

WINNEBAGO COUNTY
Forest City, Iowa

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

WINNEBAGO COUNTY
Forest City, Iowa

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WINNEBAGO COUNTY
Forest City, Iowa

OFFICIALS

<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 Auditor's 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, as of and for the year ended June 30, 2012, 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 auditing standards generally accepted in the United States of America 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, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2013 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 42 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winnebago County's basic financial statements as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

March 27, 2013

Gardiner Thomsen, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Winnebago County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 6.50%, or approximately \$715,088, from fiscal 2011 to fiscal 2012. Property tax decreased approximately \$33,947, operating grants, capital grants and contributions increased approximately \$687,388 and charges for service increased approximately \$273,358.
- Program expenses were 2.62%, or approximately \$328,354 less in fiscal 2012 than in fiscal 2011.
- The County's net assets decreased 3.20%, or approximately \$490,957 from June 30, 2011 to June 30, 2012.

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 Winnebago County's 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.

Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various federal programs benefiting the County.

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 which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Assets and Liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Winnebago County's combined net assets decreased from a year ago, from \$15,339,180 to \$14,848,223. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	2012	2011
Current & Other Assets	\$18,598	\$16,032
Capital Assets	30,298	26,370
Total Assets	48,896	42,402
Long-Term Debt Outstanding	27,767	21,584
Other Liabilities	6,281	5,479
Total Liabilities	34,048	27,063
Net Assets:		
Invested in Capital Assets, Net of Debt	10,210	12,015
Restricted	5,791	5,215
Unrestricted	(1,153)	(1,891)
Total Net Assets	\$14,848	\$15,339

Net assets of the Winnebago County's governmental activities decreased by 3.20% (\$14.848 million compared to \$15.339 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 \$(1,152,569).

Changes in Net Assets of Governmental Activities (Expressed in Thousands)		
	2012	2011
Program Revenues:		
Charges for Service	\$ 1,747	\$ 1,474
Operating Grants, Contributions & Restricted Interest	2,960	3,503
Capital Grants, Contributions & Restricted Interest	1,382	152
General Revenues:		
Property Taxes	4,273	4,307
Penalty & Interest on Property Tax	27	30
State Tax Credits	194	183
Local Option Sales Tax	356	357
Tax Increment Financing	368	379
Unrestricted Investment Earnings	80	121
Other General Revenues	326	491
Total Revenues	11,713	10,997

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

Program Expenses:		
Public Safety & Legal Services	\$ 1,551	\$ 1,702
Physical Health & Social Services	1,083	1,005
Mental Health	1,546	1,483
County Environment & Education	684	693
Roads & Transportation	4,665	5,012
Governmental Services to Residents	429	360
Administration	904	885
Non-Program	520	623
Interest on Long-Term Debt	822	769
Total Expenses	12,204	12,532
 Decrease in Net Assets	 (491)	 (1,535)
 Net Assets Beginning of Year	 15,339	 16,874
 Net Assets End of Year	 \$14,848	 \$15,339

The results of governmental activities for the year resulted in Winnebago County's net assets decreasing by approximately \$490,957. Revenues for governmental activities increased by approximately \$715,088 compared to the prior year.

The cost of all governmental activities this year was \$12,203,736 compared to \$12,532,090 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was \$6.1 million because of the cost that was paid by those directly benefiting from the programs \$(1,747,377) or by other governments and organizations that subsidized certain programs with grants and contributions \$(4,342,012). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased in 2012 from approximately \$5.129 million to \$6.089 million. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$4.30 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 \$11,932,471, an increase of \$1,741,057 from last year's total of \$10,191,414. 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 a significant decrease in expenditures. The ending fund balance showed an increase of \$511,240 from the prior year to \$3,368,616.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,544,621, an increase of 4% from the prior year. The Mental Health Fund balance at year end decreased by approximately \$300,653 over the prior year.
- Rural Service Fund revenues decreased approximately \$73,627 and expenditures increased approximately \$155,542. The ending fund balance showed a decrease of \$128,824 from the prior year to \$364,759.
- Secondary Roads Fund expenditures increased by approximately \$152,248 over the prior year. The Secondary Roads Fund ending balance increased by approximately \$81,243.
- The UR2 Capital Projects Fund was established to account for capital projects in the UR2 area. The County made expenditures of \$4,229,329 for roadway construction and improvement projects.

- The UR2A Capital Projects Fund was established during the fiscal year to account for capital projects in the UR2A area. The County issued \$5,000,000 in general obligation debt and had capital project expenditures of \$65,323.

BUDGETARY HIGHLIGHTS

Over the course of the year, Winnebago County amended its budget two times. The amendments were made on May 7, 2012 and May 14, 2012, and resulted in increases to budgeted disbursements in several functions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, Winnebago County had approximately \$40.073 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 \$5,613,099 or 16% over last year.

Capital Assets at Year End of Governmental Activities (Expressed in Thousands)		
	2012	2011
Land	\$ 1,384	\$ 1,336
Buildings & Improvements	4,037	3,985
Equipment	6,358	6,300
Intangibles	42	42
Infrastructure	27,757	22,527
Construction in Progress	495	270
Total	\$40,073	\$34,460
This Year's Major Additions Include (Expressed In Thousands)		
Sheriff Equipment	\$ 23	
Secondary Road Equipment	74	
Infrastructure	5,230	
	\$ 5,327	

The County had depreciation expense of \$1,705,180 for the year ended June 30, 2012 and total accumulated depreciation of \$9,775,099 at June 30, 2012.

The County's fiscal year 2012 capital projects budget included \$5,330,247 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, 2012, Winnebago County had approximately \$27,593,650 in general obligation bonds and other debt outstanding compared to approximately \$21,473,105 at June 30, 2011, as shown below.

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

	2012	2011
General Obligation Urban Renewal Bonds	\$27,010	\$20,850
Notes & Contracts	16	21
Drainage Warrants	385	434
Compensated Absences	162	161
Termination Benefits	21	7
	\$27,594	\$21,473

Winnebago County has general obligation debt outstanding at June 30, 2012 of \$27,010,000. During 2012, the County issued \$6,310,000 in General Obligation Urban Renewal County Road Improvement and Refunding Bonds with \$5,000,000 to be used to fund roadway construction and improvement projects and \$1,310,000 to be used to refund outstanding bonds. This refunding was undertaken to reduce total debt service payments by \$40,673. When netted against the "Resources Held in Escrow for Bond Refunding" the net amount of General Obligation Urban Renewal Bonds is \$25,871,200. The bonds will be paid with tax increment financing revenues.

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 \$41.3 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 2013 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 2012 through most of the year, 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 slowly continue into the future.

The population of Winnebago County also continued to decline in 2012 according to the U.S. Census. The County's population decline is attributed to the following: continued death of an aged population, the outmigration 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 6.1% (Jan. 2013) versus 6.7% one year ago (Jan. 2012), according to Iowa Works (Iowa Workforce Development). This shows a decrease of .6% with slightly less people in the county being unemployed. This slight decrease is likely due to the area's major manufacturing industries hiring new employees in recent months. The Winnebago County 2012 average unemployment rate was 5.8% according to Iowa Works (Iowa Workforce Development). The 2012 average state and national unemployment rates were 5.2% and 8.1%, respectively (according to the U.S. Bureau of Labor Statistics).

While the manufacturing sector in Winnebago County has been adding jobs in recent months, the agricultural sector has seen slow growth. The service sector (medical, insurance, finance) has remained relatively stable. The County housing market has remained steady, with little to no growth. The manufacturing orders to our local industries continued to increase in 2012. This signals a continued increase in manufacturing, which has had a positive impact on all business/industry sectors in Winnebago County. The outlook for 2013 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 2012 too. Food prices increased by 3%. Electric prices remained unchanged from 2012. Average natural gas prices decreased by 30% in 2012, which allowed residents to retain more of their hard earned dollars for other rising expenses, such as gasoline for residents' vehicles. All increases in basic living expenses in 2012 also impacted the local businesses and Main Street districts as residents had less disposable income to spend in restaurants and retail stores.

Because of the still tough economic conditions in Winnebago County, the Citizens' needs were considered when preparing the 2013 County budget. Amounts available for appropriation in the operating budget are \$16.6 million. The County has added no new major proposals or initiatives in the 2013 budget. Nearly all departments kept their budgets unchanged from the prior year. Any increases were minimal and only allowed for primary 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, 2012

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$10,334,282
Receivables:	
Property Tax:	
Delinquent	15,250
Succeeding Year	5,037,084
Interest & Penalty on Property Tax	129
Accounts	275,848
Accrued Interest	7,475
Special Assessments	14,990
Drainage Assessments	234,967
Due From Other Governments	415,599
Resources Held in Escrow for Bond Refunding	1,138,800
Notes Receivable	167,668
Inventories	888,994
Prepaid Insurance	67,237
Capital Assets (Net of Accumulated Depreciation/Amortization)	30,297,727
TOTAL ASSETS	48,896,050
LIABILITIES	
Accounts Payable	718,218
Accrued Interest Payable	135,590
Salaries & Benefits Payable	166,076
Due To Other Governments	224,269
Deferred Revenue:	
Succeeding Year Property Tax	5,037,084
Long Term Liabilities:	
Portion Due Or Payable Within One Year:	
General Obligation Bonds	200,000
Notes & Contracts	4,958
Compensated Absences	161,509
Termination Benefits	10,199
Portion Due Or Payable After One Year:	
General Obligation Bonds	26,810,000
Notes & Contracts	11,455
Termination Benefits	10,799
Drainage Warrants	384,730
Net OPEB Liability	172,940
TOTAL LIABILITIES	34,047,827
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	10,210,064
Restricted For:	
Supplemental Levy Purposes	1,326,226
Mental Health Purposes	46,439
Rural Services Purposes	368,809
Secondary Roads Purposes	945,404
Capital Projects	550,675
Other Purposes	2,553,175
Unrestricted	(1,152,569)
TOTAL NET ASSETS	\$14,848,223

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

	Expenses	Program Revenues
FUNCTIONS/PROGRAMS:		Charges for Service
Governmental Activities:		
Public Safety & Legal Services	\$ 1,550,838	\$ 300,336
Physical Health & Social Services	1,082,228	717,190
Mental Health	1,546,136	584
County Environment & Education	683,946	18,638
Roads & Transportation	4,665,260	39,405
Governmental Services to Residents	428,558	219,946
Administration	904,293	78,796
Non-Program	520,183	372,482
Interest on Long Term Debt	822,294	0
TOTAL	\$12,203,736	\$1,747,377

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

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
\$ 16,172	\$ 0	\$ (1,234,330)
193,911	0	(171,127)
829,067	0	(716,485)
17,750	122,945	(524,613)
1,902,653	1,259,514	(1,463,688)
0	0	(208,612)
0	0	(825,497)
0	0	(147,701)
0	0	(822,294)
<u>\$2,959,553</u>	<u>\$1,382,459</u>	<u>(6,114,347)</u>

4,272,794
26,568
194,298
356,156
367,459
80,127
325,988
<u>5,623,390</u>
(490,957)
<u>15,339,180</u>
<u>\$14,848,223</u>

WINNEBAGO COUNTY
Forest City, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
ASSETS				
Cash & Pooled Investments	\$3,257,406	\$252,112	\$ 437,504	\$ 325,714
Receivables:				
Property Tax:				
Delinquent	9,359	1,621	4,270	0
Succeeding Year	2,279,809	414,050	1,482,658	0
Interest & Penalty on Property Tax	129	0	0	0
Accounts	112,502	0	10	138,017
Accrued Interest	4,544	0	0	0
Assessments	0	0	0	14,990
Drainage Assessments	0	0	0	0
Due From Other Governments	179,068	59,055	0	173,568
Resources Held in Escrow for Bond				
Refunding	0	0	0	0
Notes Receivable	0	0	0	0
Inventories	0	0	0	888,994
Prepaid Insurance	36,788	0	0	30,441
TOTAL ASSETS	\$5,879,605	\$726,838	\$1,924,442	\$1,571,724
LIABILITIES & FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 106,914	\$ 52,521	\$ 65,902	\$ 418,697
Interest Payable	0	0	0	0
Salaries & Benefits Payable	94,634	10,857	6,971	51,358
Due To Other Governments	17,708	202,971	0	3,590
Compensated Absences	2,790	0	102	0
Deferred Revenue:				
Succeeding Year Property Tax	2,279,809	414,050	1,482,658	0
Other	9,134	19,728	4,050	14,990
Total Liabilities	2,510,989	700,127	1,559,683	488,635
Fund Balances				
Nonspendable:				
Inventories	0	0	0	888,994
Notes Receivable	0	0	0	0
Prepaid Insurance	36,788	0	0	30,441
Restricted For:				
Supplemental Levy Purposes	1,323,252	0	0	0
Mental Health Purposes	0	26,711	0	0
Rural Services Purposes	0	0	364,759	0
Secondary Roads Purposes	0	0	0	163,654
Drainage Warrants	0	0	0	0
Conservation Land Acquisition	222,387	0	0	0
Capital Projects	0	0	0	0
Other Purposes	0	0	0	0
Assigned	478,635	0	0	0
Unassigned	1,307,554	0	0	0
Total Fund Balances	3,368,616	26,711	364,759	1,083,089
TOTAL LIABILITIES & FUND BALANCES	\$5,879,605	\$726,838	\$1,924,442	\$1,571,724

See Notes To Financial Statements

UR2 Capital Projects	UR2A Capital Projects	Nonmajor	Total
\$7	\$4,962,813	\$1,093,926	\$10,329,482
0	0	0	15,250
0	0	860,567	5,037,084
0	0	0	129
0	0	25,319	275,848
0	2,633	298	7,475
0	0	0	14,990
0	0	234,967	234,967
0	0	3,908	415,599
0	0	1,138,800	1,138,800
0	0	167,668	167,668
0	0	0	888,994
0	0	8	67,237
\$7	\$4,965,446	\$3,525,461	\$18,593,523
\$0	\$ 20,101	\$ 54,083	\$ 718,218
0	0	61,976	61,976
0	0	2,256	166,076
0	0	0	224,269
0	0	0	2,892
0	0	860,567	5,037,084
0	0	402,635	450,537
0	20,101	1,381,517	6,661,052
0	0	0	888,994
0	0	167,668	167,668
0	0	8	67,237
0	0	0	1,323,252
0	0	0	26,711
0	0	0	364,759
0	0	0	163,654
0	0	48,052	48,052
0	0	0	222,387
7	4,945,345	0	4,945,352
0	0	2,059,747	2,059,747
0	0	0	478,635
0	0	(131,531)	1,176,023
7	4,945,345	2,143,944	11,932,471
\$7	\$4,965,446	\$3,525,461	\$18,593,523

WINNEBAGO COUNTY
Forest City, Iowa

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

June 30, 2012

Total Governmental Fund Balances (Page 15) \$ 11,932,471

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 governmental funds. The cost of the assets is \$40,072,826 and the accumulated depreciation/amortization is \$9,775,099. 30,297,727

Other long term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 450,537

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. 4,800

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. (27,837,312)

Net Assets of Governmental Activities (Page 11) \$ 14,848,223

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, 2012

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
REVENUES:				
Property & Other County Tax	\$2,373,846	\$ 411,192	\$1,489,151	\$ 0
Local Option Sales Tax	0	0	0	0
Interest & Penalty on Property Tax	26,568	0	0	0
Intergovernmental	656,132	832,055	65,520	2,542,739
Licenses & Permits	14,075	0	360	6,423
Charges For Service	982,025	0	0	9,709
Use of Money & Property	58,270	0	0	3,500
Miscellaneous	83,578	721	752	40,901
Total Revenues	4,194,494	1,243,968	1,555,783	2,603,272
EXPENDITURES:				
Operating:				
Public Safety & Legal Services	1,366,563	0	133,044	0
Physical Health & Social Services	1,064,571	0	0	0
Mental Health	0	1,544,621	0	0
County Environment & Education	217,068	0	214,195	0
Roads & Transportation	0	0	480,072	2,917,967
Governmental Services to Residents	420,212	0	1,175	0
Administration	833,382	0	0	0
Non-Program	0	0	4,440	0
Debt Service	0	0	0	5,826
Capital Projects	13,743	0	9,028	937,896
Total Expenditures	3,915,539	1,544,621	841,954	3,861,689
Excess (Deficiency) of Revenues Over (Under) Expenditures	278,955	(300,653)	713,829	(1,258,417)
Other Financing Sources (Uses):				
Transfers In	281,285	0	138,853	947,506
Transfers Out	(49,000)	0	(981,506)	0
General Obligation Bonds Issued	0	0	0	0
Premium on General Obligation Bonds Issued	0	0	0	0
Drainage Warrants Issued	0	0	0	0
Total Other Financing Sources (Uses)	232,285	0	(842,653)	947,506
Net Change in Fund Balances	511,240	(300,653)	(128,824)	(310,911)
Fund Balances Beginning of Year	2,857,376	327,364	493,583	1,001,846
Increase in Reserve For Inventories	0	0	0	392,154
Fund Balances End of Year	\$3,368,616	\$ 26,711	\$ 364,759	\$ 1,083,089

See Notes To Financial Statements

Exhibit E

UR2 Capital Projects	UR2A Capital Projects	Nonmajor	Total
\$ 0	\$ 0	\$ 398,758	\$ 4,672,947
0	0	356,156	356,156
0	0	0	26,568
0	0	71,391	4,167,837
0	0	0	20,858
0	0	64,083	1,055,817
7,640	10,668	31,862	111,940
265,541	0	363,103	754,596
273,181	10,668	1,285,353	11,166,719
0	0	12,610	1,512,217
0	0	0	1,064,571
0	0	0	1,544,621
0	0	241,105	672,368
0	0	0	3,398,039
0	0	0	421,387
0	0	0	833,382
0	0	771,036	775,476
0	0	960,605	966,431
4,229,329	65,323	0	5,255,319
4,229,329	65,323	1,985,356	16,443,811
(3,956,148)	(54,655)	(700,003)	(5,277,092)
0	0	83,000	1,450,644
0	0	(420,138)	(1,450,644)
0	5,000,000	1,310,000	6,310,000
0	0	54,536	54,536
0	0	261,459	261,459
0	5,000,000	1,288,857	6,625,995
(3,956,148)	4,945,345	588,854	1,348,903
3,956,155	0	1,555,090	10,191,414
0	0	0	392,154
\$ 7	\$4,945,345	\$2,143,944	\$11,932,471

**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, 2012**

Net Change in Fund Balances - Total Governmental Funds (Page 18) **\$ 1,348,903**

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/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation/amortization expense in the current year as follows:

Expenditures for Capital Assets	\$ 4,965,793	
Capital Assets Contributed by the Iowa Department of Transportation	619,427	
Capital Assets Contributed by Others	48,000	
Depreciation/Amortization Expense	<u>(1,705,180)</u>	3,928,040

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 as follows:

Property Tax	(599)	
Other	<u>30,163</u>	29,564

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	(6,571,459)	
Repaid	<u>465,267</u>	(6,106,192)

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 as follows:

Compensated Absences	2,585	
Other Postemployment Benefits/Termination Benefits	(76,029)	
Interest on Long-Term Debt	<u>(10,821)</u>	(84,265)

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. 392,154

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 839

Change in Net Assets of Governmental Activities (Page 13) **\$ (490,957)**

See Notes to Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2012

	Internal Service Employee Group Health
<hr/>	
ASSETS	
Cash & Cash Equivalents	\$4,800
<hr/>	
NET ASSETS	
Unrestricted	\$4,800
<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, 2012

	Internal Service Employee Group Health
<hr/>	
Operating Revenues:	
Reimbursements From Operating Funds	\$669,507
Reimbursements From Employees	117,329
Other Reimbursements	16,542
Total Operating Revenues	<hr/> 803,378 <hr/>
Operating Expenses:	
Medical Claims	78,083
Insurance Premiums	714,014
Administrative Fees	10,442
Total Operating Expenses	<hr/> 802,539 <hr/>
Net Income	839
Net Assets Beginning of Year	<hr/> 3,961 <hr/>
Net Assets End of Year	<hr/> \$ 4,800 <hr/>

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2012

	Internal Service Employee Group Health
<hr/>	
Cash Flows From Operating Activities:	
Cash Received From Operating Fund Reimbursements	\$ 669,507
Cash Received From Employees & Others	133,871
Cash Paid to Suppliers for Services	(802,539)
Net Cash Provided by Operating Activities	839
<hr/>	
Cash & Cash Equivalents Beginning of Year	3,961
<hr/>	
Cash & Cash Equivalents End of Year	\$ 4,800
<hr/>	

**Reconciliation of Operating Income to Net Cash Provided by
Operating Activities:**

Operating Income	\$ 839
<hr/>	
Net Cash Provided by Operating Activities	\$ 839
<hr/>	

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2012

ASSETS

Cash & Pooled Investments:	
County Treasurer	\$ 657,300
Other County Officials	12,184
Receivables:	
Property Tax:	
Delinquent	700
Succeeding Year	10,982,426
Accounts	14,841
Accrued Interest	16
Assessments	685,498
Due From Other Governments	6,185
Total Assets	12,359,150

LIABILITIES

Accounts Payable	12,370
Salaries & Benefits Payable	7,283
Due To Other Governments	12,311,478
Trusts Payable	19,613
Compensated Absences	8,406
Total Liabilities	12,359,150

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 the following 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 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 road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The UR2 and UR2A Capital Projects Funds are used to account for all resources used in the acquisition and construction of capital assets, mainly infrastructure.

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.

Resources Held in Escrow for Bond Refunding – As part of a crossover bond refunding, the County has resources held by Bankers Trust in an escrow account. They will be held and used to fund the debt service requirements of the refunded debt through June 1, 2014.

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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2011.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

Drainage Assessments 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, 2012, 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, 2012. 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, 2012, disbursements exceeded amounts budgeted in the Mental Health, Roads and Transportation, 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, 2012 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: Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
	Special Revenue:	
General	Local Option Sales Tax	\$ 266,560
General	Solid Waste Management	14,725
Special Revenue:	Special Revenue:	
Rural Services	Local Option Sales Tax	88,853
Rural Services	Solid Waste Management	50,000
Secondary Roads	Rural Services	947,506
Fair Association	Rural Services	34,000
Winnebago/Worth BETCO	General	49,000
		<u>49,000</u>
Total		<u>\$1,450,644</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, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated/Amortized:				
Land	\$ 1,336,020	\$ 48,000	\$ 0	\$ 1,384,020
Construction in Progress	269,704	495,245	269,704	495,245
Total Capital Assets Not Being Depreciated/Amortized	1,605,724	543,245	269,704	1,879,265
Capital Assets Being Depreciated/Amortized:				
Buildings	3,537,918	0	0	3,537,918
Improvements Other Than Buildings	446,894	51,901	0	498,795
Machinery & Equipment	4,296,924	8,778	0	4,305,702
Vehicles	2,003,117	69,196	20,121	2,052,192
Intangibles	42,469	0	0	42,469
Infrastructure, Road Network	22,526,681	5,229,804	0	27,756,485
Total Capital Assets Being Depreciated/Amortized	32,854,003	5,359,679	20,121	38,193,561
Less Accumulated Depreciation/Amortization For:				
Buildings	839,771	71,358	0	911,129
Improvements Other Than Buildings	266,063	12,849	0	278,912
Machinery & Equipment	3,015,467	241,204	0	3,256,671
Vehicles	1,446,235	127,980	20,121	1,554,094
Intangibles	4,247	8,494	0	12,741
Infrastructure, Road Network	2,518,257	1,243,295	0	3,761,552
Total Accumulated Depreciation/Amortization	8,090,040	1,705,180	20,121	9,775,099
Total Capital Assets Being Depreciated/Amortized, Net	24,763,963	3,654,499	0	28,418,462
Governmental Activities Capital Assets, Net	\$26,369,687	\$4,197,744	\$269,704	\$30,297,727
Depreciation/Amortization expense was charged to the following functions:				
Public Safety & Legal Services				\$ 41,929
Physical Health & Social Services				17,721
Mental Health				856
County Environment & Education				17,255
Roads & Transportation				1,561,070
Governmental Services to Residents				871
Administration				65,478
Total Depreciation/Amortization Expense -- Governmental Activities				\$ 1,705,180

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:

Fund	Description	Amount
General		\$ 17,708
Special Revenue		
Mental Health	Services	202,971
Secondary Roads		3,590
		<u>206,561</u>
	Total for governmental funds	<u>\$ 224,269</u>
Agency:		
Agricultural Extension	Collections	\$ 144,071
Assessor		336,460
Schools		6,574,750
Community Colleges		317,828
Corporations		3,637,050
Auto License & Use Tax		253,815
All Others		1,047,504
		<u>12,311,478</u>
	Total for agency funds	<u>\$12,311,478</u>

Note 6: Changes in Long-Term Liabilities

	General Obligation Bonds	Drainage Warrants	Secondary Road Loan	Compensated Absences	Termination Benefits	Total
Balance Beginning of Year	\$20,850,000	\$ 433,580	\$21,371	\$161,202	\$ 6,952	\$21,473,105
Increases	6,310,000	261,459	0	307	24,515	6,596,281
Decreases	(150,000)	(310,309)	(4,958)	0	(10,469)	(475,736)
Balance End of Year	<u>\$27,010,000</u>	<u>\$ 384,730</u>	<u>\$16,413</u>	<u>\$161,509</u>	<u>\$20,998</u>	<u>\$27,593,650</u>
Due Within One Year	<u>\$ 200,000</u>	<u>\$ 0</u>	<u>\$ 4,958</u>	<u>\$161,509</u>	<u>\$10,199</u>	<u>\$ 376,666</u>

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.

Notes to Financial Statements (Continued)

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

During the fiscal year ended June 30, 2012, the County issued \$6,310,000 in General Obligation Urban Renewal County Road Improvement and Refunding Bonds, Series 2012A. The proceeds were to be used to finance \$5,000,000 in roadway construction and improvement projects and \$1,310,000 was used to crossover refund \$1,100,000 in General Obligation Urban Renewal County Road Improvement Bonds, representing 2015 through 2019 maturities. These maturities will be called for redemption on June 1, 2014. Until then, proceeds of the refunding bonds will be deposited in an escrow account at Bankers Trust for the purpose of generating resources for the debt service payments of the refunded debt. This refunding was undertaken to reduce total debt service payments by \$40,673 and obtain an economic gain of \$37,126.

A crossover refunding does not change the County's status as the primary obligor on the refunded debt. Consequently, there is not defeasance of the refunded debt and the County must report both the refunded and refunding debt, as well as the resources held in escrow, in the financial statements.

A summary of the debt outstanding is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2013	2.25%	\$ 200,000	\$ 180,545	\$ 380,545
2014	2.55%	1,300,000	176,045	1,476,045
2015	2.00%	210,000	134,378	344,378
2016	2.00%	420,000	130,178	550,178
2017	2.00%	595,000	121,777	716,777
2018-2022	2.00%	2,430,000	440,188	2,870,188
2023-2027	2.00-2.50%	2,185,000	216,087	2,401,087
2028	2.60%	470,000	12,220	482,220
	Total	\$7,810,000	\$1,411,418	\$9,221,418

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 Ending June 30,	Interest Rate	Principal	Interest	Total
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	3.00%	1,155,000	639,160	1,794,160
2018-2022	3.15-3.75%	6,370,000	2,613,943	8,983,943
2023-2027	3.85-4.15%	7,705,000	1,332,533	9,037,533
2028	4.25%	1,745,000	74,162	1,819,162
	Total	<u>\$19,200,000</u>	<u>\$7,396,138</u>	<u>\$26,596,138</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 through 2012, 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 Ending June 30,	Interest Rate	Principal	Interest	Total
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>\$16,413</u>	<u>\$1,458</u>	<u>\$17,871</u>

Retirement Benefits

Secondary Road workers who retire after 20 years of continuous service shall receive the basic single policy of health or supplemental insurance through the County for the first three years from the date of the employee's last day of work. During the year ended June 30, 2012, premiums were paid for two retirees totaling \$10,469.

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 Ending June 30,	
2013	\$10,199
2014	<u>10,799</u>
	<u>\$20,998</u>

Drainage Warrants 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 warrants 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 5.38% of their annual covered salary and the County is required to contribute 8.07% 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, 2012, 2011, and 2010 were \$296,544, \$262,892, and \$240,410, 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 663 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, 2012 were \$76,030.

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, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, 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, 2012 was \$669,507.

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 73 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 following table shows the components of the County's annual OPEB cost for June 30, 2012, the amount actually contributed to the plan and the changes in the County's net OPEB obligation:

Annual Required Contribution	\$ 67,780
Interest on Net OPEB Obligation	2,774
Adjustment to Annual Required Contribution	<u>(6,388)</u>
Annual OPEB Cost (Expense)	64,166
Contributions Made	<u>(2,183)</u>
Increase in Net OPEB Obligation	61,983
Net OPEB Obligation Beginning of Year	<u>110,957</u>
 Net OPEB Obligation End of the Year	 <u><u>\$172,940</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, 2012.

For the fiscal year 2012, the County contributed \$2,183 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, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$56,334	2.57%	\$ 54,884
2011	\$61,774	2.90%	\$110,957
2012	\$67,780	3.22%	\$172,940

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, 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 \$3,170,620, and the ratio of the UAAL to the covered payroll was 13.16%. As of June 30, 2012, 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 the 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.

Projected claim costs of the medical plan are \$567 for retirees. The salary increase rate was assumed to be 4% per year.

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: Construction Commitment

The County has entered into contracts totaling \$4,173,775 for roadway projects. As of June 30, 2012 costs of \$495,245 on the projects have been incurred. The balance of \$3,678,530 remaining on the contracts at June 30, 2012 will be paid as work on the projects progress.

Note 13: Subsequent Event

Management evaluated subsequent events through March 27, 2013, the date the financial statements were available to be issued.

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, 2012

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
RECEIPTS:						
Property & Other County Tax	\$ 5,048,151	\$ 0	\$ 5,048,151	\$ 4,793,477	\$ 4,793,477	\$ 254,674
Interest & Penalty on Property Tax	26,439	0	26,439	27,600	27,600	(1,161)
Intergovernmental	4,044,944	0	4,044,944	3,999,920	3,999,920	45,024
Licenses & Permits	21,251	0	21,251	15,684	15,684	5,567
Charges for Service	1,070,384	0	1,070,384	1,086,061	1,086,061	(15,677)
Use of Money & Property	141,409	0	141,409	281,958	281,958	(140,549)
Miscellaneous	755,365	357,889	397,476	127,981	127,981	269,495
Total Receipts	11,107,943	357,889	10,750,054	10,332,681	10,332,681	417,373
DISBURSEMENTS:						
Public Safety & Legal Services	1,453,965	0	1,453,965	1,534,765	1,552,315	98,350
Physical Health & Social Services	1,072,989	0	1,072,989	981,205	1,149,979	76,990
Mental Health	1,579,716	0	1,579,716	1,424,842	1,574,842	(4,874)
County Environment & Education	665,967	0	665,967	897,504	897,504	231,537
Roads & Transportation	3,349,191	0	3,349,191	3,258,153	3,348,153	(1,038)
Governmental Services to Residents	412,269	0	412,269	472,004	493,604	81,335
Administration	820,647	0	820,647	1,024,786	1,027,786	207,139
Non-Program	734,941	619,021	115,920	5,000	5,000	(110,920)
Debt Service	965,681	0	965,681	799,798	983,798	18,117
Capital Projects	5,248,460	0	5,248,460	5,310,247	5,330,247	81,787
Total Disbursements	16,303,826	619,021	15,684,805	15,708,304	16,363,228	678,423
Excess (Deficiency) of Receipts Over (Under) Disbursements	(5,195,883)	(261,132)	(4,934,751)	(5,375,623)	(6,030,547)	1,095,796
Other Financing Sources, Net	6,695,995	261,459	6,434,536	218,754	218,754	6,215,782
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements & Other Financing Uses	1,500,112	327	1,499,785	(5,156,869)	(5,811,793)	7,311,578
Balance Beginning of Year	9,968,170	159,778	9,808,392	8,858,093	8,858,093	950,299
Balance End of Year	\$11,468,282	\$ 160,105	\$11,308,177	\$ 3,701,224	\$ 3,046,300	\$8,261,877

See Accompanying Independent Auditor's Report

WINNEBAGO COUNTY
Forest City, Iowa

BUDGET COMPARISON SCHEDULE –
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$11,107,943	\$ 58,776	\$11,166,719
Expenditures	16,303,826	139,985	16,443,811
Net	(5,195,883)	(81,209)	(5,277,092)
Other Financing Sources, Net	6,695,995	(70,000)	6,625,995
Beginning Fund Balances	9,968,170	223,244	10,191,414
Increase in Reserve For: Inventories	0	392,154	392,154
Ending Fund Balances	\$11,468,282	\$464,189	\$11,932,471

See Accompanying Independent Auditor's Report

Winnebago County
Forest City, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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 ten major classes of expenditures known as functions, not by fund. These ten 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 \$654,924. 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, 2012, disbursements exceeded the amounts budgeted in the Mental Health, Roads and Transportation, 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%
2012	July 1, 2009	\$0	\$425	\$425	0%	\$3,171	13.41%

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.

See Accompanying Independent Auditor's Report

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2012

	Special Revenue		
	Resource Enhancement & Protection	County Recorder's Records Management	Local Option Sales Tax
ASSETS			
Cash & Pooled Investments	\$18,362	\$21,495	\$27,399
Receivables:			
Property Tax:			
Succeeding Year	0	0	0
Accounts	0	647	0
Notes	0	0	0
Accrued Interest	1	4	0
Drainage Assessments	0	0	0
Due From Other Governments	0	0	0
Resources Held in Escrow for Bond Refunding	0	0	0
Prepaid Insurance	0	0	0
TOTAL ASSETS	\$18,363	\$22,146	\$27,399
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	0	0
Total Liabilities	0	0	0
Fund Balances:			
Nonspendable:			
Notes Receivable	0	0	0
Prepaid Insurance	0	0	0
Restricted For:			
Drainage Warrants	0	0	0
Other Purposes	18,363	22,146	27,399
Unassigned	0	0	0
Total Fund Balances	18,363	22,146	27,399
TOTAL LIABILITIES & FUND BALANCES	\$18,363	\$22,146	\$27,399

See Accompanying Independent Auditor's Report

Schedule 1

Special Revenue

Tax Increment Financing	Seizure	Sheriff's Reserve	Fair Association	WinnWorth BETCO
\$ 0	\$5,909	\$2,659	\$297	\$101,980
129,913	0	0	0	0
0	0	0	0	7,122
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
<u>\$129,913</u>	<u>\$5,909</u>	<u>\$2,659</u>	<u>\$297</u>	<u>\$109,110</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,256
0	0	0	0	0
0	0	0	0	2,256
129,913	0	0	0	0
0	0	0	0	0
<u>129,913</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,512</u>
0	0	0	0	0
0	0	0	0	8
0	0	0	0	0
0	5,909	2,659	297	103,590
0	0	0	0	0
<u>0</u>	<u>5,909</u>	<u>2,659</u>	<u>297</u>	<u>103,598</u>
<u>\$129,913</u>	<u>\$5,909</u>	<u>\$2,659</u>	<u>\$297</u>	<u>\$109,110</u>

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue		
	Solid Waste Management	RBEG Grant Revolving Loan	EMS Training/ Ambulance
ASSETS			
Cash & Pooled Investments	\$ 0	\$ 33,987	\$1,766
Receivables:			
Property Tax:			
Succeeding Year	0	0	0
Accounts	15,665	1,885	0
Notes	0	167,668	0
Accrued Interest	7	265	0
Drainage Assessments	0	0	0
Due From Other Governments	0	0	3,908
Resources Held in Escrow for Bond Refunding	0	0	0
Prepaid Insurance	0	0	0
TOTAL ASSETS	\$15,672	\$ 203,805	\$5,674
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	167,668	0
Total Liabilities	0	167,668	0
Fund Balances:			
Nonspendable:			
Notes Receivable	0	167,668	0
Prepaid Insurance	0	0	0
Restricted For:			
Drainage Warrants	0	0	0
Other Purposes	15,672	0	5,674
Unassigned	0	(131,531)	0
Total Fund Balances	15,672	36,137	5,674
TOTAL LIABILITIES & FUND BALANCES	\$15,672	\$ 203,805	\$5,674

See Accompanying Independent Auditor's Report

Schedule 1 (Continued)

Special Revenue					
County Home Trust	Linden Urban Renewal	Urban Renewal 2	Urban Renewal 2A	Drainage	Total
\$56,032	\$189,632	\$309,258	\$ 165,045	\$160,105	\$1,093,926
0	321,571	409,083	0	0	860,567
0	0	0	0	0	25,319
0	0	0	0	0	167,668
21	0	0	0	0	298
0	0	0	0	234,967	234,967
0	0	0	0	0	3,908
0	0	0	1,138,800	0	1,138,800
0	0	0	0	0	8
<u>\$56,053</u>	<u>\$511,203</u>	<u>\$718,341</u>	<u>\$1,303,845</u>	<u>\$395,072</u>	<u>\$3,525,461</u>
\$ 0	\$ 0	\$ 750	\$ 0	\$ 50,077	\$ 54,083
0	0	0	0	61,976	61,976
0	0	0	0	0	2,256
0	321,571	409,083	0	0	860,567
0	0	0	0	234,967	402,635
0	321,571	409,833	0	347,020	1,381,517
0	0	0	0	0	167,668
0	0	0	0	0	8
0	0	0	0	48,052	48,052
56,053	189,632	308,508	1,303,845	0	2,059,747
0	0	0	0	0	(131,531)
<u>56,053</u>	<u>189,632</u>	<u>308,508</u>	<u>1,303,845</u>	<u>48,052</u>	<u>2,143,944</u>
<u>\$56,053</u>	<u>\$511,203</u>	<u>\$718,341</u>	<u>\$1,303,845</u>	<u>\$395,072</u>	<u>\$3,525,461</u>

WINNEBAGO COUNTY
Forest City, Iowa

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2012**

	Special Revenue		
	Resource Enhancement & Protection	County Recorder's Records Management	Local Option Sales Tax
Revenues:			
Property & Other County Tax	\$ 0	\$ 0	\$ 0
Local Option Sales Tax	0	0	356,156
Intergovernmental	10,345	0	0
Charges for Service	0	2,319	0
Use of Money & Property	16	30	0
Miscellaneous	0	0	0
Total Revenues	10,361	2,349	356,156
Expenditures:			
Operating:			
Public Safety & Legal Services	0	0	0
County Environment & Education	15,092	0	0
Non-Program	0	0	0
Debt Service	0	0	0
Total Expenditures	15,092	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,731)	2,349	356,156
Other Financing Sources (Uses):			
Transfers In	0	0	0
Transfers Out	0	0	(355,413)
General Obligation Bonds Issued	0	0	0
Premium on General Obligation Bonds Issued	0	0	0
Drainage Warrants Issued	0	0	0
Total Other Financing Sources (Uses)	0	0	(355,413)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(4,731)	2,349	743
Fund Balances Beginning of Year	23,094	19,797	26,656
Fund Balances End of Year	\$18,363	\$22,146	\$ 27,399

See Accompanying Auditor's Report

Schedule 2

Special Revenue

Tax Increment Financing	Seizure	Sheriff's Reserve	Fair Association	WinnWorth BETCO
\$111,480	\$ 0	\$ 0	\$ 0	\$ 31,299
0	0	0	0	0
0	0	0	0	49,000
0	0	0	0	0
0	0	1	0	0
0	790	1,515	0	2,809
111,480	790	1,516	0	83,108
0	0	110	0	0
0	0	0	34,000	114,013
111,480	0	0	0	0
0	0	0	0	0
111,480	0	110	34,000	114,013
0	790	1,406	(34,000)	(30,905)
0	0	0	34,000	49,000
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	34,000	49,000
0	790	1,406	0	18,095
0	5,119	1,253	297	85,503
\$ 0	\$5,909	\$2,659	\$ 297	\$103,598

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	Special Revenue		
	Solid Waste Management	RBEG Grant Revolving Loan	EMS Training/ Ambulance
Revenues:			
Property & Other County Tax	\$ 0	\$ 0	\$ 0
Local Option Sales Tax	0	0	0
Intergovernmental	0	5,638	6,408
Charges for Service	61,764	0	0
Use of Money & Property	50	25,434	0
Miscellaneous	0	100	0
Total Revenues	61,814	31,172	6,408
Expenditures:			
Operating:			
Public Safety & Legal Services	0	0	12,500
County Environment & Education	0	78,000	0
Non-Program	0	0	0
Debt Service	0	0	0
Total Expenditures	0	78,000	12,500
Excess (Deficiency) of Revenues Over (Under) Expenditures	61,814	(46,828)	(6,092)
Other Financing Sources (Uses):			
Transfers In	0	0	0
Transfers Out	(64,725)	0	0
General Obligation Bonds Issued	0	0	0
Premium on General Obligation Bonds Issued	0	0	0
Drainage Warrants Issued	0	0	0
Total Other Financing Sources (Uses)	(64,725)	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(2,911)	(46,828)	(6,092)
Fund Balances Beginning of Year	18,583	82,965	11,766
Fund Balances End of Year	\$ 15,672	\$ 36,137	\$ 5,674

See Accompanying Auditor's Report

Schedule 2 (Continued)

Special Revenue					
County Home Trust	Linden Urban Renewal	Urban Renewal2	Urban Renewal2A	Drainage	Total
\$ 0	\$255,979	\$ 0	\$ 0	\$ 0	\$ 398,758
0	0	0	0	0	356,156
0	0	0	0	0	71,391
0	0	0	0	0	64,083
270	0	0	6,061	0	31,862
0	0	0	0	357,889	363,103
270	255,979	0	6,061	357,889	1,285,353
0	0	0	0	0	12,610
0	0	0	0	0	241,105
0	0	0	0	659,556	771,036
0	199,668	694,185	66,752	0	960,605
0	199,668	694,185	66,752	659,556	1,985,356
270	56,311	(694,185)	(60,691)	(301,667)	(700,003)
0	0	0	0	0	83,000
0	0	0	0	0	(420,138)
0	0	0	1,310,000	0	1,310,000
0	0	0	54,536	0	54,536
0	0	0	0	261,459	261,459
0	0	0	1,364,536	261,459	1,288,857
270	56,311	(694,185)	1,303,845	(40,208)	588,854
55,783	133,321	1,002,693	0	88,260	1,555,090
\$56,053	\$189,632	\$ 308,508	\$1,303,845	\$ 48,052	\$2,143,944

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING SCHEDULE OF
 FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
ASSETS					
Cash & Pooled Investments:					
County Treasurer	\$ 0	\$ 1,810	\$ 79,949	\$ 86,497	\$ 3,998
Other County Officials	12,184	0	0	0	0
Receivables:					
Property Tax:					
Delinquent	0	14	27	617	31
Succeeding Year	0	142,247	272,470	6,487,636	313,799
Accounts	0	0	0	0	0
Accrued Interest	0	0	0	0	0
Assessments	0	0	0	0	0
Due From Other Governments	0	0	0	0	0
TOTAL ASSETS	\$12,184	\$144,071	\$352,446	\$6,574,750	\$317,828
LIABILITIES					
Accounts Payable	\$ 0	\$ 0	\$ 297	\$ 0	\$ 0
Salaries & Benefits Payable	0	0	7,283	0	0
Due To Other Governments	922	144,071	336,460	6,574,750	317,828
Trusts Payable	11,262	0	0	0	0
Compensated Absences	0	0	8,406	0	0
TOTAL LIABILITIES	\$12,184	\$144,071	\$352,446	\$6,574,750	\$317,828

See Accompanying Independent Auditor's Report

Schedule 3

Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$ 32,794	\$ 1,924	\$ 15,196	\$253,815	\$181,317	\$ 657,300
0	0	0	0	0	12,184
0	11	0	0	0	700
3,604,256	160,453	0	0	1,565	10,982,426
0	0	0	0	14,841	14,841
0	0	0	0	16	16
0	0	685,498	0	0	685,498
0	0	0	0	6,185	6,185
<u>\$3,637,050</u>	<u>\$162,388</u>	<u>\$700,694</u>	<u>\$253,815</u>	<u>\$203,924</u>	<u>\$12,359,150</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,073	\$ 12,370
0	0	0	0	0	7,283
3,637,050	162,388	700,694	253,815	183,500	12,311,478
0	0	0	0	8,351	19,613
0	0	0	0	0	8,406
<u>\$3,637,050</u>	<u>\$162,388</u>	<u>\$700,694</u>	<u>\$253,815</u>	<u>\$203,924</u>	<u>\$12,359,150</u>

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING SCHEDULE OF CHANGES IN
 FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor
ASSETS AND LIABILITIES			
Balances Beginning of Year	\$ 8,640	\$139,527	\$195,926
Additions:			
Property & Other County Tax	0	141,932	272,201
E911 Surcharge	0	0	0
State Tax Credits	0	6,357	5,722
Office Fees & Collections	254,237	0	0
Electronic Transaction Fees	0	0	0
Auto Licenses, Use Tax & Postage	0	0	0
Assessments	0	0	0
Trusts	57,252	0	0
Miscellaneous	0	46	746
Total Additions	311,489	148,335	278,669
Deductions:			
Agency Remittances:			
To Other Funds	129,860	0	0
To Other Governments	121,173	143,791	122,149
Trusts Paid Out	56,912	0	0
Total Deductions	307,945	143,791	122,149
Balances End of Year	\$ 12,184	\$144,071	\$352,446

See Accompanying Independent Auditor's Report

Schedule 4

Schools	Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$6,747,074	\$308,220	\$3,492,087	\$142,134	\$857,924	\$ 249,897	\$349,137	\$12,490,566
6,471,555	313,103	3,622,143	160,137	0	0	1,203	10,982,274
0	0	0	0	0	0	84,837	84,837
306,876	14,046	125,357	6,229	0	0	7,013	471,600
0	0	0	0	0	0	0	254,237
0	0	0	0	0	0	2,320	2,320
0	0	0	0	0	3,180,693	181	3,180,874
0	0	0	0	54,579	0	0	54,579
0	0	0	0	0	0	105,643	162,895
2,141	101	0	62	0	0	230	3,326
6,780,572	327,250	3,747,500	166,428	54,579	3,180,693	201,427	15,196,942
0	0	0	0	0	96,572	0	226,432
6,952,896	317,642	3,602,537	146,174	211,809	3,080,203	225,304	14,923,678
0	0	0	0	0	0	121,336	178,248
6,952,896	317,642	3,602,537	146,174	211,809	3,176,775	346,640	15,328,358
\$6,574,750	\$317,828	\$3,637,050	\$162,388	\$700,694	\$ 253,815	\$203,924	\$12,359,150

WINNEBAGO COUNTY
Forest City, Iowa

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

	Modified Accrual Basis			
	2012	2011	2010	2009
Revenues:				
Property & Other County Tax	\$ 5,029,103	\$ 5,058,930	\$ 4,531,945	\$ 4,451,084
Interest & Penalty on Property Tax	26,568	29,575	33,600	36,500
Intergovernmental	4,167,837	3,915,880	4,286,153	4,181,283
Licenses & Permits	20,858	11,999	18,938	21,375
Charges for Service	1,055,817	1,016,481	886,666	811,960
Use of Money & Property	111,940	139,081	123,478	129,207
Miscellaneous	754,596	496,864	836,556	734,401
Total	<u>\$11,166,719</u>	<u>\$10,668,810</u>	<u>\$10,717,336</u>	<u>\$10,365,810</u>
Expenditures:				
Operating:				
Public Safety & Legal Services	\$ 1,512,217	\$ 1,718,430	\$ 1,696,032	\$ 1,598,942
Physical Health & Social Services	1,064,571	1,038,799	902,272	817,942
Mental Health	1,544,621	1,475,808	1,395,856	1,477,809
County Environment & Education	672,368	659,019	559,188	601,190
Roads & Transportation	3,398,039	3,906,835	2,923,675	2,689,602
Governmental Services to Residents	421,387	355,943	412,702	399,919
Administration	833,382	809,783	791,345	863,600
Non-Program	775,476	767,519	804,909	925,143
Debt Service	966,431	880,262	93,568	26,108
Capital Projects	5,255,319	8,548,891	6,324,971	1,172,369
Total	<u>\$16,443,811</u>	<u>\$20,161,289</u>	<u>\$15,904,518</u>	<u>\$10,572,624</u>

See Accompanying Independent Auditor's Report

Schedule 5

2008	2007	2006	2005	2004	2003
\$4,020,706	\$ 3,833,937	\$3,442,431	\$3,436,568	\$3,425,587	\$3,207,833
29,296	39,916	29,813	23,197	23,710	25,627
3,336,356	4,233,902	3,291,966	3,592,136	3,343,500	3,249,146
31,094	4,789	1,440	6,688	4,318	5,437
1,279,985	746,885	526,760	635,858	623,015	532,835
141,908	153,053	88,420	64,266	47,350	77,013
734,363	866,228	1,230,263	672,265	553,359	485,504
<u>\$9,573,708</u>	<u>\$ 9,878,710</u>	<u>\$8,611,093</u>	<u>\$8,430,978</u>	<u>\$8,020,839</u>	<u>\$7,583,395</u>
\$1,206,878	\$ 1,028,744	\$1,159,504	\$1,028,856	\$1,068,430	\$ 947,793
714,991	630,928	921,911	638,859	634,685	595,080
1,446,283	1,376,244	1,230,189	1,283,480	1,319,996	1,425,307
524,126	492,594	577,202	528,916	589,841	292,896
2,792,585	3,147,858	2,789,407	3,056,178	2,846,418	3,205,298
333,528	340,398	443,203	357,808	334,201	716,100
715,120	723,964	737,438	699,019	724,891	2,848
1,032,144	2,388,287	1,896,728	863,504	597,397	812,449
165,447	0	0	327,919	119,324	0
1,046,234	239,610	117,327	282,570	493,070	936,125
<u>\$9,977,336</u>	<u>\$10,368,627</u>	<u>\$9,872,909</u>	<u>\$9,067,109</u>	<u>\$8,728,253</u>	<u>\$8,933,896</u>

WINNEBAGO COUNTY
Forest City, Iowa

Schedule 6

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 7,172
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C095(58)--8J-95	343,277
Highway Planning and Construction	20.205	BROS-C095(60)--8J-95	312,432
			655,709
National Highway Traffic Safety Administration:			
Iowa Department of Public Safety:			
Traffic Safety Bureau:			
Safety Belt Performance Grant	20.609	PAP 12-03, Task 286	2,628
U.S. Department of Health and Human Services:			
Iowa Department of Elder Affairs			
Retired Agency on Aging			
Special Programs for the Aging -- Title III			
Part B -- Grants for Supportive Services and Senior Centers	93.044	B92313	7,325
Part E -- National Family Caregiver Support	93.052	G87520	877
Iowa Department of Public Health			
Public Emergency Health Preparedness and Response	93.069	5881BT95/5881BT395/5882BT95	19,861
Immunization Services	93.268	5881I481/5882I481	3,608
Care for Yourself	93.283	5882NB26	2,749
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee Assistance	93.566		13
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		1,590
Foster Care -- Title IV-E	93.658		2,617
Adoption Assistance	93.659		764
Expansion Title XXI	93.767		25
Medical Assistance Program	93.778		6,738
Social Services Block Grant	93.667		2,297
Social Services Block Grant	93.667		40,112
			42,409
Total			\$754,085

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

See Accompanying Independent Auditor's Report.



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

To the 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, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 27, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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

The management of Winnebago County is responsible for establishing and maintaining effective 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 and Questioned Costs, 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 II-A-12 through II-6-12 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, contracts and grant agreements, 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 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 and Questioned Costs. 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, including federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by 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 27, 2013

Gardiner Thomsen, P.C.



Gardiner Thomsen
Certified Public Accountants

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Officials of Winnebago County:

Compliance

We have audited Winnebago County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) circular A-133 *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2012. Winnebago County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Winnebago County's management. Our responsibility is to express an opinion on Winnebago County's compliance based on our audit.

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

In our opinion, Winnebago County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

March 27, 2013

Gardiner Thomsen, P.C.

WINNEBAGO COUNTY
Forest City, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) An unqualified opinion was issued on compliance with requirements applicable to the Major Programs.
- (e) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (f) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Winnebago County did not qualify as a low-risk auditee.

WINNEBAGO COUNTY
Forest City, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

II-A-12 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.

II-B-12 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.

Condition – Disbursements in July and August following year end were not always coded as a disbursement for goods or services received prior to June 30 to be included in the Accounts Payable Listing. Debt was issued and the bond proceeds and resources held in escrow for bond refunding were not recorded to the County's records.

Effect – The accounts payable listing, debt, and cash were understated.

Cause – Limited staff.

WINNEBAGO COUNTY
Forest City, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part II: Findings Related to the Financial Statements (Continued)

II-B-12 Financial Reporting (Continued)

Recommendation – The County should implement procedures to ensure all payables, bond proceeds, and resources held in escrow for bond refunding 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.

II-C-12 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.

WINNEBAGO COUNTY
Forest City, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part III: Findings and Questioned Costs For Federal Awards

INSTANCES OF NON-COMPLIANCE:

CFDA Number 20.205: Highway Planning and Construction
Pass-through Agency Number: BROS-C095 (58)--8J-95 and BROS-C095 (60)--8J-95
Federal Award Year: 2012
U.S. Department of Transportation
Passed through the Iowa Department of Transportation

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

CFDA Number 20.205: Highway Planning and Construction
Pass-through Agency Number: BROS-C095 (58)--8J-95 and BROS-C095 (60)--8J-95
Federal Award Year: 2012
U.S. Department of Transportation
Passed through the Iowa Department of Transportation

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 **Certified Budget** – Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the Mental Health, Roads and Transportation and Non-Program functions. Disbursements in several departments exceeded the amounts appropriated during the year and at June 30, 2012.

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

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

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

Conclusion – Response accepted.

IV-B-12 **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.

IV-C-12 **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

WINNEBAGO COUNTY
Forest City, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting: (Continued)

IV-D-12 **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	Vehicle body work	\$ 750
Mark Krull – Thompson Shop Maintenance Operator		
Gary E. Kull – Father	Oil, grease, lubricants, etc.	18,813
Colleen Lamping – Assessor’s Office		
Brad Lamping – Husband	Asbestos testing of bridges	200
Sandy Sunde – Recorder’s Office		
North Iowa Lawn Care – Owned by Son	Fertilizer and weed control	475
Jane Langerud – Auditor’s Office		
Tom Langerud – Husband	Election worker	112

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Body Works, Brad Lamping, North Iowa Lawn Care, 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. Krull do not appear to represent a conflict of interest since Mark Krull appears not to participate in acquiring the above services.

IV-E-12 **Bond Coverage** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed to ensure that the coverage is adequate for current operations.

IV-F-12 **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-12 **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.

IV-H-12 **Resource Enhancement and Protection Certification** – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19 (1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

WINNEBAGO COUNTY
Forest City, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting: (Continued)

IV-I-12 **Economic Development** – During the year ended June 30, 2012, the County paid \$115,542 for economic development which appears to be an appropriate expenditure of public funds since the public benefits have been clearly documented.

IV-J-12 **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, 2012 for the County Extension Office did not exceed the amount budgeted.

IV-K-12 **Sheriff's Office** – During the audit, it was noted that deposits weren't made in a timely manner. The general account and trust account do not balance to monies owed at June 30, 2012. 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.

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.

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

Conclusion – Response acknowledged.