
 For the Year Ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 15,741,724	\$ 108,754	\$ 15,850,478
Expenditures	18,377,315	427,769	18,805,084
Net	(2,635,591)	(319,015)	(2,954,606)
Other financing sources, net	2,605,021		2,605,021
Beginning fund balance	4,618,951	47,229	4,666,180
Ending fund balance	\$ 4,588,381	\$ (271,786)	\$ 4,316,595

See Notes to Required Supplementary Information.

WINNESHIEK COUNTY

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, capital projects fund and debt service fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$3,414,594. 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 E-911 System by the Joint E-911 Service Board, and for Emergency Management Services by the County Emergency Management Commission.

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

WINNESHIEK COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 (in thousands)

Fiscal Year Ended June 30,	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)
2010	July 1, 2009	-	\$ 319	\$ 319	0.00%	\$ 4,486	7.1110%

See Note 11 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

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**INDEPENDENT AUDITOR'S REPORT ON THE
SUPPLEMENTARY INFORMATION**

**To the Board of Supervisors
Winneshiek County
Decorah, Iowa**

Our report on our audit of the financial statements of Winneshiek County as of and for the year ended June 30, 2010 appears on pages 2-3. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

We also have previously audited, in accordance with U.S. generally accepted auditing standards, the financial statements of Winneshiek County as of and for each of the years ending June 30, 2003 through 2009, (none of which is presented herein), and we expressed unqualified opinions on those financial statements as of and for the years ended June 30, 2007 through 2009 respectively. We expressed qualified opinions on the governmental activities for the 2003 through 2006 fiscal years due to the omission of certain capital assets, net depreciation. We expressed unqualified opinions on the business-type activities, each major fund, and aggregate remaining fund information for the 2003 through 2006 fiscal years. Those audits were conducted for purposes of forming an opinion on the financial statements as a whole. The combining and individual nonmajor funds financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the June 30, 2003 through 2009 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information set forth in the required supplementary information for each of the seven years in the period ended June 30, 2009, appearing on page 51, is fairly stated, in all material respects in relation to the financial statements from which it has been derived.

Decorah, Iowa
January 21, 2011

Hacker, Nelson & Co., P.C.

WINNESHIEK COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010

	Special Revenue	Capital Projects	Debt Service	Nonmajor Governmental Funds
ASSETS				
Cash and pooled investments	\$ 297,781	\$ 159,116	\$ 13,750	\$ 470,647
Receivables				
Property tax				
Delinquent			66	66
Succeeding year			244,012	244,012
Accounts	232			232
Accrued interest	137	117		254
Due from other funds	778			778
Due from other governments		20,000		20,000
Total assets	\$ 298,928	\$ 179,233	\$ 257,828	\$ 735,989
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 859	\$ 33,923		\$ 34,782
Deferred revenue				
Succeeding year property tax			\$ 244,012	244,012
Other		20,000	65	20,065
Total liabilities	859	53,923	244,077	298,859
Fund balances				
Reserved				
Debt service			13,751	13,751
Special revenue funds	298,069			298,069
Capital projects		125,310		125,310
Total fund balances	298,069	125,310	13,751	437,130
Total liabilities and fund balances	\$ 298,928	\$ 179,233	\$ 257,828	\$ 735,989

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010

	Special Revenue	Capital Projects	Debt Service	Nonmajor Governmental Funds
REVENUES				
Property and other County tax			\$ 255,808	\$ 255,808
Intergovernmental	\$ 84,339	\$ 33,264	11,397	129,000
Charges for service	4,329			4,329
Use of money and property	1,730			1,730
Miscellaneous		10,695		10,695
Total revenues	<u>90,398</u>	<u>43,959</u>	<u>267,205</u>	<u>401,562</u>
EXPENDITURES				
Current				
Physical health and social services	11,257			11,257
County environment and education services	28,706			28,706
Governmental services to residents	269			269
Non-program	36,573			36,573
Debt service			487,723	487,723
Capital projects		18,684		18,684
Total expenditures	<u>76,805</u>	<u>18,684</u>	<u>487,723</u>	<u>583,212</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>13,593</u>	<u>25,275</u>	<u>(220,518)</u>	<u>(181,650)</u>
OTHER FINANCING SOURCES				
Transfers in			230,293	230,293
	<u>-</u>	<u>-</u>	<u>230,293</u>	<u>230,293</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	13,593	25,275	9,775	48,643
FUND BALANCES, beginning of year	<u>284,476</u>	<u>100,035</u>	<u>3,976</u>	<u>388,487</u>
FUND BALANCES, end of year	<u>\$ 298,069</u>	<u>\$ 125,310</u>	<u>\$ 13,751</u>	<u>\$ 437,130</u>

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2010

	REAP Grant	Water Testing Grant	Conservation Land Acquisition Fund	Recorder's Records Management	Total Nonmajor Special Revenue Funds
ASSETS					
Cash and pooled investments	\$ 137,056	\$ 81,745	\$ 54,240	\$ 24,740	\$ 297,781
Receivables					
Accrued interest	115			22	137
Accounts				232	232
Due from other funds				778	778
Total assets	\$ 137,171	\$ 81,745	\$ 54,240	\$ 25,772	\$ 298,928
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 521		\$ 338		\$ 859
Total liabilities	521	\$ -	338	\$ -	859
Fund balances					
Reserved	136,650	81,745	53,902	25,772	298,069
Total fund balances	136,650	81,745	53,902	25,772	298,069
Total liabilities and fund balances	\$ 137,171	\$ 81,745	\$ 54,240	\$ 25,772	\$ 298,928

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2010

	REAP Grant	Water Testing Grant	Conservation Land Acquisition Fund	Recorder's Records Management	Total Nonmajor Special Revenue Funds
REVENUES					
Intergovernmental	\$ 37,809	\$ 17,132	\$ 29,398		\$ 84,339
Charges for service				\$ 4,329	4,329
Use of money and property	1,481			249	1,730
Total revenues	39,290	17,132	29,398	4,578	90,398
EXPENDITURES					
Current					
Physical health and social services		11,257			11,257
County environment and education services	28,706				28,706
Governmental services to residents				269	269
Non-program			36,573		36,573
Total expenditures	28,706	11,257	36,573	269	76,805
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	10,584	5,875	(7,175)	4,309	13,593
FUND BALANCES, beginning of year	126,066	75,870	61,077	21,463	284,476
FUND BALANCES, end of year	\$ 136,650	\$ 81,745	\$ 53,902	\$ 25,772	\$ 298,069

See Independent Auditor's Report on the Supplementary Information.

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WINNESHIEK COUNTY
 COMBINING SCHEDULE OF NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 June 30, 2010

	Burr Oak Sewer Fund	Festina Sewer Fund	Burr Oak Sewer Sinking Fund
ASSETS			
Cash and pooled investments	\$ 17,354	\$ 11,508	\$ 986
Receivables			
Accounts	2,650	695	
Total current assets	20,004	12,203	986
Noncurrent assets			
Land	6,292	3,500	
Net capital assets	434,250	435,164	
Total noncurrent assets	440,542	438,664	-
Total assets	\$ 460,546	\$ 450,867	\$ 986
LIABILITIES AND NET ASSETS			
Liabilities			
Accrued interest payable	\$ 79	\$ 101	
Notes payable	2,132	2,050	
Total current liabilities	2,211	2,151	\$ -
Noncurrent liabilities			
Long-term debt	79,754	115,528	
Total liabilities	81,965	117,679	-
Net assets			
Invested in capital assets, net of related debt	358,656	321,086	
Restricted	174,637	114,477	986
Unrestricted	(154,712)	(102,375)	
Total net assets	378,581	333,188	986
Total liabilities and net assets	\$ 460,546	\$ 450,867	\$ 986

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 5

Festina Sewer Sinking Fund	Burr Oak Sewer Reserve Fund	Festina Sewer Reserve Fund	Total Nonmajor Enterprise Funds
\$ 286	\$ 6,226	\$ 7,564	\$ 43,924
			3,345
<u>286</u>	<u>6,226</u>	<u>7,564</u>	<u>47,269</u>
			9,792
			<u>869,414</u>
-	-	-	<u>879,206</u>
<u>\$ 286</u>	<u>\$ 6,226</u>	<u>\$ 7,564</u>	<u>\$ 926,475</u>
			\$ 180
			<u>4,182</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>4,362</u>
			195,282
<u>-</u>	<u>-</u>	<u>-</u>	<u>199,644</u>
			679,742
286	6,226	7,564	304,176
			<u>(257,087)</u>
<u>286</u>	<u>6,226</u>	<u>7,564</u>	<u>726,831</u>
<u>\$ 286</u>	<u>\$ 6,226</u>	<u>\$ 7,564</u>	<u>\$ 926,475</u>

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WINNESHIEK COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 For the Year Ended June 30, 2010

	Burr Oak Sewer Fund	Festina Sewer Fund	Burr Oak Sewer Sinking Fund
OPERATING REVENUES			
Charges for services	\$ 19,262	\$ 14,530	
Total operating revenues	<u>19,262</u>	<u>14,530</u>	<u>\$ -</u>
OPERATING EXPENSES			
Wages and benefits	1,025	3,900	
Depreciation	12,829	11,813	
Other	9,527	2,696	1,002
Total operating expenses	<u>23,381</u>	<u>18,409</u>	<u>1,002</u>
Operating income (loss)	<u>(4,119)</u>	<u>(3,879)</u>	<u>(1,002)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	17	38	
Interest expense	(4,085)	(5,290)	
Net nonoperating revenues (expenses)	<u>(4,068)</u>	<u>(5,252)</u>	<u>-</u>
(Loss) income before contributions and transfers	<u>(8,187)</u>	<u>(9,131)</u>	<u>(1,002)</u>
OPERATING TRANSFERS			
Transfer in	6,124	7,483	7,028
Transfer out	(7,028)	(8,088)	(6,124)
Total operating transfers	<u>(904)</u>	<u>(605)</u>	<u>904</u>
Change in net assets	<u>(9,091)</u>	<u>(9,736)</u>	<u>(98)</u>
NET ASSETS, beginning of year	<u>387,672</u>	<u>342,924</u>	<u>1,084</u>
NET ASSETS, end of year	<u>\$ 378,581</u>	<u>\$ 333,188</u>	<u>\$ 986</u>

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 6

Festina Sewer Sinking Fund	Burr Oak Sewer Reserve Fund	Festina Sewer Reserve Fund	Total Nonmajor Enterprise Funds
\$ 4,086			\$ 37,878
4,086	\$ -	\$ -	37,878
			4,925
			24,642
3,761			16,986
3,761	-	-	46,553
325	-	-	(8,675)
			55
			(9,375)
-	-	-	(9,320)
325	-	-	(17,995)
7,158		930	28,723
(7,297)		(186)	(28,723)
(139)	-	744	-
186	-	744	(17,995)
100	6,226	6,820	744,826
\$ 286	\$ 6,226	\$ 7,564	\$ 726,831

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

	County Offices	Agricultural Extension Education	Assessor
ASSETS			
Cash and pooled investments			
County Treasurer		\$ 2,990	\$ 77,897
Other County officials	\$ 48,054		
Receivables			
Property tax			
Delinquent		52	64
Succeeding year		185,648	222,985
Accounts	3,778		
Accrued interest			
Due from other governments			
Prepaid insurance			1,800
Total assets	\$ 51,832	\$ 188,690	\$ 302,746
LIABILITIES			
Accounts payable			\$ 135
Salaries and benefits payable			8,877
Due to other funds	\$ 43,368		164
Due to other governments	7,153	\$ 188,690	280,936
Deferred revenue			
Trusts payable	1,311		
Accrued compensated absences			12,634
Total liabilities	\$ 51,832	\$ 188,690	\$ 302,746

See Independent Auditor's Report on the Supplementary Information.

<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>Other</u>	<u>Total</u>
\$ 191,135	\$ 7,343	\$ 41,330	\$ 6,431	\$ 421,029	\$ 517,217	\$ 1,265,372 48,054
3,369	245	1,893	85		129	5,837
12,537,276	821,502	3,645,114	300,775		531,331	18,244,631
					20,994	24,772
					498	498
					3,840	3,840
						1,800
<u>\$ 12,731,780</u>	<u>\$ 829,090</u>	<u>\$ 3,688,337</u>	<u>\$ 307,291</u>	<u>\$ 421,029</u>	<u>\$ 1,074,009</u>	<u>\$ 19,594,804</u>
					\$ 1,070	\$ 1,205
					1,784	10,661
						43,532
\$ 12,731,780	\$ 829,090	\$ 3,688,337	\$ 307,291	\$ 421,029	1,067,315	19,521,621
					3,840	3,840
						1,311
						12,634
<u>\$ 12,731,780</u>	<u>\$ 829,090</u>	<u>\$ 3,688,337</u>	<u>\$ 307,291</u>	<u>\$ 421,029</u>	<u>\$ 1,074,009</u>	<u>\$ 19,594,804</u>

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WINNESHIEK COUNTY
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended June 30, 2010

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>Assessor</u>
ASSETS AND LIABILITIES			
BALANCE, beginning of year	\$ 59,155	\$ 2,193	\$ 80,125
ADDITIONS			
Property and other County tax		174,059	207,261
State tax credits		9,164	10,964
Office fees and collections	372,167		2
Auto license, use tax and postage			
E-911 telephone surcharges			
Miscellaneous	85,214		134
Assessments			
Trusts	85,958		
Total additions	<u>543,339</u>	<u>183,223</u>	<u>218,361</u>
DEDUCTIONS			
Agency remittances			
To other funds	235,002		
To other governments	180,939	182,374	
Trusts paid out	86,359		
Miscellaneous	48,362		218,725
Total deductions	<u>550,662</u>	<u>182,374</u>	<u>218,725</u>
BALANCE, end of year	<u>\$ 51,832</u>	<u>\$ 3,042</u>	<u>\$ 79,761</u>

See Independent Auditor's Report on the Supplementary Information.

Schools	Area Schools	Corporations	Townships	Auto License and Use Tax	Other	Total
\$ 136,087	\$ 5,897	\$ 23,554	\$ 4,460	\$ 365,990	\$ 650,487	\$ 1,327,948
11,383,887	427,610	4,070,399	270,245		531,913	17,065,374
588,918	22,508	130,929	17,461		24,182	804,126
					11,123	383,292
				4,413,348		4,413,348
					98,418	98,418
					158,203	243,551
					80,648	80,648
						85,958
11,972,805	450,118	4,201,328	287,706	4,413,348	904,487	23,174,715
11,914,388	448,427	4,181,659	285,650	192,387	932,292	427,389
				4,165,922		22,291,651
					80,004	86,359
						347,091
11,914,388	448,427	4,181,659	285,650	4,358,309	1,012,296	23,152,490
\$ 194,504	\$ 7,588	\$ 43,223	\$ 6,516	\$ 421,029	\$ 542,678	\$ 1,350,173

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

	Modified Accrual			
	2010	2009	2008	2007
REVENUES				
Property and other County tax	\$ 6,682,837	\$ 5,763,349	\$ 5,521,664	\$ 5,506,728
Local option sales tax	1,234,237	1,276,001	1,151,833	1,296,816
Interest and penalty on property tax	61,083	57,740	51,023	46,990
Intergovernmental	6,555,969	7,590,448	7,014,918	6,214,640
Licenses and permits	12,943	13,112	17,422	14,210
Charges for service	574,453	570,256	567,022	533,809
Use of money and property	189,438	241,727	343,464	406,426
Miscellaneous	539,518	387,281	176,988	397,847
Total revenues	\$ 15,850,478	\$ 15,899,914	\$ 14,844,334	\$ 14,417,466
EXPENDITURES				
Current				
Public safety and legal services	\$ 2,044,387	\$ 1,974,433	\$ 1,924,780	\$ 1,769,761
Physical health and social services	1,707,517	1,622,070	1,510,110	1,424,742
Mental health	2,065,220	2,225,989	2,426,900	2,198,888
County environment and education services	3,448,510	1,310,048	1,226,245	1,079,757
Roads and transportation	6,737,583	5,227,666	5,435,764	5,063,759
Governmental services to residents	328,933	346,924	299,885	285,872
Administrative services	1,358,709	1,425,958	1,335,264	1,125,199
Non-program	39,217	2,657	29,808	16,382
Debt service	487,723	487,682	563,841	551,322
Capital project	587,285	1,535,195	1,106,536	704,588
Total expenditures	\$ 18,805,084	\$ 16,158,622	\$ 15,859,133	\$ 14,220,270

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 9

Modified Accrual			
2006	2005	2004	2003
\$ 5,379,392	\$ 5,462,955	\$ 5,728,954	\$ 5,745,793
1,090,902	1,144,299	958,144	954,606
49,037	51,129	65,567	56,975
6,234,227	5,996,378	6,133,510	6,134,465
13,040	14,969	13,577	9,317
524,258	554,535	566,941	533,625
355,300	252,964	209,672	241,446
131,274	104,590	136,139	64,201
<u>\$ 13,777,430</u>	<u>\$ 13,581,819</u>	<u>\$ 13,812,504</u>	<u>\$ 13,740,428</u>
\$ 1,673,671	\$ 1,568,370	\$ 1,491,544	\$ 1,336,837
1,372,241	1,350,847	1,381,162	1,434,542
2,081,849	1,973,584	2,113,732	2,291,141
1,002,931	969,412	943,942	983,901
4,320,893	4,464,945	4,495,658	3,484,717
449,990	275,852	275,390	254,917
1,090,546	1,213,439	1,080,717	1,020,258
5,251	3,317	3,344	4,804
2,781,219	569,658	821,934	578,122
2,002,286	1,479,367	1,135,748	1,142,002
<u>\$ 16,780,877</u>	<u>\$ 13,868,791</u>	<u>\$ 13,743,171</u>	<u>\$ 12,531,241</u>

WINNESHIEK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 20.205 - Highway Planning and Construction
 - CFDA Number 97.036 – Public Assistance (Presidentially Declared Disasters)
 - CFDA Number 10.923 – Emergency Watershed Protection Program
 - CFDA Number 93.558 – Temporary Assistance for Needy Families
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Winneshiek County did not qualify as a low-risk auditee.

WINNESHIEK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

10-1 Financial Report Preparation

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

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

Recommendation

The County Auditor office personnel should continue to obtain training in governmental accounting and reporting when possible.

Response and Corrective Action Planned

Management is cognizant of this limitation.

Conclusion

Response acknowledged.

10-2 Segregation of Duties

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

Recommendation

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

Response and Corrective Action Planned

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

Conclusion

Response acknowledged.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

WINNESHIEK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 20.205, Highway Planning and Construction
Federal Award Year: 2010
U.S. Department of Transportation
Passed through Iowa Department of Transportation

CFDA Number 97.036 Public Assistance (Presidentially Declared Disasters)
Federal Award Year: 2010
U.S. Department of Homeland Security
Passed through Iowa Department of Public Defense

CFDA Number 10.923, Emergency Watershed Protection Program
Federal Award Year: 2010
U.S. Department of Agriculture

CFDA Number 93.558, Temporary Assistance for Needy Families
Federal Award Year: 2010
U.S. Department of Health and Human Services
Passed through Iowa Department of Human Rights

See 10-1 and 10-2 above

Part IV: Other Findings Related to Required Statutory Reporting

See Management Letter dated January 21, 2011

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

Comment Reference	Comment Title	Status	Explanation
09-1	Financial report preparation	Not corrected	Management does not have the necessary training to prepare year-end financial statements.
09-2	Segregation of duties	Not corrected	The County has limited staff and segregates duties to the best of their abilities.

WINNESHIEK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

Grantor/Program	CFDA Number	Grant Number/Description	Program Expenditures
Direct			
U.S. Department of Agriculture Emergency Watershed Protection Program	10.923	69-6114-9-43	\$ 110,359
Indirect			
U.S. Department of Agriculture Passed through Iowa Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	LAE Reimbursement	13,570
U.S. Department of Transportation Passed through Iowa Department of Transportation Highway Planning and Construction	20.205	BROS-CO96(85)--8J-96	178,274
Passed through Iowa Department of Public Safety Highway Safety Cluster Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	PAP 10-410, Task 88	11,298
Safety Belt Performance Grants	20.609	09-406, Task 178	50
			11,348
Sub-total U.S. Department of Transportation			189,622
U.S. Department of Education Passed through Iowa Department of Transportation ARRA - State Fiscal Stabilization Fund (SFSF) Government Services, Recovery Act	84.397	S397A090016A	36,251
U.S. Department of Health and Human Services Passed through Iowa Department of Human Rights Temporary Assistance for Needy Families	93.558	FaDSS-10-25-F4 LAE Reimbursement	108,791 5,822
			114,613
Passed through Iowa Department of Public Health Immunization Cluster Immunization Grants	93.268	5889I482 5880I482	5,879 4,432
ARRA - Immunization	93.712	5880I482	3,606
			13,917
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283		860
Maternal and Child Health Services Block Grant to the States	93.994	5889MH10	252
Public Health Emergency Preparedness	93.069	5880BT96	96,574
Passed through Hancock County Public Health Services Public Health Emergency Preparedness	93.069	BT09016	14,165
Passed through Iowa Department of Human Services Social Services Block Grant	93.667	96-001	73,542
	93.667	LAE Reimbursement	6,840
	93.667	MHDS 09-114	13,312
			93,694

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

Grantor/Program	CFDA Number	Grant Number/Description	Program Expenditures
Indirect (Continued)			
U.S. Department of Health and Human Services (Continued)			
Other Federal Financial Assistance			
Human Services Administrative Reimbursements			
Refugee and Entrant Assistance - State Administered Programs	93.566	LAE Reimbursement	\$ 38
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	LAE Reimbursement	3,535
Foster Care - Title IV-E	93.658	LAE Reimbursement	7,141
Adoption Assistance	93.659	LAE Reimbursement	1,783
State Children's Insurance Program	93.767	LAE Reimbursement	80
Medical Assistance Program	93.778	LAE Reimbursement	15,179
			<u>27,756</u>
Sub-total U.S. Department of Health and Human Services			<u>361,831</u>
U.S. Department of Homeland Security			
Passed through Iowa Department of Public Defense			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA DR-1763-IA	109,648
Emergency Management Performance Grants	97.042	EMPG Reimbursement	15,806
Sub-total U.S. Department of Homeland Security			<u>125,454</u>
Total Federal Financial Assistance			<u>\$ 837,087</u>

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

Note 1. Basis of Presentation

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

Note 2. Loans Outstanding

Winneshiek County has two outstanding notes payable to the Rural Housing and Community Development Service totaling \$81,886 and \$117,578 as of June 30, 2010. The proceeds from these notes were advanced under the Water and Waste Disposal Systems for Rural Communities Program.

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

To the Board of Supervisors
Winneshiek County
Decorah, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Winneshiek County as of and for the year ended June 30, 2010, which collectively comprise Winneshiek County's basic financial statements and have issued our report thereon dated January 21, 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 Winneshiek 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 Winneshiek County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Winneshiek County's internal control over financial reporting.

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 that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as items 10-1 and 10-2. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Winneshiek County in a separate letter dated January 21, 2011.

Winneshiek County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Winneshiek County's responses and, accordingly, we express no opinion on them.

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

Hacker, Nelson & Co., P.C.

Decorah, Iowa
January 21, 2011

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

To the Board of Supervisors
Winneshiek County
Decorah, Iowa

Compliance

We have audited the compliance of Winneshiek County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. Winneshiek County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Winneshiek County's management. Our responsibility is to express an opinion on Winneshiek County's compliance based on our audit.

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

In our opinion, Winneshiek County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Winneshiek County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Winneshiek County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 10-1 and 10-2 to be significant deficiencies.

Winneshiek County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Winneshiek County's responses and, accordingly, we express no opinion on them.

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

Hacker, Nelson & Co., P.C.

Decorah, Iowa
January 21, 2011

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MANAGEMENT LETTER

To the Board of Supervisors
Winneshiek County
Decorah, Iowa

In planning and performing our audit of the financial statements of Winneshiek County for the year ended June 30, 2010, we considered the County's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the County's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 10 below are compliance comments required by the Iowa Auditor of State. A separate report dated January 21, 2011, contains our report on significant deficiencies in the County's internal control. This letter does not affect our report dated January 21, 2011 on the financial statements of Winneshiek County. Comments 11, 12, and 14 are unresolved comments from the prior year. All other prior year statutory comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the County's responses and, accordingly, we express no opinion on them.

1. Certified Budget
Disbursements for the year ended June 30, 2010 did not exceed the amounts budgeted for any function.
2. Questionable Expenditures
We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense
No expenditures of County money for travel expenses of spouses of County officials and/or employees were noted.
4. Business Transactions
We noted no business transactions between the County and County officials and/or employees for the year ended June 30, 2010.
5. Bond Coverage
Surety bond coverage of County officials and employees is in accordance with statutory provisions.

6. Board Minutes

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

7. Resource Enhancement and Protection Certification

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

8. County Extension Office

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

Disbursements during the year ended June 30, 2010 for the County Extension Office did not exceed the amount budgeted.

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

9. Deposits and Investments

A resolution naming official depository banks has been approved by the Board. The maximum deposit amount stated in the resolution was not exceeded during the year ended June 30, 2010.

10. County Assessor-Questionable Expenditures

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

11. County Sheriff Office

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

Recommendation

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

Response

In the future the department will monitor the age of the outstanding checks on a quarterly basis and make sure their outstanding status is not more than three years old.

Conclusion

Response accepted.

12. Property and Equipment Records

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

Recommendation

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

Response

We are continually making improvements to our inventory management procedures and will make an effort to take updated inventory at least once per year.

Conclusion

Response accepted.

13. Solid Waste Fees Retainage

During the year ended June 30, 2010, the solid waste fees established by Chapter 455E.11 (2), (11), (13) and (15) of the Code of Iowa, were administered by Winneshiek County Area Solid Waste Agency. The Agency is a 28E organization of which Winneshiek County is a member.

14. Recorder's Office

During our audit, we noted the Recorder's office bank reconciliations at June 30, 2010 were inaccurate with checks that had not been written were listed as outstanding.

Recommendation

We recommend each bank account be reconciled and balanced monthly. The Recorder should consider hiring additional staff to allow for timely and accurate financial reporting.

Response

In January of 2011 the new Winneshiek County Recorder, Teresa Bockman, consolidated four checking accounts into one account. Also, in February of 2011 she hired new employee Michael Woodsen.

Conclusion

Response accepted.

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

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

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

Hacker, Nelson & Co., P.C.

Decorah, Iowa
January 21, 2011