

WINNEBAGO COUNTY

Forest City, Iowa

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

June 30, 2011

WINNEBAGO COUNTY
Forest City, Iowa

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WINNEBAGO COUNTY
Forest City, Iowa

OFFICIALS

(Before January 2011)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James Oulman	Board of Supervisors	January 2011
Warren Wubben	Board of Supervisors	January 2011
Mike Stensrud	Board of Supervisors	January 2013
Karla Niederkofler	Auditor	January 2013
Julie Swenson	Treasurer	January 2011
Kristin Colby	Recorder	January 2011
Doug Jensen	Sheriff	January 2013
Robert Cooper	Attorney	January 2011
Lowell Ouverson	Assessor	Appointed

(After January 2011)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mike Stensrud	Board of Supervisors	January 2013
Terry Durby	Board of Supervisors	January 2015
Warren Wubben	Board of Supervisors	January 2015
Karla Niederkofler	Auditor	January 2013
Julie Swenson	Treasurer	January 2015
Kristin Colby	Recorder	January 2015
Doug Jensen	Sheriff	January 2013
Adam Sauer	Attorney	January 2015
Lowell Ouverson	Assessor	Appointed



Gardiner Thomsen
Certified Public Accountants

Independent Auditors' Report

To the Officials of Winnebago County
Forest City, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winnebago County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Winnebago County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Winnebago County at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2012 on our consideration of Winnebago County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 – 9 and 40 – 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winnebago County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

March 29, 2012

Garretten Thomsen, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Winnebago County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. 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 2.71%, or approximately \$306,494, from fiscal 2010 to fiscal 2011. Property tax increased approximately \$295,029, operating grants, capital grants and contributions decreased approximately \$736,305 and charges for services decreased approximately \$464,175.
- Program expenses were 14%, or approximately \$1,539,663 more in fiscal 2011 than in fiscal 2010.
- The County's net assets decreased 9%, or approximately \$1,534,399 from June 30, 2010 to June 30, 2011.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

Reporting the County's Financial Activities

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is

similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for 911 services and the County Assessor, for example.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Winnebago County's combined net assets decreased from a year ago, from \$16,873,579 to \$15,339,180. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities
(Expressed in Thousands)

	2011	2010
Current and Other Assets	\$16,032	\$29,227
Capital Assets	26,370	18,916
Total Assets	<u>42,402</u>	<u>48,143</u>
Long-Term Debt Outstanding	21,584	21,598
Other Liabilities	5,479	9,671
Total Liabilities	<u>27,063</u>	<u>31,269</u>
Net Assets:		
Invested in Capital Assets, Net of Debt	12,015	12,772
Restricted	5,215	3,080
Unrestricted	<u>(1,891)</u>	<u>1,022</u>
Total Net Assets	<u>\$15,339</u>	<u>\$16,874</u>

Net assets of the Winnebago County's governmental activities decreased by 9% (\$15.34 million compared to \$16.87 million). The largest portion of the County's net assets is invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenant, enabling legislation or other legal requirements was \$1,891,440.

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

	2011	2010
Program Revenues:		
Charges for Service	\$1,474	\$1,938
Operating Grants, Contributions and Restricted Interest	3,503	3,487
Capital Grants, Contributions and Restricted Interest	152	904
General Revenues:		
Property Taxes	4,307	4,012
Penalty and Interest on Property Tax	30	34
State Tax Credits	183	188
Local Option Sales Tax	357	315
Unrestricted Investments Earnings	121	115
Other General Revenues	870	311
Total Revenues	<u>10,997</u>	<u>11,304</u>
Program Expenses:		
Public Safety and Legal Services	1,702	1,715
Physical Health and Social Services	1,005	912
Mental Health	1,483	1,400
County Environment and Education	693	612
Roads and Transportation	5,012	3,931
Government Services to Residents	360	420
Administration	885	1,227
Non-Program	623	491
Interest on Long-Term Debt	769	284
Total Expenses	<u>12,532</u>	<u>10,992</u>
Increase (Decrease) in Net Assets	(1,535)	312
Net Assets – Beginning of Year	<u>16,874</u>	<u>16,562</u>
Net Assets – End of Year	<u>\$15,339</u>	<u>\$16,874</u>

The results of governmental activities for the year resulted in Winnebago County's net assets decreasing by approximately \$1,534,399. Revenues for governmental activities decreased by approximately \$306,494 compared to the prior year, with property tax revenue up from the prior year by approximately \$295,029.

The cost of all governmental activities this year was \$12,532,090 compared to \$10,992,427 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was \$7.4 million because of the cost that was paid by those directly benefiting from the programs \$1,474,019 or by other governments and organizations that subsidized certain programs with grants and contributions \$3,654,634. Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in 2011 from approximately \$6.329 million to \$5.129 million. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$4 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUNDS

As Winnebago County completed the year, its governmental funds reported a combined fund balance of \$10,191,414, a decrease of \$9,007,296 from last year's total of \$19,198,710. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures increased due to the implementation of GASB 54. The ending fund balance showed an increase of \$300,524 from the prior year to \$2,857,376.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,475,808, an increase of 5% from the prior year. The Mental Health Fund balance at year end decreased by approximately \$129,100 over the prior year.
- Rural Service Fund revenues increased approximately \$108,698 and expenditures decreased approximately \$21,833. The ending fund balance showed an increase of \$207,159 from the prior year to \$493,583.
- Secondary Roads Fund expenditures increased by approximately \$762,548 over the prior year. The Secondary Roads Fund ending balance decreased by approximately \$571,228.
- The Capital Projects fund was established during the prior year. The County made expenditures of \$8,243,281 for Roadway construction and improvement projects.

BUDGETARY HIGHLIGHTS

Over the course of the year, Winnebago County amended its budget two times. The amendments were made in April 2011, and May 2011, and resulted in increases in revenue, primarily, charges for services and miscellaneous revenues and in budgeted disbursements related to most functions, primarily capital projects and debt service.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, Winnebago County had approximately \$34.460 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$8,576,411 or 33% over last year.

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

	2011	2010
Land	\$1,336	\$1,262
Buildings and Improvements	3,985	3,985
Equipment	6,300	5,873
Intangibles	42	0
Infrastructure	22,527	10,762
Construction in Progress	270	4,001
Total	\$34,460	\$25,883

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

Sheriff Equipment	\$41
Secondary Road Equipment	670
Infrastructure	11,765
	\$12,476

The County had depreciation expense of \$1,417,905 for the year ended June 30, 2011 and total accumulated depreciation of \$8,090,040 at June 30, 2011.

The County's fiscal year 2011 capital budget included \$13,241,145 for capital projects, principally for continued upgrading of secondary roads and bridges. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long - Term Debt

At June 30, 2011, Winnebago County had approximately \$21,473,105 in general obligation bonds and other debt outstanding compared to approximately \$21,543,786 at June 30, 2010, as shown below.

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

	2011	2010
Installment Purchases	\$0	\$24
General Obligation Urban Renewal Bonds	20,850	20,950
Notes & Contracts	21	26
Drainage Warrant and Improvement Certificates	434	378
Compensated Absences	161	157
Termination Benefits	7	9
	\$21,473	\$21,544

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Winnebago County's outstanding general obligation debt is significantly below its constitutional debt limit of \$40.7 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Winnebago County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates, and the fees that will be charged for various County activities. One of these factors is the economy.

The County's nonagricultural employment, according to Iowa Works (Iowa Workforce Development) once again increased in 2011, with more family farms going out of business or being sold to larger corporate farming operations. This has, unfortunately, been an ongoing trend since the mid 1980's and likely will continue into the future. It is extremely difficult to fund and operate a small family farm and compete with larger corporate farming operations.

The population of Winnebago County also continued to decline in 2011 according to the U.S. Census. The County's population decline is attributed to the following: continued death of an aged population, the out-migration of young to middle-aged workers whose jobs were eliminated, and an out-migration of youth entering college and not returning upon receiving educational degrees to live in Winnebago County and raise families.

The County unemployment rate is currently 6.7% (Jan. 2012) versus 6.9% one year ago (Jan. 2011), according to Iowa Works (Iowa Workforce Development). This shows a decrease of .2% with slightly less people in the County being unemployed. This slight decrease is likely due to one of the area's major manufacturing industries hiring new employees in recent months. The Winnebago County 2011 average unemployment rate was 6.6% according to Iowa Works (Iowa Workforce Development). The 2011 average state and national unemployment rates were 5.9% and 8.9%, respectively (according to the U.S. Bureau of Labor Statistics). This shows that Winnebago County citizens are experiencing less job growth than the rest of the State, but are experiencing more job growth than the nation as a whole at this time.

While the manufacturing sector in Winnebago County has been slowly adding jobs in recent months, the agricultural sector has also seen marginal growth. The service sector (medical, insurance, finance) has remained relatively stable. The County housing market has remained stagnant. The manufacturing orders to our local industries continued to increase in 2011. This signals a continued increase in manufacturing, which has had a positive impact on all business/industry sectors in Winnebago County. The outlook for 2012 in the manufacturing sector looks to continue to increase while the service and agricultural sectors look to remain relatively stable or increase marginally.

Winnebago County citizens paid more for basic living expense in 2011 too. Food prices increased by 4.4%. Electric prices remained unchanged from 2011. Natural gas decreased by 6.6%. Gasoline prices increased by 9.3% and took an even bigger bite out of resident's paychecks and bank accounts, as well as decreasing the amount of miles driven locally and regionally by County residents. All increases in basic living expenses in 2011 also impacted the local businesses and Main Street districts as residents had less disposable income to spend in restaurants and retail stores.

Because of trying economic conditions in Winnebago County, the Citizens' needs were considered when preparing the 2012 County budget. Amounts available for appropriation in the operating budget are \$10.4 million. The County has added no new major programs or initiatives in the 2012 budget. Nearly all departments kept their budgets unchanged from the prior year. Any increases were minimal and only allowed for necessary or mandatory expenses.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

WINNEBAGO COUNTY
Forest City, Iowa
STATEMENT OF NET ASSETS
 June 30, 2011

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$9,972,131
Receivables:	
Property Tax:	
Delinquent	15,362
Succeeding Year	4,390,932
Accounts	158,391
Accrued Interest	38,829
Special Assessments	17,489
Drainage Assessments	275,449
Due From Other Governments	497,516
Notes Receivable	110,549
Inventories	496,840
Prepaid Insurance	58,577
Capital Assets (Net of Accumulated Depreciation)	26,369,687
Total Assets	42,401,752
LIABILITIES	
Accounts Payable	626,215
Accrued Interest Payable	135,567
Salaries & Benefits Payable	88,068
Due To Other Governments	237,728
Deferred Revenue:	
Succeeding Year Property Tax	4,390,932
Long Term Liabilities:	
Portion Due Or Payable Within One Year:	
General Obligation Bonds	150,000
Notes & Contracts	4,958
Compensated Absences	161,202
Termination Benefits	6,952
Portion Due Or Payable After One Year:	
General Obligation Bonds	20,700,000
Notes & Contracts	16,413
Drainage Warrants/Improvement Certificates	433,580
Net OPEB Liability	110,957
Total Liabilities	27,062,572
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	12,014,626
Restricted For:	
Supplemental Levy Purposes	1,217,493
Mental Health Purposes	331,149
Secondary Roads Purposes	899,750
Other Purposes	2,767,602
Unrestricted	(1,891,440)
Total Net Assets	\$15,339,180

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

	Expenses	Program Revenues
FUNCTIONS/PROGRAMS:		Charges for Service
Governmental Activities:		
Public Safety & Legal Services	\$1,701,605	\$246,450
Physical Health & Social Services	1,005,122	630,778
Mental Health	1,483,100	3,696
County Environment & Education	693,232	10,861
Roads & Transportation	5,011,607	30,083
Governmental Services to Residents	360,149	193,842
Administrative Services	884,976	93,869
Non-Program	622,801	264,440
Interest on Long Term Debt	769,498	0
TOTAL FUNCTIONS/PROGRAMS	\$12,532,090	\$1,474,019

GENERAL REVENUES:

Property & Other County Tax Levied For:
General Purposes
Penalty & Interest on Property Tax
State Tax Credits
Local Option Sales Tax
Tax Increment Financing
Unrestricted Investment Earnings
Miscellaneous
Gain on Disposal of Capital Assets
TOTAL GENERAL REVENUES

CHANGE IN NET ASSETS

NET ASSETS, BEGINNING OF YEAR

NET ASSETS END OF YEAR

See Notes To Financial Statements

Program Revenues

Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions, & Restricted Interest	Net (Expense) Revenue & Changes in Net Assets
\$335,576	\$0	\$(1,119,579)
230,515	0	(143,829)
899,356	0	(580,048)
85,913	26,528	(569,930)
1,951,220	125,526	(2,904,778)
0	0	(166,307)
0	0	(791,107)
0	0	(358,361)
0	0	(769,498)
<u>\$3,502,580</u>	<u>\$152,054</u>	<u>(7,403,437)</u>

4,306,741
29,575
183,285
357,418
379,914
121,771
336,634
153,700
<u>5,869,038</u>
(1,534,399)
<u>16,873,579</u>
<u>\$15,339,180</u>

WINNEBAGO COUNTY
Forest City, Iowa
BALANCE SHEET
GOVERNMENTAL FUNDS
 June 30, 2011

	General	Special Revenue			UR2	Nonmajor	Total
		Mental Health	Rural Services	Secondary Roads	Capital Projects		
ASSETS							
Cash & Pooled Investments	\$2,658,632	\$547,015	\$535,030	\$643,534	\$3,999,986	\$1,583,973	\$9,968,170
Receivables:							
Property Tax:							
Delinquent	9,399	1,660	4,303	0	0	0	15,362
Succeeding Year	2,379,301	412,134	1,491,465	0	0	108,032	4,390,932
Accounts	64,500	0	0	74,842	0	19,049	158,391
Accrued Interest	5,996	0	0	0	32,784	49	38,829
Assessments	0	0	0	17,489	0	0	17,489
Drainage Assessments	0	0	0	0	0	275,449	275,449
Due From Other Governments	237,667	83,917	0	145,018	0	30,914	497,516
Notes Receivable	0	0	0	0	0	110,549	110,549
Inventories	0	0	0	496,840	0	0	496,840
Prepaid Insurance	31,554	0	0	27,015	0	8	58,577
Total Assets	\$5,387,049	\$1,044,726	\$2,030,798	\$1,404,738	\$4,032,770	\$2,128,023	\$16,028,104
LIABILITIES & FUND BALANCES							
Liabilities:							
Accounts Payable	\$91,744	\$72,179	\$40,191	\$340,241	\$76,615	\$5,245	\$626,215
Interest Payable	0	0	1,256	0	0	71,518	72,774
Salaries & Benefits Payable	41,857	1,454	0	42,617	0	2,140	88,068
Due To Other Governments	7,372	227,811	0	2,545	0	0	237,728
Deferred Revenue:							
Succeeding Year Property Tax	2,379,301	412,134	1,491,465	0	0	108,032	4,390,932
Other	9,399	3,784	4,303	17,489	0	385,998	420,973
Total Liabilities	2,529,673	717,362	1,537,215	402,892	76,615	572,933	5,836,690
Fund Balances							
Nonspendable:							
Inventories	0	0	0	496,840	0	0	496,840
Prepaid Insurance	31,554	0	0	27,015	0	8	58,577
Restricted For:							
Supplemental Levy Purposes	1,214,274	0	0	0	0	0	1,214,274
Mental Health Purposes	0	327,364	0	0	0	0	327,364
Rural Services Purposes	0	0	493,583	0	0	0	493,583
Secondary Roads Purposes	0	0	0	477,991	0	0	477,991
Drainage Purposes	0	0	0	0	0	88,260	88,260
Conservation Land Acquisition	160,747	0	0	0	0	0	160,747
Capital Projects	0	0	0	0	3,956,155	0	3,956,155
Other Purposes	93,273	0	0	0	0	1,466,822	1,560,095
Assigned	406,764	0	0	0	0	0	406,764
Unassigned	950,764	0	0	0	0	0	950,764
Total Fund Balances	2,857,376	327,364	493,583	1,001,846	3,956,155	1,555,090	10,191,414
Total Liabilities and Fund Balances	\$5,387,049	\$1,044,726	\$2,030,798	\$1,404,738	\$4,032,770	\$2,128,023	\$16,028,104

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

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

June 30, 2011

Total Governmental Fund Balances (Page 13) \$10,191,414

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is \$34,459,727 and the accumulated depreciation/amortization is \$8,090,040. 26,369,687

Other long term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 420,973

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 3,961

Long-term liabilities, including bonds payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (21,646,855)

Net Assets of Governmental Activities (Pages 12) \$15,339,180

See Notes to Financial Statements.

**WINNEBAGO COUNTY
Forest City, Iowa**

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011**

	General	Special Revenue			UR2 Capital Projects	Nonmajor	Total
		Mental Health	Rural Services	Secondary Roads			
REVENUES:							
Property & Other County Tax	\$2,326,688	\$411,157	\$1,566,998	\$0	\$0	\$396,669	\$4,701,512
Local Option Sales Tax	0	0	0	0	0	357,418	357,418
Interest & Penalty on Property Tax	29,575	0	0	0	0	0	29,575
Intergovernmental	821,452	931,855	62,044	1,951,221	0	149,308	3,915,880
Licenses & Permits	8,751	0	368	2,880	0	0	11,999
Charges for Services	936,117	0	0	8,024	0	72,340	1,016,481
Use of Money & Property	62,508	0	0	3,000	60,596	12,977	139,081
Miscellaneous	69,554	3,696	0	94,042	83,913	245,659	496,864
Total Revenues	<u>4,254,645</u>	<u>1,346,708</u>	<u>1,629,410</u>	<u>2,059,167</u>	<u>144,509</u>	<u>1,234,371</u>	<u>10,668,810</u>
EXPENDITURES:							
Operating:							
Public Safety & Legal Services	1,647,726	0	62,950	0	0	7,754	1,718,430
Physical Health & Social Services	1,038,799	0	0	0	0	0	1,038,799
Mental Health	0	1,475,808	0	0	0	0	1,475,808
County Environment & Education	223,012	0	187,842	0	0	248,165	659,019
Roads & Transportation	0	0	418,953	3,487,882	0	0	3,906,835
Governmental Services to Residents	355,527	0	416	0	0	0	355,943
Administrative Services	809,783	0	0	0	0	0	809,783
Non-Program	24,759	0	16,251	0	0	726,509	767,519
Debt Service	0	0	0	6,017	0	874,245	880,262
Capital Projects	90,068	0	0	215,542	8,243,281	0	8,548,891
Total Expenditures	<u>4,189,674</u>	<u>1,475,808</u>	<u>686,412</u>	<u>3,709,441</u>	<u>8,243,281</u>	<u>1,856,673</u>	<u>20,161,289</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	64,971	(129,100)	942,998	(1,650,274)	(8,098,772)	(622,302)	(9,492,479)
Other Financing Sources (Uses):							
Sale of Capital Assets	0	0	0	153,700	0	0	153,700
Transfers In	286,791	0	139,161	843,000	0	138,259	1,407,211
Transfers Out	(51,238)	0	(875,000)	0	0	(480,973)	(1,407,211)
Drainage Warrants/Drainage Improvement Certificates Issued	0	0	0	0	0	249,137	249,137
Total Other Financing Sources (Uses)	<u>235,553</u>	<u>0</u>	<u>(735,839)</u>	<u>996,700</u>	<u>0</u>	<u>(93,577)</u>	<u>402,837</u>
Net Change in Fund Balances	300,524	(129,100)	207,159	(653,574)	(8,098,772)	(715,879)	(9,089,642)
Fund Balances – Beginning of Year, As Restated	2,556,852	456,464	286,424	1,573,074	12,054,927	2,270,969	19,198,710
Increase in Reserve For Inventories	0	0	0	82,346	0	0	82,346
Fund Balances – End of Year	<u>\$2,857,376</u>	<u>\$327,364</u>	<u>\$493,583</u>	<u>\$1,001,846</u>	<u>\$3,956,155</u>	<u>\$1,555,090</u>	<u>\$10,191,414</u>

See Notes To Financial Statements

**WINNEBAGO COUNTY
Forest City, Iowa**

**RECONCILIATION OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011**

Net Change in Fund Balances - Total Governmental Funds (Page 15) **\$(9,089,642)**

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

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

Expenditures for Capital Assets	\$8,733,192	
Capital Assets Contributed by the Iowa Department of Transportation	125,526	
Capital Assets Contributed by Others	0	
Depreciation/Amortization Expense	<u>(1,417,905)</u>	7,440,813

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds.

Property Tax	1,898	
Other	<u>(873)</u>	1,025

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

Issued	(233,349)	
Repaid	<u>318,909</u>	85,560

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(4,278)	
Other Postemployment Benefits/Termination Benefits	(54,057)	
Interest on Long-Term Debt	<u>5,806</u>	(52,529)

Inventories in the governmental funds have been recorded as expenditures when paid. However, the statement of activities will report these items as expenditures in the period that the corresponding net asset is exhausted.

82,346

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

(1,972)

Change in Net Assets of Governmental Activities (Page 12) **\$(1,534,399)**

See Notes to Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2011

	Internal Service Employee Group Health
<hr/>	
ASSETS	
Cash & Cash Equivalents	\$3,961
<hr/>	
NET ASSETS	
Unrestricted	\$3,961
<hr/>	

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2011

	Internal Service Employee Group Health
<hr/>	
Operating Revenues:	
Reimbursements from Operating Funds	\$663,178
Reimbursements from Employees	105,681
Other Reimbursements	12,243
<hr/> Total Operating Revenues	<hr/> 781,102
<hr/>	
Operating Expenses:	
Medical Claims	81,476
Insurance Premiums	690,620
Administrative Fees	10,978
<hr/> Total Operating Expenses	<hr/> 783,074
<hr/>	
Net Loss	(1,972)
<hr/>	
Net Assets Beginning of Year	5,933
<hr/>	
Net Assets End of Year	<hr/> \$3,961

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2011

	Internal Service Employee Group Health
<hr/>	
Cash Flows from Operating Activities:	
Cash Received from Operating Fund Reimbursements	\$663,178
Cash Received from Employees and Others	117,924
Cash Paid to Suppliers for Services	(783,074)
Net Cash Used in Operating Activities	(1,972)
<hr/>	
Cash and Cash Equivalents at Beginning of Year	5,933
<hr/>	
Cash and Cash Equivalents at End of Year	\$3,961
<hr/>	
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	\$(1,972)
<hr/>	
Net Cash Used in Operating Activities	\$(1,972)
<hr/>	

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2011

ASSETS

Cash & Pooled Investments	
County Treasurer	\$629,390
Other County Officials	7,765
Receivables:	
Property Tax:	
Succeeding Year	10,980,315
Accounts	22,672
Accrued Interest	30
Assessments	850,394
<hr/> Total Assets	<hr/> 12,490,566

LIABILITIES

Accounts Payable	23,012
Salaries and Benefits Payable	58
Due To Other Governments	12,449,705
Trusts Payable	9,376
Compensated Absences	8,415
<hr/> Total Liabilities	<hr/> 12,490,566

NET ASSETS	\$0
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See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

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

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

A. REPORTING ENTITY

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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

B. BASIS OF PRESENTATION

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

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

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

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

The County reports the following major governmental funds:

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

Special Revenue

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

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

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

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

Additionally, the County reports the followings funds:

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications-committed, assigned and then unassigned fund balances.

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

D. ASSETS, LIABILITIES AND FUND EQUITY

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

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2010.

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20-50
Infrastructure	30-50
Intangibles	5-20
Equipment	2-20

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health and Secondary Roads Funds.

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in other classifications.

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

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded amounts budgeted in the Mental Health and Non Program functions and disbursements in certain departments exceeded the amounts appropriated.

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2011 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.

Notes to Financial Statements (Continued)

Note 2: Cash and Pooled Investments (Continued)

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

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

Note 3: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2011 is as follows:

Transfer To	Transfer From	Amount
	Special Revenue:	
General	Local Option Sales Tax	\$267,484
General	Solid Waste Management	19,307
Special Revenue:	Special Revenue:	
Rural Services	Local Option Sales Tax	89,161
Rural Services	Solid Waste Management	50,000
Secondary Roads	Rural Services	843,000
Resource Enhancement & Protection	General	2,238
Fair Association	Rural Services	32,000
Winnebago/Worth BETCO	General	49,000
Linden Urban Renewal Project	Capital Projects	55,021
Total		<u>\$1,407,211</u>

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

Notes to Financial Statements (Continued)

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated/Amortized:				
Land	\$1,262,438	\$73,582	\$0	\$1,336,020
Construction in Progress	4,001,470	269,704	4,001,470	269,704
Total Capital Assets Not Being Depreciated/Amortized	5,263,908	343,286	4,001,470	1,605,724
Capital Assets Being Depreciated/Amortized:				
Buildings	3,537,918	0	0	3,537,918
Improvements Other Than Buildings	446,894	0	0	446,894
Machinery and Equipment	3,783,103	697,871	184,050	4,296,924
Vehicles	2,089,444	24,547	110,874	2,003,117
Intangibles	0	42,469	0	42,469
Infrastructure, Road Network	10,762,049	11,764,632	0	22,526,681
Total Capital Assets Being Depreciated/Amortized	20,619,408	12,529,519	294,924	32,854,003
Less Accumulated Depreciation/Amortization For:				
Buildings	768,413	71,358	0	839,771
Improvements Other Than Buildings	254,426	11,637	0	266,063
Machinery and Equipment	2,961,374	238,143	184,050	3,015,467
Vehicles	1,419,744	137,365	110,874	1,446,235
Intangibles	0	4,247	0	4,247
Infrastructure, Road Network	1,563,102	955,155	0	2,518,257
Total Accumulated Depreciation/Amortization	6,967,059	1,417,905	294,924	8,090,040
Total Capital Assets Being Depreciated/Amortized, Net	13,652,349	11,111,614	0	24,763,963
Governmental Activities Capital Assets, Net	\$18,916,257	\$11,454,900	\$4,001,470	\$26,369,687
Depreciation/Amortization expense was charged to the following functions:				
Public Safety and Legal Services				\$35,166
Physical Health and Social Services				12,661
Mental Health				856
County Environment and Education				16,607
Roads and Transportation				1,281,905
Governmental Services to Residents Administration				1,790
				68,920
Total Depreciation/Amortization Expense – Governmental Activities				\$1,417,905

Notes to Financial Statements (Continued)

Note 5: Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General		\$7,372
Special Revenue		
Mental Health	Services	227,811
Secondary Roads		2,545
		<u>237,728</u>
Total for governmental funds		<u>\$237,728</u>
Agency:		
Agricultural Extension	Collections	\$139,527
Assessor		187,027
Schools		6,747,074
Community Colleges		308,220
Corporations		3,492,087
Auto License & Use Tax		249,897
All Others		1,325,873
		<u>12,449,705</u>
Total for agency funds		<u>\$12,449,705</u>

Note 6: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011, is as follows:

	<u>General Obligation Bonds</u>	<u>Drainage Warrants</u>	<u>Drainage Improvement Certificates</u>	<u>Secondary Road Loan</u>
Balance Beginning of Year	\$20,950,000	\$374,742	\$3,172	\$26,329
Increases	0	249,137	0	0
Decreases	100,000	190,299	0	4,958
Balance End of Year	<u>\$20,850,000</u>	<u>\$433,580</u>	<u>\$3,172</u>	<u>\$21,371</u>
Due Within One Year	<u>\$150,000</u>	<u>\$0</u>	<u>\$3,172</u>	<u>\$4,958</u>

Notes to Financial Statements (Continued)

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

	Sheriff's Vehicle Loans	Compensated Absences	Termination Benefits	Total
Balance Beginning of Year	\$23,651	\$156,924	\$8,968	\$21,543,786
Increases	0	4,278	7,358	260,773
Decreases	23,651	0	9,374	328,282
Balance End of Year	\$0	\$161,202	\$6,952	\$21,476,277
Due Within One Year	\$0	\$161,202	\$6,952	\$326,284

General Obligation Bonds

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

A summary of the debt outstanding is as follows:

Year ended June 30,	Interest Rate	Principal	Interest	Total
2012	2.00%	\$150,000	\$49,168	\$199,168
2013	2.25%	200,000	46,167	246,167
2014	2.55%	200,000	41,668	241,668
2015	2.85%	205,000	36,567	241,567
2016	3.10%	215,000	30,725	245,725
2017-2019	3.30-3.75%	680,000	49,672	729,672
		\$1,650,000	\$253,967	\$1,903,967

On May 15, 2010, the County issued \$19,200,000 General Obligation Urban Renewal County Road Improvement Bonds, Series 2010A. The bonds were issued for the purpose of paying the costs of County Road projects in the expanded Urban Renewal Area. Interest is due semiannually, December 1, and June 1, commencing on December 1, 2010 through June 1, 2028. Principal is due annually commencing June 1, 2014 through June 1, 2028. Interest ranges from 2% to 4.25% over the term of the debt. The County was in compliance in the issuance of this debt.

Notes to Financial Statements (Continued)

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

A summary of the debt outstanding is as follows:

Year ended June 30,	Interest Rate	Principal	Interest	Total
2012	2.00%	\$0	\$691,685	\$691,685
2013	2.00%	0	691,685	691,685
2014	2.00%	300,000	691,685	991,685
2015	2.30%	800,000	685,685	1,485,685
2016	2.50%	1,125,000	667,285	1,792,285
2017-2021	3.00-3.65%	6,160,000	2,819,115	8,979,115
2022-2026	3.75-4.05%	7,400,000	1,623,052	9,023,052
2027-2028	4.15-4.25%	3,415,000	217,630	3,632,630
		<u>\$19,200,000</u>	<u>\$8,087,822</u>	<u>\$27,287,822</u>

Secondary Road Loan

On April 15, 2008, Secondary Road entered into a loan agreement for \$49,579 for the purpose of construction of a road. The loan will be repaid with special assessments collected from the adjoining land owners. The loan requires annual payments of principal and interest on November 1, 2008 through 2018. Interest is 4%. During the years ended June 30, 2009, 2010 and 2011, the department made irregular payments on the note with assessments as collected. They will continue to make payments as assessments are collected.

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

Year ended June 30,	Interest Rate	Principal	Interest	Total
2012	4.00%	\$4,958	\$867	\$5,825
2013	4.00%	4,958	667	5,625
2014	4.00%	4,958	465	5,423
2015	4.00%	4,957	264	5,221
2016	4.00%	1,540	62	1,602
		<u>\$21,371</u>	<u>\$2,325</u>	<u>\$23,696</u>

Sheriff's Vehicle Loan

In August of 2008, the Sheriff's Department issued \$47,911 of debt for the purpose of purchasing two Sheriff's vehicles. The loan is at 5% interest, with equal payments due on July 1, 2009 and July 1, 2010. The debt was paid in full during the year ended June 30, 2011.

Retirement Benefits

Secondary Road workers who retire after 20 years of continuous service shall receive the basic single policy of health or supplemental insurance through the County for the first three years from the date of the employee's last day of work. During the year ended June 30, 2011, premiums were paid for two retirees totaling \$9,374.

Notes to Financial Statements (Continued)

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

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

Year ended June 30,	
2012	<u>\$6,952</u>

Drainage Warrants/Drainage Improvements Certificates Payable

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

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

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

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

Note 7: Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$262,892, \$240,410 and \$217,346, respectively, equal to the required contributions for each year.

Notes to Financial Statements (Continued)

Note 8: Risk Management

Winnebago County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expense due and payable in the current year, plus all of any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contribution to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2011 were \$74,720.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000 such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, at June 30, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Notes to Financial Statements (Continued)

Note 8: Risk Management (Continued)

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

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

Note 9: Employee Health Insurance

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

Monthly payments of plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the agreement with Wellmark monthly payments of premiums are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2011 was \$663,178.

Note 10: Other Postemployment Benefits (OPEB)

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

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

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

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

Notes to Financial Statements (Continued)

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

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

The table shows the components of the County's annual OPEB cost for June 30, 2011, the amount actually contributed to the plan and the changes in the County's net OPEB obligation:

Annual required contribution	\$61,774
Interest on net OPEB obligation	1,372
Adjustment to annual required contribution	<u>(5,279)</u>
Annual OPEB cost (expense)	57,867
Contributions made	<u>(1,794)</u>
Increase in net OPEB obligation	56,073
Net OPEB obligation – beginning of year	<u>54,884</u>
Net OPEB obligation – end of the year	<u><u>\$110,957</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2011.

For the fiscal year 2011, the County contributed \$1,794 to the medical plan. There were no contributions from retirees.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$56,334	2.57%	\$54,884
June 30, 2011	\$57,867	3.10%	\$110,957

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$425,286, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$425,286. The covered payroll (annual payroll of active employees covered by the plan) was \$3,091,192, and the ratio of the UAAL to the covered payroll was 13.75%. As of June 30, 2011, there were no trust fund assets.

Notes to Financial Statements (Continued)

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

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

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

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

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

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

Note 11: Related Party Transaction

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

Note 12: Subsequent Event

In February 2012, the County approved the issuance of \$6,310,000 General Obligation County Road Improvement and Refunding Bonds, Series 2012A.

Notes to Financial Statements (Continued)

Note 13: Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	General	Conservation Land Acquisition	Conservation Special Projects	DARE
Balances June 30, 2010, as previously reported	\$1,793,035	\$235,557	\$10,628	\$4,609
Change in fund type classification Per implementation of GASB Statement No. 54	763,817	(235,557)	(10,628)	(4,609)
Balances July 1, 2010, as restated	\$2,556,852	\$0	\$0	\$0

	Jail Phone Account	Board Prisoners	Firearm Permitting Program	Public Health
Balances June 30, 2010, as previously reported	\$6,237	\$71,825	\$1,983	\$432,978
Change in fund type classification Per implementation of GASB Statement No. 54	(6,237)	(71,825)	(1,983)	(432,978)
Balances July 1, 2010, as restated	\$0	\$0	\$0	\$0

WINNEBAGO COUNTY
Forest City, Iowa

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2011**

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
RECEIPTS:						
Property & Other County Tax	\$5,063,150	\$0	\$5,063,150	\$5,105,176	\$4,900,626	\$162,524
Interest & Penalty on Property Tax	29,575	0	29,575	28,200	28,200	1,375
Intergovernmental	3,869,577	0	3,869,577	4,143,289	4,129,112	(259,535)
Licenses & Permits	12,111	0	12,111	31,120	31,120	(19,009)
Charges for Services	985,878	0	985,878	832,506	936,006	49,872
Use of Money & Property	131,815	0	131,815	291,642	291,642	(159,827)
Miscellaneous	523,651	240,153	283,498	164,079	365,079	(81,581)
Total Receipts	10,615,757	240,153	10,375,604	10,596,012	10,681,785	(306,181)
DISBURSEMENTS:						
Public Safety & Legal Services	1,699,557	0	1,699,557	1,785,808	1,821,608	122,051
Physical Health & Social Services	1,019,983	0	1,019,983	914,644	1,127,854	107,871
Mental Health	1,358,768	0	1,358,768	1,348,327	1,348,327	(10,441)
County Environment & Education	661,552	0	661,552	882,111	882,111	220,559
Roads & Transportation	3,680,283	0	3,680,283	3,471,755	3,826,755	146,472
Governmental Services to Residents	362,235	0	362,235	436,019	436,019	73,784
Administrative Services	813,748	0	813,748	1,017,137	1,019,137	205,389
Non-Program	754,517	494,161	260,356	158,768	158,768	(101,588)
Debt Service	880,262	0	880,262	1,551,647	927,191	46,929
Capital Projects	12,838,612	0	12,838,612	13,096,145	13,241,145	402,533
Total Disbursements	24,069,517	494,161	23,575,356	24,662,361	24,788,915	1,213,559
Excess (Deficiency) of Receipts Over (Under) Disbursements	(13,453,760)	(254,008)	(13,199,752)	(14,066,349)	(14,107,130)	907,378
Other Financing Sources, Net	332,837	249,137	83,700	14,000,000	12,066,940	(11,983,240)
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements & Other Financing Uses	(13,120,923)	(4,871)	(13,116,052)	(66,349)	(2,040,190)	(11,075,862)
Balance Beginning of Year	23,089,093	164,649	22,924,444	4,368,212	2,095,918	20,828,526
Balance End of Year	\$9,968,170	\$159,778	\$9,808,392	\$4,301,863	\$55,728	\$9,752,664

See Accompanying Independent Auditors' Report

WINNEBAGO COUNTY
Forest City, Iowa

BUDGET COMPARISON SCHEDULE –
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$10,615,757	\$53,053	\$10,668,810
Expenditures	24,069,517	(3,908,228)	20,161,289
Net	(13,453,760)	3,961,281	(9,492,479)
Other Financing Sources, Net	332,837	70,000	402,837
Beginning Fund Balances	23,089,093	(3,890,383)	19,198,710
Increase in Reserve For:			
Inventories	0	82,346	82,346
Ending Fund Balances	\$9,968,170	\$223,244	\$10,191,414

See Accompanying Independent Auditors' Report

**Winnebago County
Forest City, Iowa**

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$126,554. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the Mental Health and Non Program functions and disbursements in certain departments exceeded the amounts appropriated.

Winnebago County

Required Supplementary Information

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

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	\$0	\$425	\$425	0%	\$3,091	13.75%
2011	July 1, 2009	\$0	\$425	\$425	0%	\$3,091	13.75%

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

WINNEBAGO COUNTY
Forest City, Iowa
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	Special Revenue		
	Resource Enhancement & Protection	County Recorder's Records Management	Local Option Sales Tax
ASSETS			
Cash & Pooled Investments	\$23,436	\$19,315	\$0
Receivables:			
Property Tax:			
Succeeding Year	0	0	0
Accounts	0	478	0
Notes	0	0	0
Accrued Interest	2	4	0
Drainage Assessments	0	0	0
Due from Other Governments	0	0	26,656
Prepaid Insurance	0	0	0
TOTAL ASSETS	\$23,438	\$19,797	\$26,656
LIABILITIES & FUND BALANCES			
Liabilities:			
Accounts Payable	\$344	\$0	\$0
Interest Payable	0	0	0
Salaries & Benefits Payable	0	0	0
Deferred Revenue			
Succeeding Year Property Tax	0	0	0
Other	0	0	0
Total Liabilities	344	0	0
Fund Balances:			
Nonspendable:			
Prepaid Insurance	0	0	0
Restricted For:			
Drainage Warrants	0	0	0
Other Purposes	23,094	19,797	26,656
Total Fund Balances	23,094	19,797	26,656
TOTAL LIABILITIES & FUND BALANCES	\$23,438	\$19,797	\$26,656

See Accompanying Independent Auditor's Report

Schedule 1

Special Revenue				
Tax Increment Financing	Seizure	Sheriff's Reserve	Fair Association	WinnWorth BETCO
\$0	\$5,119	\$1,253	\$297	\$92,536
108,032	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	8
\$108,032	\$5,119	\$1,253	\$297	\$92,544
\$0	\$0	\$0	\$0	\$4,901
0	0	0	0	0
0	0	0	0	2,140
108,032	0	0	0	0
0	0	0	0	0
108,032	0	0	0	7,041
0	0	0	0	8
0	0	0	0	0
0	5,119	1,253	297	85,495
0	5,119	1,253	297	85,503
\$108,032	\$5,119	\$1,253	\$297	\$92,544

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	Special Revenue		
	Solid Waste Management	RBEG Grant Revolving Loan	EMS Training/ Ambulance
ASSETS			
Cash & Pooled Investments	\$0	\$82,959	\$7,508
Receivables:			
Property Tax:			
Succeeding Year	0	0	0
Accounts	18,571	0	0
Notes	0	110,549	0
Accrued Interest	12	6	0
Drainage Assessments	0	0	0
Due from Other Governments	0	0	4,258
Prepaid Insurance	0	0	0
TOTAL ASSETS	\$18,583	\$193,514	\$11,766
LIABILITIES & FUND BALANCES			
Liabilities:			
Accounts Payable	\$0	\$0	\$0
Interest Payable	0	0	0
Salaries & Benefits Payable	0	0	0
Deferred Revenue			
Succeeding Year Property Tax	0	0	0
Other	0	110,549	0
Total Liabilities	0	110,549	0
Fund Balances:			
Nonspendable:			
Prepaid Insurance	0	0	0
Restricted For:			
Drainage Warrants	0	0	0
Other Purposes	18,583	82,965	11,766
Total Fund Balances	18,583	82,965	11,766
TOTAL LIABILITIES & FUND BALANCES	\$18,583	\$193,514	\$11,766

Schedule 1 (Continued)

Special Revenue				
County Home Trust	Linden Urban Renewal	Urban Renewal	Drainage	Total
\$55,758	\$133,321	\$1,002,693	\$159,778	\$1,583,973
0	0	0	0	108,032
0	0	0	0	19,049
0	0	0	0	110,549
25	0	0	0	49
0	0	0	275,449	275,449
0	0	0	0	30,914
0	0	0	0	8
\$55,783	\$133,321	\$1,002,693	\$435,227	\$2,128,023
\$0	\$0	\$0	\$0	\$5,245
0	0	0	71,518	71,518
0	0	0	0	2,140
0	0	0	0	108,032
0	0	0	275,449	385,998
0	0	0	346,967	572,933
0	0	0	0	8
0	0	0	88,260	88,260
55,783	133,321	1,002,693	0	1,466,822
55,783	133,321	1,002,693	88,260	1,555,090
\$55,783	\$133,321	\$1,002,693	\$435,227	\$2,128,023

WINNEBAGO COUNTY
Forest City, Iowa

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2011**

	Special Revenue		
	Resource Enhancement & Protection	County Recorder's Records Management	Local Option Sales Tax
Revenues:			
Property and Other County Tax	\$0	\$0	\$0
Local Option Sales Tax	0	0	357,418
Intergovernmental	15,807	0	0
Charges for Services	0	2,092	0
Use of Money and Property	47	27	0
Miscellaneous	0	0	0
Total Revenues	15,854	2,119	357,418
Expenditures:			
Operating:			
Public Safety and Legal Services	0	0	0
County Environment and Education	28,939	0	0
Non-Program	0	0	0
Debt Service	0	0	0
Total Expenditures	28,939	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,085)	2,119	357,418
Other Financing Sources (Uses):			
Transfers In	2,238	0	0
Transfers Out	0	0	(356,645)
Drainage Warrants/Drainage Improvement Certificates Issued	0	0	0
Total Other Financing Sources (Uses)	2,238	0	(356,645)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(10,847)	2,119	773
Fund Balances – Beginning of Year, As Restated	33,941	17,678	25,883
Fund Balances – End of Year	\$23,094	\$19,797	\$26,656

See Accompanying Auditor's Report

Schedule 2

Special Revenue

Tax Increment Financing	Seizure	Sheriff's Reserve	Fair Association	WinnWorth BETCO
\$161,160	\$0	\$0	\$0	\$16,755
0	0	0	0	0
0	0	0	0	53,993
0	0	0	0	0
0	0	5	0	0
0	0	4,163	0	1,343
161,160	0	4,168	0	72,091
0	0	7,754	0	0
0	0	0	32,000	102,226
219,346	0	0	0	0
0	0	0	0	0
219,346	0	7,754	32,000	102,226
(58,186)	0	(3,586)	(32,000)	(30,135)
0	0	0	32,000	49,000
0	0	0	0	0
0	0	0	0	0
0	0	0	32,000	49,000
(58,186)	0	(3,586)	0	18,865
58,186	5,119	4,839	297	66,638
\$0	\$5,119	\$1,253	\$297	\$85,503

WINNEBAGO COUNTY
Forest City, Iowa

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)**
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	Special Revenue		
	Solid Waste Management	RBEG Grant Revolving Loan	EMS Training/ Ambulance
Revenues:			
Property and Other County Tax	\$0	\$0	\$0
Local Option Sales Tax	0	0	0
Intergovernmental	0	75,250	4,258
Charges for Services	70,248	0	0
Use of Money and Property	61	10,507	0
Miscellaneous	0	0	0
Total Revenues	70,309	85,757	4,258
Expenditures:			
Operating:			
Public Safety and Legal Services	0	0	0
County Environment and Education	0	85,000	0
Non-Program	0	0	0
Debt Service	0	0	0
Total Expenditures	0	85,000	0
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	70,309	757	4,258
Other Financing Sources (Uses):			
Transfers In	0	0	0
Transfers Out	(69,307)	0	0
Drainage Warrants/Drainage Improvement			
Certificates Issued	0	0	0
Total Other Financing Sources (Uses)	(69,307)	0	0
Excess (Deficiency) of Revenues and Other			
Financing Sources Over (Under) Expenditures	1,002	757	4,258
Fund Balances – Beginning of Year, As Restated	17,581	82,208	7,508
Fund Balances – End of Year	\$18,583	\$82,965	\$11,766

See Accompanying Auditor's Report

Schedule 2 (Continued)

Special Revenue					
County Home Trust	Linden Urban Renewal	Urban Renewal	Drainage	Capital Projects	Total
\$0	\$218,754	\$0	\$0	\$0	\$396,669
0	0	0	0	0	357,418
0	0	0	0	0	149,308
0	0	0	0	0	72,340
344	0	0	0	1,986	12,977
0	0	0	240,153	0	245,659
344	218,754	0	240,153	1,986	1,234,371
0	0	0	0	0	7,754
0	0	0	0	0	248,165
0	0	0	507,163	0	726,509
0	151,368	722,877	0	0	874,245
0	151,368	722,877	507,163	0	1,856,673
344	67,386	(722,877)	(267,010)	1,986	(622,302)
0	55,021	0	0	0	138,259
0	0	0	0	(55,021)	(480,973)
0	0	0	249,137	0	249,137
0	55,021	0	249,137	(55,021)	(93,577)
344	122,407	(722,877)	(17,873)	(53,035)	(715,879)
55,439	10,914	1,725,570	106,133	53,035	2,270,969
\$55,783	\$133,321	\$1,002,693	\$88,260	\$0	\$1,555,090

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING SCHEDULE OF
 FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
ASSETS					
Cash & Pooled Investments:					
County Treasurer	\$0	\$1,724	\$71,903	\$84,298	\$3,777
Other County Officials	7,765	0	0	0	0
Receivables:					
Property Tax:					
Succeeding Year	0	137,803	124,023	6,662,776	304,443
Accounts	875	0	0	0	0
Accrued Interest	0	0	0	0	0
Assessments	0	0	0	0	0
TOTAL ASSETS	\$8,640	\$139,527	\$195,926	\$6,747,074	\$308,220
LIABILITIES					
Accounts Payable	\$0	\$0	\$484	\$0	\$0
Salaries and Benefits Payable	0	0	0	0	0
Due to Other Governments	1,185	139,527	187,027	6,747,074	308,220
Trusts Payable	7,455	0	0	0	0
Compensated Absences	0	0	8,415	0	0
TOTAL LIABILITIES	\$8,640	\$139,527	\$195,926	\$6,747,074	\$308,220

See Accompanying Independent Auditors' Report

Schedule 3

Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$33,224	\$1,756	\$7,530	\$249,897	\$175,281	\$629,390
0	0	0	0	0	7,765
3,458,863	140,378	0	0	152,029	10,980,315
0	0	0	0	21,797	22,672
0	0	0	0	30	30
0	0	850,394	0	0	850,394
\$3,492,087	\$142,134	\$857,924	\$249,897	\$349,137	\$12,490,566
\$0	\$0	\$0	\$0	\$22,528	\$23,012
0	0	0	0	58	58
3,492,087	142,134	857,924	249,897	324,630	12,449,705
0	0	0	0	1,921	9,376
0	0	0	0	0	8,415
\$3,492,087	\$142,134	\$857,924	\$249,897	\$349,137	\$12,490,566

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING SCHEDULE OF CHANGES IN
 FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor
Assets and Liabilities			
Balances – Beginning of Year	\$11,666	\$133,039	\$186,713
Additions:			
Property and Other County Tax	0	137,496	123,747
E911 Surcharge	0	0	0
State Tax Credits	0	5,806	5,226
Office Fees and Collections	201,789	0	0
Electronic Transaction Fees	0	0	0
Auto License, Use Tax and Postage	0	0	0
Assessments	0	0	0
Trusts	67,164	0	0
Miscellaneous	0	0	699
Total Additions	268,953	143,302	129,672
Deductions:			
Agency Remittances:			
To Other Funds	109,136	0	0
To Other Governments	91,988	136,814	120,459
Trusts Paid Out	70,855	0	0
Total Deductions	271,979	136,814	120,459
Balances – End of Year	\$8,640	\$139,527	\$195,926

See Accompanying Independent Auditors' Report

Schedule 4

Schools	Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$6,553,899	\$291,352	\$3,436,422	\$132,130	\$346,146	\$244,784	\$364,913	\$11,701,064
6,645,476	303,770	3,462,922	140,454	0	0	151,683	10,965,548
0	0	0	0	0	0	92,346	92,346
287,224	12,722	129,418	5,194	0	0	6,570	452,160
0	0	0	0	0	0	0	201,789
0	0	0	0	0	0	6,182	6,182
0	0	0	0	0	3,062,455	0	3,062,455
0	0	0	0	623,523	0	0	623,523
0	0	0	0	0	0	180,795	247,959
0	0	0	0	0	0	152,913	153,612
6,932,700	316,492	3,592,340	145,648	623,523	3,062,455	590,489	15,805,574
0	0	0	0	0	92,882	0	202,018
6,739,525	299,624	3,536,675	135,644	111,745	2,964,460	416,730	14,553,664
0	0	0	0	0	0	189,535	260,390
6,739,525	299,624	3,536,675	135,644	111,745	3,057,342	606,265	15,016,072
\$6,747,074	\$308,220	\$3,492,087	\$142,134	\$857,924	\$249,897	\$349,137	\$12,490,566

WINNEBAGO COUNTY
Forest City, Iowa

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

	Modified Accrual Basis			
	2011	2010	2009	2008
Revenues:				
Property and Other County Tax	\$5,058,930	\$4,531,945	\$4,451,084	\$4,020,706
Interest and Penalty on Property Tax	29,575	33,600	36,500	29,296
Intergovernmental	3,915,880	4,286,153	4,181,283	3,336,356
Licenses and Permits	11,999	18,938	21,375	31,094
Charges for Service	1,016,481	886,666	811,960	1,279,985
Use of Money and Property	139,081	123,478	129,207	141,908
Miscellaneous	496,864	836,556	734,401	734,363
Total	<u>\$10,668,810</u>	<u>\$10,717,336</u>	<u>\$10,365,810</u>	<u>\$9,573,708</u>
Expenditures:				
Operating:				
Public Safety and Legal Services	\$1,718,430	\$1,696,032	\$1,598,942	\$1,206,878
Physical Health and Social Services	1,038,799	902,272	817,942	714,991
Mental Health	1,475,808	1,395,856	1,477,809	1,446,283
County Environment and Education	659,019	559,188	601,190	524,126
Roads and Transportation	3,906,835	2,923,675	2,689,602	2,792,585
Government Services to Residents	355,943	412,702	399,919	333,528
Administrative Services	809,783	791,345	863,600	715,120
Non-Program	767,519	804,909	925,143	1,032,144
Debt Service	880,262	93,568	26,108	165,447
Capital Projects	8,548,891	6,324,971	1,172,369	1,046,234
Total	<u>\$20,161,289</u>	<u>\$15,904,518</u>	<u>\$10,572,624</u>	<u>\$9,977,336</u>

See Accompanying Independent Auditors' Report

Schedule 5

2007	2006	2005	2004	2003
\$3,833,937	\$3,442,431	\$3,436,568	\$3,425,587	\$3,207,833
39,916	29,813	23,197	23,710	25,627
4,233,902	3,291,966	3,592,136	3,343,500	3,249,146
4,789	1,440	6,688	4,318	5,437
746,885	526,760	635,858	623,015	532,835
153,053	88,420	64,266	47,350	77,013
866,228	1,230,263	672,265	553,359	485,504
\$9,878,710	\$8,611,093	\$8,430,978	\$8,020,839	\$7,583,395
\$1,028,744	\$1,159,504	\$1,028,856	\$1,068,430	\$947,793
630,928	921,911	638,859	634,685	595,080
1,376,244	1,230,189	1,283,480	1,319,996	1,425,307
492,594	577,202	528,916	589,841	292,896
3,147,858	2,789,407	3,056,178	2,846,418	3,205,298
340,398	443,203	357,808	334,201	716,100
723,964	737,438	699,019	724,891	2,848
2,388,287	1,896,728	863,504	597,397	812,449
0	0	327,919	119,324	0
239,610	117,327	282,570	493,070	936,125
\$10,368,627	\$9,872,909	\$9,067,109	\$8,728,253	\$8,933,896



Gardiner Thomsen
Certified Public Accountants

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

To the Officials of Winnebago County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Winnebago County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 29, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters.

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

March 29, 2012

Gardiner Thomsen, P.C.

WINNEBAGO COUNTY
Forest City, Iowa

Schedule of Findings
Year Ended June 30, 2011

Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

A. **Segregation of Duties**

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

Criteria – A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition – Various functions of the Auditor, Treasurer, Recorder and Sheriff Offices are performed by the same person.

Effect – Transaction errors could occur and not be detected in a timely manner.

Cause – Limited staff available to segregate duties.

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

Response and Corrective Action Planned – We have reviewed procedures as suggested. We are in the process of cross training employees to further segregate duties.

B. **Financial Reporting**

Finding – During our audit, we identified material amounts of accounts receivable, accounts payable and capital assets not recorded or incorrectly recorded in the County's financial statement.

Criteria – A good financial reporting system to record capital assets, including infrastructure and the related depreciation calculations.

Condition – Receipts in July and August following year end were not always coded as a receipt for goods or services provided prior to June 30 to be included in the accounts receivable listing. Disbursements in July and August following year end were not always coded as a disbursements for goods or services received prior to June 30 to be included in the accounts payable listing. Capital asset additions, including infrastructure and construction in process were not always included in the capital asset listing at the proper acquisition value. Capital asset disposals were not always disposed of on the capital asset listing.

Effect – The accounts receivable listing was understated. The accounts payable listing was understated. The capital asset listing was not correct.

Cause – Limited staff.

Recommendation – The County should implement procedures to ensure all receivables, payables, capital assets, infrastructure and related depreciation are recorded in the financial statements.

Response and Corrective Action Planned – We will adjust our financial statements to properly include these amounts and will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

WINNEBAGO COUNTY
Forest City, Iowa

Schedule of Findings
Year Ended June 30, 2011

Findings Related to the Financial Statements (Continued)

C. Preparation of Full Disclosure Financial Statements

Finding – During the audit, we noted that Winnebago County does not have the internal resources to prepare full disclosure financial statements required by U.S. Generally Accepted Accounting Principles (GAAP) for external reporting.

Criteria – Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements for external reporting in conformity with GAAP.

Condition – Management requested that Gardiner Thomsen, P.C. assist in preparing the draft of the financial statements, including the related footnote disclosures.

Effect – Although Gardiner Thomsen, P.C. assists in the preparation of the full disclosure financial statements, the management of the County thoroughly reviews them and accepts responsibility for their completeness and accuracy.

Cause – The County does not have the internal resources to prepare the full disclosure financial statements required by GAAP for external reporting.

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

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

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting

1. **Certified Budget** – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the Mental Health and Non Program functions. Disbursements in certain departments exceeded the amounts appropriated.

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

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

WINNEBAGO COUNTY
Forest City, Iowa

Schedule of Findings
Year Ended June 30, 2011

Findings Related to the Financial Statements (Continued)

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

Conclusion – Response accepted.

2. **Questionable Expenditures** – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted.
3. **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
4. **Business Transactions** – The following business transactions between the County and County officials or employees were noted.

<u>Name, Title, and Business Relationship</u>	<u>Description</u>	<u>Amount</u>
Sandy Larson, Sheriff’s Office		
Body Works – Owned by Husband	Body Work	\$400
Mark Krull – Secondary Roads		
Gary E. Kull – Father	Hydraulic Fluid, Oil & Grease	23,700
Travis Hassebroek – Secondary Roads		
Owner of Hassebroek Mowing & Tiling	Mowing Service for Conservation	685
Jane Langerud – Auditor’s Office		
Tom Langerud, Husband	Election Services	414

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Body Works, Hassebroek Mowing & Tiling, and Tom Langerud do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year.

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

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

WINNEBAGO COUNTY
Forest City, Iowa

Schedule of Findings
Year Ended June 30, 2011

Findings Related to the Financial Statements (Continued)

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

Conclusion – Response acknowledged.

5. **Bond Coverage** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure that the coverage is adequate for current operations.
6. **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
7. **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
8. **Resource Enhancement and Protection Certification** – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19 (1)(b) of the Code of Iowa in order to receive additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
9. **Economic Development** – During the year ended June 30, 2011, the County paid \$99,176 for economic development which appears to be an appropriate expenditure of public funds since the benefits to be derived have been clearly documented.
10. **County Extension Office** – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2011 for the County Extension Office did not exceed the amount budgeted.
11. **Sheriff's Office** – During the audit, it was noted that deposits weren't made in a timely matter. The general account and trust account do not balance to monies owed at June 30, 2011. We noted an investigations account that was not included in the County budget process, accounting system and financial reporting. There appears to be no legal reason for these accounts to be separately maintained.

WINNEBAGO COUNTY
Forest City, Iowa

Schedule of Findings
Year Ended June 30, 2011

Other Findings Related to Required Statutory Reporting (Continued)

Recommendation – Deposits should be made in a timely manner. The general and trust accounts should be reconciled monthly. The investigations account should be turned over to the Treasurer. This fund should be included in the County's budget process, accounting system and financial reporting. All disbursements should be included in the claims process.

Response – We will try to deposit timely. We will reconcile monthly. We will continue to maintain the investigations account separately.

Conclusion – Response acknowledged.

News Release

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

Gardiner Thomsen, P.C. reported that the County had local tax revenue of \$15,937,309 for the year ended June 30, 2011, which included \$635,445 in tax credits from the State. The County then forwarded \$11,127,350 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained \$4,519,601 of the local tax revenue to finance County operations, a 6% increase from the prior year. Other revenues included charges for service of \$1,474,019, operating grants, contributions and restricted interest of \$3,502,580, capital grants, contributions and restricted interest of \$152,054, local option sales tax of \$357,418, tax increment financing of \$379,914, unrestricted investment earnings of \$121,771 and other general revenues of \$336,634.

Expenses for the County operations totaled \$12,532,090, a 14% increase from the prior year. Expenses included \$5,011,607 for Roads and Transportation, \$1,483,100 for Mental Health and \$1,701,605 for Public Safety and Legal Services.

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

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