

**WINNESHIEK COUNTY  
DECORAH, IOWA**

**FINANCIAL REPORT**

**JUNE 30, 2012**

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WINNESHIEK COUNTY

OFFICIALS

Name	Title	Term Expires
Les Askelson	Chairperson	December 2012
John Logsdon	Vice-Chairperson	December 2012
Steve Bouska	Supervisor	December 2012
Lonnie Pierce	Supervisor	December 2012
Bill Ibanez	Supervisor	December 2012
Benjamin Steines	County Auditor	December 2012
Wayne Walter	County Treasurer	December 2014
Teresa Bockman	County Recorder	December 2014
Leon Bohr	County Sheriff	December 2012
Andrew Van Der Maaten	County Attorney	December 2014
James Alstad	County Assessor	Appointed
Lee Bjerke	County Engineer	Appointed

**INDEPENDENT AUDITOR'S REPORT  
ON THE FINANCIAL STATEMENTS**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Winneshiek County as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Winneshiek County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Winneshiek County as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2013, on our consideration of Winneshiek County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, and funding progress for the retiree health plan on page 4 and pages 40 through 43, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
February 20, 2013

WINNESHIEK COUNTY  
DECORAH, IOWA

Management's Discussion and Analysis  
For the Fiscal Year Ending June 30, 2012

Management of Winneshiek County provides this management's discussion and analysis of Winneshiek County's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 7.95%, or approximately \$1,380,000, from fiscal 2011 to fiscal 2012. Charges for services, operating grants and contributions, capital grants and contributions, and property taxes increased approximately \$49,000, \$708,000, \$114,000 and \$389,000, respectively.
- Program expenses of the County's governmental activities were 3.62%, or approximately \$563,000, more in fiscal 2012 than in fiscal 2011. Public safety and legal services, roads and transportation and administration expenses increased approximately \$113,000, \$988,000 and \$39,000, respectively, and mental health, county environment, and non-program expenses decreased approximately \$175,000, \$100,000, and \$327,000, respectively.
- The County's net assets of the County's governmental activities increased 5.58%, or approximately \$2,622,000, from June 30, 2011 to June 30, 2012.

USING THE BASIC FINANCIAL STATEMENTS

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

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

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

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.

## REPORTING THE COUNTY AS A WHOLE

### *The Statement of Net Assets and the Statement of Activities*

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

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

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

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

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

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

## REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

### *Fund Financial Statements*

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

### *Governmental Funds*

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

**REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS (Continued)**

*Governmental Funds (Continued)*

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

*Proprietary Funds*

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

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

*Fiduciary Funds*

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

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

Condensed Statement of Net Assets (Expressed in Thousands)			
Governmental Activities			
	2012	2011	Percent Change
Current and other assets	\$ 16,525	\$ 15,670	5.46%
Capital assets	43,667	42,778	2.08%
Total assets	60,192	58,448	2.98%
Long-term debt outstanding	1,700	2,153	-21.04%
Other liabilities	8,915	9,340	-4.55%
Total liabilities	10,615	11,493	-7.64%
Net assets			
Invested in capital assets, net of related debt	43,558	42,559	2.35%
Restricted	3,240	2,149	50.77%
Unrestricted	2,779	2,247	23.68%
Total net assets	\$ 49,577	\$ 46,955	5.58%

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

		Condensed Statement of Net Assets (Expressed in Thousands)		
		Business-type Activities		
		2012	2011	Percent Change
Current and other assets	\$	95	\$ 71	33.80%
Capital assets		1,164	1,213	-4.04%
Total assets		1,259	1,284	-1.95%
Long-term debt outstanding		200	208	-3.85%
Other liabilities		27	20	35.00%
Total liabilities		227	228	-0.44%
Net assets				
Invested in capital assets, net of related debt		974	1,018	-4.32%
Restricted		346	325	6.46%
Unrestricted		(288)	(287)	-0.35%
Total net assets	\$	1,032	\$ 1,056	-2.27%

The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with the sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets-the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements-increased for the governmental activities approximately \$532,000 or 23.68% and decreased for the business-type activities approximately \$1,000 or 0.35%.

The increase in net assets for the governmental activities is due to an increase in charges for services and an increase in property taxes with a decrease in expenditures for mental health, county environment and education, and non-program. The decrease in net assets for the business-type activities is due to the Burr Oak sewer fund and Festina sewer fund paying of interest on bonds and depreciation expense.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

The following analysis shows the change in net assets for the year ending June 30, 2012:

	Changes in Net Assets (Expressed in Thousands)		
	Governmental Activities		
	2012	2011	Percent Change
<b>Revenues:</b>			
<b>Program revenue</b>			
Charges for service	\$ 2,042	\$ 1,993	2.46%
Operating grants	6,034	5,326	13.29%
Capital grants	1,304	1,190	9.58%
<b>General revenue</b>			
Property taxes	7,409	7,020	5.54%
Local option sales tax	1,220	1,289	-5.35%
Penalty and interest on property taxes	55	57	-3.51%
State tax credits	281	288	-2.43%
Rents	126	117	7.69%
Unrestricted investment earnings	49	75	-34.67%
Other	215		
<b>Total revenues</b>	<b>18,735</b>	<b>17,355</b>	<b>7.95%</b>
<b>Program expenses:</b>			
Public safety and legal services	2,298	2,185	5.17%
Physical health and social services	1,394	1,387	0.50%
Mental health	2,526	2,701	-6.48%
County environment and education	1,481	1,581	-6.33%
Roads and transportation	6,169	5,181	19.07%
Government services to residents	449	455	-1.32%
Administration or general government	1,579	1,540	2.53%
Non-program	169	496	-65.93%
Interest on long-term debt	48	24	100.00%
<b>Total expenses</b>	<b>16,113</b>	<b>15,550</b>	<b>3.62%</b>
<b>Increase in net assets</b>	<b>2,622</b>	<b>1,805</b>	<b>45.26%</b>
<b>Net assets beginning of year</b>	<b>46,955</b>	<b>45,150</b>	<b>4.00%</b>
<b>Net assets end of year</b>	<b>\$ 49,577</b>	<b>\$ 46,955</b>	<b>5.58%</b>

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

	Business-type Activities		
	2012	2011	Percent Change
<b>Revenues:</b>			
Program revenue			
Charges for service	\$ 290	\$ 271	7.01%
Unrestricted investment earnings	1		
Total revenues	291	271	7.38%
<b>Program expenses:</b>			
Operating expenses	315	340	-7.35%
Operating loss	(24)	(69)	-65.22%
Net assets beginning of year	1,056	1,125	-6.13%
Net assets end of year	\$ 1,032	\$ 1,056	-2.27%

**INDIVIDUAL MAJOR FUND ANALYSIS**

As the County completed the year, its governmental funds reported a combined fund balance of \$6,092,225, an increase of \$1,583,492 from the 2011 fiscal year end balance of \$4,508,733.

- The general fund ending fund balance showed an increase from the prior year of \$2,038,196 to \$2,977,159, due primarily to increasing revenues in property and other county tax, miscellaneous, and proceeds from disposal of capital assets of \$195,000, \$104,000, and \$210,000, respectively.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$2,527,000, a decrease of 6.51% from the prior year. The mental health fund balance at year end increased by approximately \$490,000 over the prior year.
- Secondary roads fund revenues increased \$314,314 over the prior year. For the year, expenditures totaled \$6,983,643, an increase of \$981,177. The increase in revenues along with the increase in expenditures resulted in a small increase in the secondary roads fund ending balance of approximately \$37,000 or 3.26%.
- The ending fund balance for the rural service fund increased by \$7,212 or 1.48% over the prior year. The increase is due to an increase of revenues of approximately \$34,000 with a decrease of expenditures of about \$20,000.

**BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget twice. The amendments were made in October 2011 and May 2012. However, this did not require an increase in taxes as the County received more intergovernmental and miscellaneous receipts than originally projected.

The amendment made during the 2012 fiscal year should have no impact on the 2013 fiscal year’s budget.

The following chart shows the original and amended budget for fiscal 2012 as well as the actual revenue and expenditures for the year:

	Budgetary Comparison Schedule (Expressed in Thousands)			
	Budget Basis	Budget Amounts		Variance
		Original	Final	
<b>REVENUES</b>				
Property and other County tax	\$ 8,643	\$ 8,696	\$ 8,696	\$ (53)
Interest and penalty on property tax	55	26	26	29
Intergovernmental	8,131	6,254	8,178	(47)
Licenses and permits	19	13	13	6
Charges for service	660	651	651	9
Use of money and property	174	185	185	(11)
Miscellaneous	885	725	953	(68)
<b>Total revenues</b>	<b>\$ 18,567</b>	<b>\$ 16,550</b>	<b>\$ 18,702</b>	<b>\$ (135)</b>
<b>EXPENDITURES</b>				
Public safety and legal services	\$ 2,289	\$ 2,402	\$ 2,415	\$ 126
Physical health and social services	1,448	1,540	1,645	197
Mental health	3,058	3,244	3,721	663
County environment and education services	1,541	1,616	1,707	166
Roads and transportation	5,674	5,532	5,876	202
Governmental services to residents	454	497	504	50
Administrative services	1,743	1,860	1,899	156
Non-program	14	6	364	350
Capital projects	1,642	943	1,698	56
<b>Total expenditures</b>	<b>\$ 17,863</b>	<b>\$ 17,640</b>	<b>\$ 19,829</b>	<b>\$ 1,966</b>

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets*

At the end of fiscal year 2012, Winneshiek County had \$43,667,123 invested in a broad range of capital assets, including large road equipment, infrastructure and construction in progress for the governmental activities. For the enterprise funds, the County had \$1,164,491 invested in land, landfill and sewer systems.

The County had depreciation expense of \$2,012,984 for fiscal year 2012 and total accumulated depreciation of \$30,775,625 as of June 30, 2012 for the governmental activities. The County had depreciation/depletion expense of \$48,825 for fiscal year 2012 and total accumulated depreciation/depletion of \$1,694,427 as of June 30, 2012 for the business-type activities. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### *Debt*

At year-end, the County had \$1,783,241 in bonds and other debt compared to \$2,281,495 last year. More detail is presented in Note 9 to the financial statements.

The County's general obligation bond rating continues to carry the fourth highest rating possible, a rating that has been assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this \$76,600,884 limit.

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

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

Winneshiek County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and the fee that will be charged for various County activities. One of those factors is the economy.

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

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

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

WINNESHIEK COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2012

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 6,326,959	\$ 65,074	\$ 6,392,033
Receivables			
Property tax			
Delinquent	2,538		2,538
Succeeding year	7,951,875		7,951,875
Accounts	51,051	2,650	53,701
Accrued interest	4,789		4,789
Due from other governments	591,183	26,590	617,773
Due from WCASWA	1,197,782		1,197,782
Inventories	328,658		328,658
Prepaid expenses	69,346		69,346
Nondepreciable assets	4,133,954	9,792	4,143,746
Capital assets, net of accumulated depreciation/depletion	39,533,169	1,154,699	40,687,868
	<u>\$ 60,191,304</u>	<u>\$ 1,258,805</u>	<u>\$ 61,450,109</u>
<b>LIABILITIES AND NET ASSETS</b>			
Accounts payable	\$ 455,498		\$ 455,498
Salaries and benefits payable	137,908		137,908
Accrued interest payable	543	\$ 173	716
Due to (from) other funds	(27,206)	27,206	-
Due to other governments	395,868		395,868
Deferred revenue			
Succeeding year property tax	7,951,875		7,951,875
Long-term liabilities			
Portion due within one year			
Bonds payable	300,000		300,000
Notes payable	122,180	4,589	126,769
Compensated absences	224,675	8,854	233,529
Portion due after one year			
Bonds payable	897,782		897,782
Net OPEB obligation	116,473		116,473
Notes payable	38,849	186,312	225,161
	<u>10,614,445</u>	<u>227,134</u>	<u>10,841,579</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	43,557,783	973,590	44,531,373
Restricted for			
Mental health	873,524		873,524
Rural service	495,182		495,182
Secondary roads	1,239,179		1,239,179
Capital projects	150,329		150,329
Other special revenue	416,230		416,230
Other purposes	65,820	346,128	411,948
Unrestricted	2,778,812	(288,047)	2,490,765
	<u>49,576,859</u>	<u>1,031,671</u>	<u>50,608,530</u>
Total liabilities and net assets	<u>\$ 60,191,304</u>	<u>\$ 1,258,805</u>	<u>\$ 61,450,109</u>

See Notes to Financial Statements.

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WINNESHIEK COUNTY  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2012

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
<b>Governmental activities</b>				
Public safety and legal services	\$ 2,298,124	\$ 95,045	\$ 3,036	
Physical health and social services	1,394,587	566,144	467,870	\$ 1,146
Mental health	2,525,864		1,595,245	
County environment and education	1,481,564	172,589	256,616	11,900
Roads and transportation	6,168,969	117,939	3,709,519	1,274,717
Government services to residents	448,688	975,161	1,298	16,560
Administration or general government	1,579,598			
Non-program	168,583	114,975		
Long-term debt interest	47,769			
Total governmental activities	<u>16,113,746</u>	<u>2,041,853</u>	<u>6,033,584</u>	<u>1,304,323</u>
<b>Business-type activities</b>				
Landfill	264,415	243,850		
Burr Oak sewer	29,310	27,963		
Festina sewer	21,359	18,233		
Total business-type activities	<u>315,084</u>	<u>290,046</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 16,428,830</u>	<u>\$ 2,331,899</u>	<u>\$ 6,033,584</u>	<u>\$ 1,304,323</u>
<b>General revenues</b>				
Property taxes levied for				
General purposes				
Local option sales tax				
Penalty and interest on property taxes				
State tax credits				
Rents				
Unrestricted investment earnings				
Gain on sale of capital assets				
Miscellaneous				
Total general revenues				
Change in net assets				
Net assets, beginning of year				
Net assets, end of year				

See Notes to Financial Statements.

EXHIBIT B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (2,200,043)		\$ (2,200,043)
(359,427)		(359,427)
(930,619)		(930,619)
(1,040,459)		(1,040,459)
(1,066,794)		(1,066,794)
544,331		544,331
(1,579,598)		(1,579,598)
(53,608)		(53,608)
(47,769)		(47,769)
<u>(6,733,986)</u>	<u>\$ -</u>	<u>(6,733,986)</u>
	(20,565)	(20,565)
	(1,347)	(1,347)
	<u>(3,126)</u>	<u>(3,126)</u>
<u>-</u>	<u>(25,038)</u>	<u>(25,038)</u>
<u>(6,733,986)</u>	<u>(25,038)</u>	<u>(6,759,024)</u>
7,409,301		7,409,301
1,220,456		1,220,456
55,167		55,167
280,958		280,958
126,260		126,260
48,553	494	49,047
213,927		213,927
772		772
<u>9,355,394</u>	<u>494</u>	<u>9,355,888</u>
2,621,408	(24,544)	2,596,864
<u>46,955,451</u>	<u>1,056,215</u>	<u>48,011,666</u>
<u>\$ 49,576,859</u>	<u>\$ 1,031,671</u>	<u>\$ 50,608,530</u>

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WINNESHIEK COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>ASSETS</b>				
Cash and pooled investments	\$ 3,023,017	\$ 1,277,114	\$ 367,270	\$ 805,011
Receivables				
Property tax				
Delinquent	2,105	335	98	
Succeeding year	5,481,471	1,409,449	1,060,955	
Accounts	43,639		1,650	5,762
Accrued interest	4,451			
Due from other funds	949		27,206	
Due from other governments	88,121	4,682	107,387	335,696
Prepaid expenditures	39,499	1,083	4,340	24,424
Inventories				328,658
<b>Total assets</b>	<b>\$ 8,683,252</b>	<b>\$ 2,692,663</b>	<b>\$ 1,568,906</b>	<b>\$ 1,499,551</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 88,031	\$ 60,544	\$ 5,611	\$ 215,657
Salaries and benefits payable	93,382	1,988	6,428	36,110
Due to other funds	508	431	156	206
Due to other governments	40,711	346,727	574	7,856
Deferred revenue				
Succeeding year property tax	5,481,471	1,409,449	1,060,955	
Other	1,990	318	86	59,517
<b>Total liabilities</b>	<b>5,706,093</b>	<b>1,819,457</b>	<b>1,073,810</b>	<b>319,346</b>
<b>Fund balances</b>				
Nonspendable				
Inventories				328,658
Prepaid expenditures	39,499	1,083	4,340	24,424
Restricted for				
Other purposes	26,321			
Mental health purposes		872,123		
Rural services purposes			490,756	
Secondary roads purposes				827,123
Other special revenue purposes				
Capital projects				
Unassigned	2,911,339			
<b>Total fund balances</b>	<b>2,977,159</b>	<b>873,206</b>	<b>495,096</b>	<b>1,180,205</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,683,252</b>	<b>\$ 2,692,663</b>	<b>\$ 1,568,906</b>	<b>\$ 1,499,551</b>

See Notes to Financial Statements.

EXHIBIT C

Nonmajor Governmental Funds	Total Governmental Funds
\$ 562,534	\$ 6,034,946
	2,538
	7,951,875
	51,051
65	4,516
352	28,507
3,608	539,494
	69,346
	328,658
<u>\$ 566,559</u>	<u>\$ 15,010,931</u>
	\$ 369,843
	137,908
	1,301
	395,868
	7,951,875
	61,911
<u>\$ -</u>	<u>8,918,706</u>
	328,658
	69,346
	26,321
	872,123
	490,756
	827,123
416,230	416,230
150,329	150,329
	2,911,339
<u>566,559</u>	<u>6,092,225</u>
<u>\$ 566,559</u>	<u>\$ 15,010,931</u>

WINNESHIEK COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012

<b>Reconciliation of governmental fund balances to net assets</b>	
Total governmental fund balances	\$ 6,092,225
<b>Amounts reported for governmental activities</b>	
in the statement of net assets are different because:	
Capital assets used in governmental activities are not	
financial resources and therefore are not reported as assets	
in the governmental funds, net of accumulated depreciation of	
\$ 30,775,625	43,667,123
<b>Other assets, including due from WCASWA and other governments</b>	
are not available in the current period and	
therefore are not reported as assets in the funds	
	1,249,471
<b>Other long-term assets are not available to pay for current</b>	
period expenditures and therefore are deferred in the funds	
	61,911
<b>Internal service funds are used by management to charge the costs of self</b>	
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	
	206,631
<b>Other liabilities, including bonds payable and accrued</b>	
interest, are not due and payable in the current period and	
therefore are not reported as liabilities in the funds	
Net OPEB obligation	(116,473)
Bonds payable	(1,197,782)
Notes payable	(161,029)
Compensated absences	(224,675)
Accrued interest	(543)
<hr/>	
Net assets of governmental activities	<u>\$ 49,576,859</u>
<b>Cash and pooled investments of governmental activities include the following reclassifications:</b>	
Internal service fund cash at June 30, 2012	<u>\$ 292,013</u>

See Notes to Financial Statements.

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WINNESHIEK COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2012

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>REVENUES</b>				
Property and other County tax	\$ 5,091,040	\$ 1,369,618	\$ 962,277	
Local option sales tax			1,220,456	
Interest and penalty on property tax	55,167			
Intergovernmental	846,368	1,643,431	285,245	\$ 5,072,881
Licenses and permits	1,317		11,900	6,125
Charges for service	623,463		17,246	326
Use of money and property	172,218			
Miscellaneous	845,126	3,368	460	23,169
<b>Total revenues</b>	<b>7,634,699</b>	<b>3,016,417</b>	<b>2,497,584</b>	<b>5,102,501</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
Public safety and legal services	2,292,597			
Physical health and social services	1,353,488		56,195	
Mental health		2,526,694		
County environment and education services	925,439		592,307	
Roads and transportation			80,000	5,414,568
Governmental services to residents	430,120		10,860	
Administrative services	1,733,409			
Non-program	14,004			
Capital projects	902			1,569,075
<b>Total expenditures</b>	<b>6,749,959</b>	<b>2,526,694</b>	<b>739,362</b>	<b>6,983,643</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>884,740</b>	<b>489,723</b>	<b>1,758,222</b>	<b>(1,881,142)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				1,909,146
Proceeds from disposal of capital assets	210,021			9,205
Transfers out	(155,798)		(1,751,010)	
	54,223	-	(1,751,010)	1,918,351
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>938,963</b>	<b>489,723</b>	<b>7,212</b>	<b>37,209</b>
<b>FUND BALANCES, beginning of year</b>	<b>2,038,196</b>	<b>383,483</b>	<b>487,884</b>	<b>1,142,996</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 2,977,159</b>	<b>\$ 873,206</b>	<b>\$ 495,096</b>	<b>\$ 1,180,205</b>

See Notes to Financial Statements.

EXHIBIT D

Nonmajor Governmental Funds	Total Governmental Funds
	\$ 7,422,935
	1,220,456
	55,167
\$ 160,679	8,008,604
	19,342
4,478	645,513
471	172,689
	872,123
<u>165,628</u>	<u>18,416,829</u>
	2,292,597
10,246	1,419,929
	2,526,694
2,601	1,520,347
	5,494,568
5,000	445,980
	1,733,409
	14,004
<u>35,058</u>	<u>1,605,035</u>
<u>52,905</u>	<u>17,052,563</u>
<u>112,723</u>	<u>1,364,266</u>
	1,909,146
	219,226
<u>(2,338)</u>	<u>(1,909,146)</u>
<u>(2,338)</u>	<u>219,226</u>
110,385	1,583,492
<u>456,174</u>	<u>4,508,733</u>
<u>\$ 566,559</u>	<u>\$ 6,092,225</u>

WINNESHIEK COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2012

Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities		
Net change in fund balances - total governmental funds	\$	1,583,492
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period		
Depreciation	\$	(2,012,984)
Capital outlays		<u>2,907,787</u>
		894,803
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds		
Property tax		(13,634)
The net effect of disposal of capital assets		(5,301)
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities		
		109,043
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due		
		542
The internal service fund is used by management to charge the costs of employee health benefits to individual funds. The net revenue of the internal service fund is reported with governmental activities		
		58,372
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Net OPEB obligation		(37,097)
Compensated absences		<u>31,188</u>
Change in net assets of governmental activities	\$	<u>2,621,408</u>

See Notes to Financial Statements.

WINNESHIEK COUNTY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2012

	Business-type Activities			Governmental Activities
	Landfill	Nonmajor Enterprise Funds	Total	Internal Service
<b>ASSETS</b>				
Cash and pooled investments		\$ 65,074	\$ 65,074	\$ 292,013
Receivables				
Accounts		2,650	2,650	
Accrued interest receivable				273
Due from other governments	\$ 26,590		26,590	
<b>Total current assets</b>	<u>26,590</u>	<u>67,724</u>	<u>94,314</u>	<u>292,286</u>
Noncurrent assets				
Land		9,792	9,792	
Net capital assets	333,512	821,187	1,154,699	
<b>Total noncurrent assets</b>	<u>333,512</u>	<u>830,979</u>	<u>1,164,491</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 360,102</u>	<u>\$ 898,703</u>	<u>\$ 1,258,805</u>	<u>\$ 292,286</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities				
Salaries and benefits payable				\$ 85,655
Accrued interest payable		\$ 173	\$ 173	
Due to other funds	\$ 27,206		27,206	
Notes payable		4,589	4,589	
<b>Total current liabilities</b>	<u>27,206</u>	<u>4,762</u>	<u>31,968</u>	<u>85,655</u>
Noncurrent liabilities				
Long-term debt		186,312	186,312	
Compensated absences	8,854		8,854	
<b>Total noncurrent liabilities</b>	<u>8,854</u>	<u>186,312</u>	<u>195,166</u>	<u>-</u>
<b>Total liabilities</b>	<u>36,060</u>	<u>191,074</u>	<u>227,134</u>	<u>85,655</u>
Net assets				
Invested in capital assets, net of related debt	333,512	640,078	973,590	
Restricted		346,128	346,128	
Unrestricted	(9,470)	(278,577)	(288,047)	206,631
<b>Total net assets</b>	<u>324,042</u>	<u>707,629</u>	<u>1,031,671</u>	<u>206,631</u>
<b>Total liabilities and net assets</b>	<u>\$ 360,102</u>	<u>\$ 898,703</u>	<u>\$ 1,258,805</u>	<u>\$ 292,286</u>

See Notes to Financial Statements.

WINNESHIEK COUNTY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2012

	Business-type Activities			Governmental Activities
	Landfill	Nonmajor Enterprise Funds	Total	Internal Service
<b>OPERATING REVENUES</b>				
Charges for service		\$ 46,196	\$ 46,196	\$ 991,822
Contract services	\$ 243,850		243,850	
<b>Total operating revenues</b>	<b>243,850</b>	<b>46,196</b>	<b>290,046</b>	<b>991,822</b>
<b>OPERATING EXPENSES</b>				
Wages and benefits	239,473		239,473	
Depletion	24,942		24,942	
Depreciation		23,883	23,883	
Other		17,603	17,603	
Insurance claims paid				936,509
<b>Total operating expenses</b>	<b>264,415</b>	<b>41,486</b>	<b>305,901</b>	<b>936,509</b>
<b>Operating (loss) income</b>	<b>(20,565)</b>	<b>4,710</b>	<b>(15,855)</b>	<b>55,313</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income		494	494	3,059
Interest expense		(9,183)	(9,183)	
<b>Net nonoperating revenues (expenses)</b>	<b>-</b>	<b>(8,689)</b>	<b>(8,689)</b>	<b>3,059</b>
<b>(Loss) income before contributions and transfers</b>	<b>(20,565)</b>	<b>(3,979)</b>	<b>(24,544)</b>	<b>58,372</b>
<b>TRANSFERS</b>				
Transfer in		32,584	32,584	
Transfer out		(32,584)	(32,584)	
	-	-	-	-
<b>Change in net assets</b>	<b>(20,565)</b>	<b>(3,979)</b>	<b>(24,544)</b>	<b>58,372</b>
<b>NET ASSETS, beginning of year</b>	<b>344,607</b>	<b>711,608</b>	<b>1,056,215</b>	<b>148,259</b>
<b>NET ASSETS, end of year</b>	<b>\$ 324,042</b>	<b>\$ 707,629</b>	<b>\$ 1,031,671</b>	<b>\$ 206,631</b>

See Notes to Financial Statements.

WINNESHIEK COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2012

	Business-type Activities			Governmental Activities
	Landfill	Nonmajor Enterprise Funds	Total	Internal Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from contract labor	\$ 231,799		\$ 231,799	
Cash received from charges for services		\$ 46,891	46,891	\$ 987,041
Cash payments to employees for services	(231,799)		(231,799)	
Cash payments to suppliers for services		(17,603)	(17,603)	(946,824)
Net cash provided by operating activities	-	29,288	29,288	40,217
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating transfers in		32,584	32,584	
Operating transfers (out)		(32,584)	(32,584)	
Net cash provided by noncapital financing activities	-	-	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal payments on notes payable		(4,381)	(4,381)	
Interest paid on long-term borrowing		(9,187)	(9,187)	
Net cash used in capital and related financing activities	-	(13,568)	(13,568)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments		494	494	3,055
Net increase in cash and cash equivalents	-	16,214	16,214	43,272
CASH and CASH EQUIVALENTS, beginning of year	-	48,860	48,860	248,741
CASH and CASH EQUIVALENTS, end of year	\$ -	\$ 65,074	\$ 65,074	\$ 292,013
<b>Reconciliation of operating (loss) income to net cash provided by operating activities</b>				
Operating (loss) income	\$ (20,565)	\$ 4,710	\$ (15,855)	\$ 55,313
Adjustments to reconcile operating (loss) income to net cash provided by operating activities				
Depreciation and depletion	24,942	23,883	48,825	
Decrease in accounts receivable		695	695	
Decrease in accounts payable				(10,315)
(Increase) in due from other governments	(7,803)		(7,803)	
Increase in salaries and benefits payable	7,674		7,674	
(Decrease) in deferred revenue				(4,781)
(Decrease) in accrued compensated absences	(4,248)		(4,248)	
Net cash provided by operating activities	\$ -	\$ 29,288	\$ 29,288	\$ 40,217

See Notes to Financial Statements.

WINNESHIEK COUNTY  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
June 30, 2012

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<b>ASSETS</b>	
Cash and pooled investments	
County Treasurer	\$ 1,191,736
Other County officials	60,542
Receivables	
Property tax	
Delinquent	5,752
Succeeding year	21,445,318
Accounts	4,508
Accrued interest	199
Due from other governments	19,709
Prepaid insurance	1,640
	<hr/>
Total assets	\$ 22,729,404
<b>LIABILITIES</b>	
Accounts payable	\$ 4,385
Salaries and benefits payable	4,424
Due to other funds	390
Due to other governments	22,704,024
Trusts payable	3,547
Compensated absences	12,634
	<hr/>
Total liabilities	\$ 22,729,404
	<hr/>
NET ASSETS	\$ None

See Notes to Financial Statements.

WINNESHIEK COUNTY

NOTES TO FINANCIAL STATEMENTS

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1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

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

b. Significant Accounting Policies

*Scope of Reporting Entity*

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

*Jointly Governed Organizations*

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

*Government-wide Financial Statements*

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

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

b. Significant Accounting Policies (Continued)

*Government-wide Financial Statements (Continued)*

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

*Fund Financial Statements*

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

The funds of the financial reporting entity are described below:

*Governmental*

*General Fund*

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

*Special Revenue Funds*

The special revenue funds are used to account for revenues derived from specific sources which are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The major funds in this category are rural services, secondary roads, and Mental Health/Development Disabilities (MH/DD) Services.

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

b. Significant Accounting Policies (Continued)

*Fund Financial Statements (Continued)*

*Governmental (Continued)*

*Special Revenue Funds (Continued)*

The Mental Health/Development Disabilities (MH/DD) Services fund is used to account for property tax and other revenues 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.

*Proprietary Fund Types*

*Enterprise Fund*

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

*Internal Service Fund*

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

*Fiduciary Fund Types*

*Agency Funds*

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

*Measurement Focus*

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

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

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

b. Significant Accounting Policies (Continued)

*Measurement Focus (Continued)*

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

- a. All governmental fund financial statements are accounted for on current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in fund balances. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.
- b. The proprietary funds are accounted for on economic resources measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their statements of net assets. In reporting the financial activity on the proprietary fund statements, the County applies all applicable GASB pronouncements. As allowed in Section P80 of GASB’s Codification of Governmental Accounting and Financial Reporting Standards, the County has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

*Basis of Accounting*

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

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

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

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

b. Significant Accounting Policies (Continued)

*Basis of Accounting (Continued)*

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

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

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

*Assets, Liabilities and Fund Equity*

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

*Cash Management, Cash Equivalents, and Investments*

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

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

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

*Property Tax Receivable*

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

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Fund Equity (Continued)*

*Property Tax Receivable (Continued)*

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

*Interfund Transactions*

During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2012, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the government-wide statements.

*Due from Other Governments*

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

*Inventories*

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

*Prepaid Expenditures*

Payments made for insurance for a future period beyond June 30, 2012 are recorded as prepaid insurance. The fund balances in the governmental fund types have been reserved for the prepaid expenditures recorded in those funds. This reflects the amount of net assets not currently available for expenditure.

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Fund Equity (Continued)*

*Capital Assets*

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

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

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

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

For the year ended June 30, 2012, depletion is recorded on the landfill using the useful life of 27 years.

*Due to Other Governments*

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

*Trusts Payable*

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

*Deferred Revenue*

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

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Fund Equity (Continued)*

*Long-term Obligations*

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

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

*Compensated Absences*

County employees receive vacation leave at the following rates:

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

Employees may accumulate up to 20 days of vacation. Sick leave accrues at the rate of two days per month and employees may accumulate up to 120 days sick leave. These accumulations are not recognized as expenditures by the County until used. The County's policy prohibits payoff of accumulated sick leave at termination of employment. Consequently, no liability for accumulated sick leave at June 30, 2012 has been determined or presented. A liability is recorded when incurred in the government wide and fiduciary fund financial statements. The County's approximate maximum liability for accrued vacation pay at June 30, 2012 is \$224,675.

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

*Fund Balance*

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

- *Nonspendable fund balances* are 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 fund balances* are 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 imposed by law through constitutional provisions or enabling legislation.
- *Unassigned fund balances* are the remaining fund balance which is not included in other spendable classifications.

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Fund Equity (Continued)*

*Net Assets*

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

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

Unrestricted net assets represent the difference between assets and liabilities that are not restricted and can be used for future obligations of the County.

*Budgets and Budgetary Accounting*

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

*Revenues, Expenditures and Expenses*

Property tax revenue recognized in the governmental funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

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

*Management Estimates*

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

2. Deposits and Investments

The County's deposits in banks at June 30, 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

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2. Deposits and 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 and improvement certificates of a drainage district.

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

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,126,899 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to credit risk categorization.

*Interest Rate Risk*

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

*Credit Risk*

The investment in Iowa Public Agency Investment Trust is unrated.

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2012:

Governmental		
General fund		
Medicare	\$	26,651
Miscellaneous state grants and reimbursements		46,484
DHS administration reimbursements		11,156
Other		3,830
		88,121
Special revenue		
Mental health fund		
Other		4,682
Rural service fund		
Local option sales tax		107,387
Secondary roads fund		
Road use tax		251,788
Grants		83,078
Other		830
		335,696

NOTES TO FINANCIAL STATEMENTS

3. Due from Other Governments (Continued)

Water testing		
Other	\$	3,608
Calmar fire department		
Loan receivable		51,689
Total governmental		591,183
Business-type		
Proprietary		
Finance agreement landfill		26,590
	\$	617,773

4. Capital Assets

Capital assets activity for the year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 484,290			\$ 484,290
County environment	5,617			5,617
Trail in progress	2,000,173	\$ 20,354		2,020,527
Metronet in progress		37,500		37,500
Infrastructure in progress	2,126,314	2,591,811	\$ 3,132,105	1,586,020
	4,616,394	2,649,665	3,132,105	4,133,954
Capital assets being depreciated				
Buildings	7,669,730	55,306		7,725,036
Equipment	7,354,966	179,575	35,425	7,499,116
Vehicles	954,956	23,241	16,610	961,587
Infrastructure	50,990,950	3,132,105		54,123,055
Total capital assets being depreciated	66,970,602	3,390,227	52,035	70,308,794
Less accumulated depreciation				
Buildings	3,482,838	181,882		3,664,720
Equipment	3,968,384	357,120	30,124	4,295,380
Vehicles	739,197	57,341	16,610	779,928
Infrastructure	20,618,956	1,416,641		22,035,597
Total accumulated depreciation	28,809,375	2,012,984	46,734	30,775,625
Total capital assets being depreciated, net	38,161,227	1,377,243	5,301	39,533,169
Governmental activities, capital assets, net	\$ 42,777,621	\$ 4,026,908	\$ 3,137,406	\$ 43,667,123

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets (Continued)

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
<b>Business-type activities</b>				
Land	\$ 9,792			\$ 9,792
<b>Capital assets being depreciated or depleted</b>				
Equipment	1,195,426			1,195,426
Landfill	1,653,700			1,653,700
<b>Total capital assets being depreciated or depleted</b>	2,849,126			2,849,126
<b>Less accumulated depreciation or depletion</b>				
Equipment	350,356	\$ 23,883		374,239
Landfill	1,295,246	24,942		1,320,188
<b>Total accumulated depreciation or depletion</b>	1,645,602	48,825		1,694,427
<b>Total capital assets being depreciated or depleted, net</b>	1,203,524	(48,825)		1,154,699
<b>Business-type activities</b>				
Capital assets, net	\$ 1,213,316	\$ (48,825)	\$ None	\$ 1,164,491

For the year ended June 30, 2012, depreciation expense was charged to functions of the primary government as follows:

<b>Governmental activities</b>	
Public safety and legal services	\$ 36,576
Physical health and social services	4,981
County environment and education	25,943
Roads and transportation	1,917,176
Governmental services to residents	21,408
Administrative services	6,900
	<u>\$ 2,012,984</u>
<b>Business-type activities</b>	
Burr Oak sewer fund	\$ 12,667
Festina sewer fund	11,216
	<u>\$ 23,883</u>

NOTES TO FINANCIAL STATEMENTS

5. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments as of June 30, 2012 is as follows:

Governmental				
General fund	Services	\$	40,711	
Special revenue fund				
Secondary roads	Services		7,856	
Rural services	Services		574	
MH/DD	Services		346,727	
			355,157	
Total for special revenue			355,157	
Total governmental		\$	395,868	
Fiduciary				
Agency				
County offices		\$	61,503	
Agricultural Extension Education			206,168	
County assessor collections			359,090	
Schools			14,875,369	
Area schools			967,918	
Corporations			4,359,399	
Townships			358,938	
Auto license and use tax			463,288	
Other			1,052,351	
			22,704,024	
Total agency funds		\$	22,704,024	

6. Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.38%, 4.50%, and 4.30% of their annual covered salary and the County is required to contribute 8.07%, 6.95%, and 6.65% of covered salary for the years ended June 30, 2012, 2011, and 2010 respectively. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$444,982, \$376,250, and \$342,344, respectively equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

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7. Construction, Purchase and Other Commitments

The total outstanding construction and purchase commitments of the County at June 30, 2012 amount to \$1,334,117 and commitments to be reimbursed is \$None.

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

8. Leases

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

The City of Decorah has leased space to Winneshiek County within the City's Police Department for \$133,379 from July 1, 2012 through June 30, 2012.

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

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

Future lease payments under these agreements are as follows:

Year ended June 30, 2013	<u>\$ 133,379</u>
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NOTES TO FINANCIAL STATEMENTS

9. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Issued	(Paid)	Balance June 30, 2012	Amounts Due Within One Year
<b>Governmental activities</b>					
<b>General Obligation Bonds</b>					
Solid Waste postclosure	\$ 1,498,865		\$ (301,083)	\$ 1,197,782	\$ 300,000
<b>Total bonds</b>	<b>1,498,865</b>		<b>(301,083)</b>	<b>1,197,782</b>	<b>300,000</b>
<b>Other liabilities</b>					
Note payable	218,383		(109,043)	109,340	109,340
Note payable	100,000		(48,311)	51,689	12,840
Compensated absences	255,863	\$ 224,675	(255,863)	224,675	224,675
	574,246	224,675	(413,217)	385,704	346,855
<b>Governmental activities</b>					
Long-term liabilities	\$ 2,073,111	\$ 224,675	\$ (714,300)	\$ 1,583,486	\$ 646,855
<b>Business-type activities</b>					
<b>Other liabilities</b>					
Notes payable	\$ 195,282		\$ (4,381)	\$ 190,901	\$ 4,589
Compensated absences	13,102	\$ 8,854	(13,102)	8,854	8,854
<b>Total other liabilities</b>	<b>208,384</b>	<b>8,854</b>	<b>(17,483)</b>	<b>199,755</b>	<b>13,443</b>
<b>Business-type activities</b>					
Long-term liabilities	\$ 208,384	\$ 8,854	\$ (17,483)	\$ 199,755	\$ 13,443

**General Obligation Bond**

On October 26, 2009 the County issued General Obligation Bonds worth \$2,100,000. The proceeds from this issue were for the purpose of funding the future landfill closure and postclosure costs. The issue of bonds bears interest ranging from 3.25% to 4.5% and matures from June 1, 2012 to June 1, 2016.

9. Long-term Debt Obligations (Continued)

Notes Payable

*Road Use Tax Fund Revenue Note*

In July 2009 the County issued revenue notes totaling \$436,873 at 2.98% interest due in semi-annual payments of \$54,600 plus interest starting October 2009 through 2012. These notes were used to finance trucks for the County secondary road department recorded in the secondary road fund. Interest expense of \$5,929 is reported in the secondary roads fund.

*Calmar Township Note*

In July 2010 the County issued revenue notes totaling \$100,000 at 3.50% interest due in semi-annual payments of \$7,220 starting November 2011 through May 2019. This note was used to finance a truck for the Calmar Fire Department.

*USDA Rural Development*

In April 1993 the County issued revenue notes totaling \$105,000 at 5% interest due in annual payments of \$6,226 starting July 1995 through 2032. These notes were used to partially finance the Burr Oak Sewer project, and are recorded in the enterprise fund. Interest expense of \$3,985 is reported in the Burr Oak Sewer enterprise fund. The County prepaid the payment in June 2012.

*Department of Natural Resources*

In April 2000 the County issued revenue notes totaling \$132,500 at 4.5% interest due in annual payments of \$7,342 starting July 2003 through 2039. These notes were issued to partially finance the Festina Wastewater Collection & Treatment System Project. Interest expense of \$5,198 is reported in the Festina Sewer enterprise fund. The County prepaid the payment in June 2012.

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

Year ending June 30,	Governmental Activities	
	Refunding Solid Waste Bond	
	Principal	Interest
2013	\$ 300,000	\$ 39,000
2014	300,000	29,250
2015	300,000	19,500
2016	297,782	9,750
Total	\$ 1,197,782	\$ 97,500

NOTES TO FINANCIAL STATEMENTS

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9. Long-term Debt Obligations (Continued)

Year ending June 30,	Governmental Activities	
	Notes Payable	
	Principal	Interest
2013	\$ 122,180	\$ 6,331
2014	13,195	3,031
2015	13,660	2,629
2016	11,994	2,212
<b>Total</b>	<b>\$ 161,029</b>	<b>\$ 14,203</b>
Year ending June 30,	Business-type Activities	
	Notes/Leases Payable	
	Principal	Interest
2013	\$ 4,589	\$ 8,979
2014	4,807	8,761
2015	5,036	8,533
2016	5,276	8,292
2017	5,526	8,042
2018-2022	31,836	36,004
2023-2027	40,174	27,666
2028-2032	50,502	18,586
2033-2037	29,538	7,171
2038-2039	13,617	2,386
<b>Total</b>	<b>\$ 190,901</b>	<b>\$ 134,420</b>

At June 30, 2012, the debt issued by the County did not exceed its legal debt margin compiled as follows:

Total assessed valuation	\$1,567,071,666
Debt limit – 5% of total assessed valuation	\$ 78,353,583
Debt applicable to debt limit	
Refunding Solid Waste bond outstanding	(1,197,782)
Notes payable	(161,029)
Other debt	(393,888)
<b>Legal debt margin</b>	<b>\$ 76,600,884</b>

NOTES TO FINANCIAL STATEMENTS

10. Due to/from Other Funds

As of June 30, 2012, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 949	\$ 508
Special revenue funds		
Rural services	27,206	156
Mental health		431
Secondary roads		206
Recorder's records management	352	
Proprietary funds		
Landfill		27,206
	\$ 28,507	\$ 28,507

11. Other Postemployment Benefits (OPEB)

*Plan Description*

The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 119 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

*Funding Policy*

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

*Annual OPEB Cost and Net OPEB Obligation*

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

NOTES TO FINANCIAL STATEMENTS

11. Other Postemployment Benefits (OPEB) (Continued)

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

Annual required contribution	\$	39,963
Interest on net OPEB obligation		1,798
Adjustment to annual required contribution		(4,664)
Annual OPEB cost		37,097
Contributions made		None
Increase in net OPEB obligation		37,097
Net OPEB obligation beginning of year		79,376
Net OPEB obligation end of year	\$	116,473

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

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	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 39,963	0.0%	\$ 39,963
June 30, 2011	\$ 39,413	0.0%	\$ 79,376
June 30, 2012	\$ 37,097	0.0%	\$ 116,473

*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 \$319,226, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$319,226. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,117,364 and the ratio of the UAAL to covered payroll was 6.23%. As of June 30, 2012, there were no trust fund assets.

*Actuarial Methods and Assumptions*

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTES TO FINANCIAL STATEMENTS

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11. Other Postemployment Benefits (OPEB) (Continued)

*Actuarial Methods and Assumptions (Continued)*

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

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

Mortality rates are from RP-2000 Combined Mortality Table projected to 2012 using Scale AA.

12. Interfund Transfers

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

	Transfers In	Transfers Out
General fund		
Secondary roads		\$ 155,798
Special revenue		
Rural services		1,751,010
Secondary roads	\$ 1,909,146	
	1,909,146	1,751,010
Debt service	None	2,338
Total	\$ 1,909,146	\$ 1,909,146

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

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13. Fund Equity

The government-wide statement of net assets reports \$2,149,255 of restricted net assets, of which \$2,140,703 is restricted by enabling legislation. The amounts restricted at June 30, 2012 are as follows:

Restricted net assets	
Mental health	\$ 873,524
Rural services	495,182
Secondary roads	1,239,179
Capital projects fund	150,329
Other special revenue	416,230
Other	65,820
	\$ 3,240,264

Restricted net assets	
Proprietary funds	
Burr Oak sewer	\$ 195,758
Festina sewer	133,020
Burr Oak sewer reserve	6,226
Festina sewer reserve	9,052
Other purpose	2,072
	\$ 346,128

The fund balance nonspendable amounts at June 30, 2012 are as follows:

Nonspendable	
Inventories	\$ 328,658
Prepaid expenditures	69,346
	\$ 398,004

14. Joint Venture

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

15. Accrued Closure and Postclosure Care Costs

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

**15. Accrued Closure and Postclosure Care Costs (Continued)**

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the current cost to purchase those services and equipment, and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The estimate of these costs for the Agency were revised as of March 9, 2012 and have been estimated at \$3,415,003 for closure and \$3,394,050 for postclosure, for a total of \$6,809,053 as of June 30, 2012, and the portion of the liability that has been recognized is \$4,556,500. The change in estimated closure and postclosure costs effective March 9, 2012 resulted an increase of costs accrued in prior years of approximately \$158,000, which has been reflected as an increase in the current year closure and postclosure operating expenses in the fiscal year ended June 30, 2012. The amounts allocated are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2012. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 11 years and the capacity used at June 30, 2012 is approximately 67 percent.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has accumulated resources to fund these costs and, at June 30, 2012, assets of \$7,023,219 are restricted for these purposes, of which \$3,522,416 is for closure and \$3,500,803 is for postclosure care. They are reported as restricted investments on the statements of net assets.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund as an additional funding mechanism. Chapter 576-113.14(8) of the IAC requires a dedicated fund that is restricted to pay for closure, postclosure or corrective action costs. The amount of funds restricted for the year ended June 30, 2012 is \$7,023,219.

16. Contingent Liabilities

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of June 30, 2012 significant amounts of grant expenditures have not been audited by granting authorities but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

The County is currently contingently liable to perform environmental cleanup at two locations due to the Iowa Department of Natural Resources (DNR) classifying them as high risk sites. Proposals have been submitted to the Iowa DNR outlining the County's plans for clean up. As of June 30, 2012, no ruling has been made by the Iowa DNR. As a result, no estimate can be made of future clean up costs. Funds may be available from the Iowa Comprehensive Petroleum Underground Storage Tank fund to offset some of these potential costs.

17. Risk Management

Winneshiek County is a member in the Heartland Insurance Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Insurance Risk Pool (pool) is a local government risk-sharing pool whose 10 members include counties throughout the State of Iowa. The pool was formed July 1, 1987 for the purpose of providing a voluntary self-insured program to counties in the State of Iowa. The program is designed to provide members a greatly improved loss control program whose purpose is to reduce claims and accidents; aid through sound and equitable claim management practices to reduce costs; and provide the required and/or desired reinsurance at a discount, based on volume and lower risk exposure. The pool provides coverage and protection in the following categories: workers' compensation, automobile liability and physical damage, general liability, public officials' errors and omissions, law enforcement liability, property (which includes inland marine, extra expense and business income) and crime. Automobile liability is written on an occurrence basis and general liability, public officials' errors and omissions, and law enforcement liability are written on a claims-basis.

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

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 an 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 \$155,560.

17. Risk Management (Continued)

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 certificates, 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 recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 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 in any of the past fiscal years.

Members agree to continue membership in the pool for a period of not less than five full years. Subsequent to this initial term, the member may withdraw at the end of the fifth fiscal year of a five year term, only after at least 90 days prior written notice. Withdrawal from the pool does not relieve that member of its pro rata share of the joint liability of other remaining members incurred or accrued at any time before termination. Upon withdrawal, if the member is vested then they are refunded 90 percent of its positive claims fund balance over a five year period, the remaining 10 percent is retained by the pool to cover expenses and administration costs. If the member is not vested, then they will receive 20 percent of the member's positive claims fund balance for each full year of membership. The pool reserves the right to reassess the former member up to the total amount of the returned claims fund payments if claims develop subsequent to membership termination, which have not been calculated in the reserve for incurred but not reported claims.

18. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued six statements not yet implemented by the County. The statements which might impact the County are as follows:

Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; issued November 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this statement is to improve financial reporting for a governmental financial reporting entity.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; issued December 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011, will be effective for the fiscal year ending June 30, 2013. This statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

18. New Governmental Accounting Standards Board (GASB) Standards (Continued)

GASB Statement 65, *Items Previously Classified as Assets and Liabilities*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. This statement reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflow of resources, and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement 66, *Technical Corrections – 2012*, an amendment of GASB Statements 10 and 62, issued March 2012, effective for the fiscal year ending June 30, 2014. The objective of this statement is to improve accounting and financial reporting for governmental entities by resolving conflicting guidance in GASB Statements 54 and 62, on risk financing activities and operating leases.

GASB Statement 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, issued June 2012, will be effective for the fiscal year ended June 30, 2015. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions which are provided by other entities.

The County's management has not yet determined the effect these statements will have on the County's financial statements.

19. Subsequent Events

Winneshiek County paid off the Solid Waste postclosure bond on October 25, 2012 with proceeds from the Winneshiek County Area Solid Waste Agency.

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WINNESHIEK COUNTY  
 BUDGETARY COMPARISON SCHEDULE  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE -  
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
 June 30, 2012

	Actual	Less Amounts not Budgeted	Budget Basis
<b>RECEIPTS</b>			
Property and other County tax	\$ 8,643,374		\$ 8,643,374
Interest and penalty on property tax	55,141		55,141
Intergovernmental	8,130,723		8,130,723
Licenses and permits	19,342		19,342
Charges for service	660,170		660,170
Use of money and property	173,625		173,625
Miscellaneous	887,002	\$ 1,604	885,398
<b>Total receipts</b>	<b>18,569,377</b>	<b>1,604</b>	<b>18,567,773</b>
<b>DISBURSEMENTS</b>			
Public safety and legal services	2,289,334		2,289,334
Physical health and social services	1,447,486		1,447,486
Mental health	3,058,461		3,058,461
County environment and education services	1,540,473		1,540,473
Roads and transportation	5,673,622		5,673,622
Governmental services to residents	454,327		454,327
Administrative services	1,743,322		1,743,322
Non-program	14,004		14,004
Capital projects	1,642,323		1,642,323
<b>Total disbursements</b>	<b>17,863,352</b>	<b>-</b>	<b>17,863,352</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>706,025</b>	<b>1,604</b>	<b>704,421</b>
<b>OTHER FINANCING SOURCES, NET</b>	<b>219,226</b>		<b>219,226</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES</b>	<b>925,251</b>	<b>1,604</b>	<b>923,647</b>
<b>BALANCE, beginning of year</b>	<b>5,109,694</b>		<b>5,109,694</b>
<b>BALANCE, end of year</b>	<b>\$ 6,034,945</b>	<b>\$ 1,604</b>	<b>\$ 6,033,341</b>

See Notes to Required Supplementary Information.

Budget Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 8,695,750	\$ 8,695,750	\$ (52,376)
25,650	25,650	29,491
6,253,944	8,178,062	(47,339)
12,900	12,900	6,442
651,240	651,240	8,930
184,955	184,955	(11,330)
725,366	953,526	(68,128)
<u>16,549,805</u>	<u>18,702,083</u>	<u>(134,310)</u>
2,401,860	2,414,780	125,446
1,539,521	1,645,560	198,074
3,244,376	3,721,046	662,585
1,616,162	1,706,622	166,149
5,532,200	5,875,700	202,078
497,125	504,105	49,778
1,860,084	1,898,704	155,382
6,000	363,967	349,963
943,110	1,698,110	55,787
<u>17,640,438</u>	<u>19,828,594</u>	<u>1,965,242</u>
(1,090,633)	(1,126,511)	1,830,932
<u>255,021</u>	<u>277,360</u>	<u>(58,134)</u>
(835,612)	(849,151)	1,772,798
<u>3,919,758</u>	<u>3,919,758</u>	<u>1,189,936</u>
<u>\$ 3,084,146</u>	<u>\$ 3,070,607</u>	<u>\$ 2,962,734</u>

WINNESHIEK COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 BUDGET TO GAAP RECONCILIATION  
 For the Year Ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 18,569,377	\$ (152,548)	\$ 18,416,829
Expenditures	17,863,352	(810,789)	17,052,563
Net	706,025	658,241	1,364,266
Other financing sources, net	219,226		219,226
Beginning fund balance	5,109,694	(600,961)	4,508,733
Ending fund balance	\$ 6,034,945	\$ 57,280	\$ 6,092,225

See Notes to Required Supplementary Information.

WINNESHIEK COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2012

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The budgetary comparison is presented as required supplementary information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, capital projects fund and debt service fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted revenues by \$2,174,617 and increased disbursements by \$2,188,156. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office, by the County Agricultural Extension Council; for the County Assessor by the County Conference Board; and for the E-911 System by the Joint E-911 Service Board, and for Emergency Management Services by the County Emergency Management Commission.

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

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

Fiscal Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 319	\$ 319	0.00%	\$ 4,486	7.1110%
2011	July 1, 2009	-	\$ 319	\$ 319	0.00%	\$ 4,923	6.4798%
2012	July 1, 2009	-	\$ 319	\$ 319	0.00%	\$ 5,117	6.2341%

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

INDEPENDENT AUDITOR'S REPORT  
ON THE SUPPLEMENTARY INFORMATION

To the Board of Supervisors  
Winneshiek County  
Decorah, Iowa

We have audited the financial statements of Winneshiek County as of and for the year ended June 30, 2012, and our report thereon dated February 20, 2013, which expressed an unqualified opinion on the financial statements, appears on pages 2 through 3. Our audit was performed for the purpose of forming opinions on such financial statements as a whole. The supplementary information on Schedules 1 through 9 for 2012 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is also not a required part of the financial statements. The supplementary information on Schedules 1 through 9 for 2012 and the schedule of expenditures of federal awards are the responsibility of management and were 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 U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We also have previously audited, in accordance with U.S. generally accepted auditing standards, the financial statements of Winneshiek County as of and for the years ending June 30, 2003 through 2011, (none of which are presented herein), and we expressed unqualified opinions on those financial statements as of and for the years ended June 30, 2007 through 2011 respectively. We expressed qualified opinions on the governmental activities for the 2003 through 2006 fiscal years due to the omission of certain capital assets, net depreciation. We expressed unqualified opinions on the business-type activities, each major fund, and aggregate remaining fund information for the 2003 through 2006 fiscal years. Those audits were conducted for purposes of forming an opinion on the financial statements as a whole. The comparative schedule of revenues by source and expenditures by function (Schedule 9) information for fiscal years 2003 to 2011 is presented for purposes of additional analysis and is not a required part of the 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 June 30, 2003 through 2011 financial statements. The information has been subjected to the auditing procedures applied in the audits of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information set forth in the supplementary information for the periods ended June 30, 2003 through 2011, appearing on Schedule 9, is fairly stated in all material respects in relation to the financial statements from which it has been derived.

Decorah, Iowa  
February 20, 2013

*Hacker, Nelson & Co., P.C.*

WINNESHIEK COUNTY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2012

	Special Revenue	Capital Projects	Debt Service	Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and pooled investments	\$ 412,243	\$ 150,291		\$ 562,534
Receivables				
Accrued interest	27	38		65
Due from other funds	352			352
Due from other governments	3,608			3,608
	<u>416,230</u>	<u>150,329</u>	<u>-</u>	<u>566,559</u>
<b>Total assets</b>	<b>\$ 416,230</b>	<b>\$ 150,329</b>	<b>\$ -</b>	<b>\$ 566,559</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund balances</b>				
Reserved				
Special revenue funds	416,230			416,230
Capital projects		150,329		150,329
	<u>416,230</u>	<u>150,329</u>	<u>-</u>	<u>566,559</u>
<b>Total fund balances</b>	<b>416,230</b>	<b>150,329</b>	<b>-</b>	<b>566,559</b>
<b>Total liabilities and fund balances</b>	<b>\$ 416,230</b>	<b>\$ 150,329</b>	<b>\$ -</b>	<b>\$ 566,559</b>

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2012

	Special Revenue	Capital Projects	Debt Service	Nonmajor Governmental Funds
<b>REVENUES</b>				
Intergovernmental	\$ 131,578	\$ 29,101		\$ 160,679
Charges for service	4,478			4,478
Use of money and property	471			471
Total revenues	<u>136,527</u>	<u>29,101</u>	<u>\$ -</u>	<u>165,628</u>
<b>EXPENDITURES</b>				
Current				
Physical health and social services	10,246			10,246
County environment and education services	2,601			2,601
Governmental services to residents	5,000			5,000
Capital projects	35,058			35,058
Total expenditures	<u>52,905</u>	<u>-</u>	<u>-</u>	<u>52,905</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>83,622</u>	<u>29,101</u>	<u>-</u>	<u>112,723</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers (out)			(2,338)	(2,338)
	<u>-</u>	<u>-</u>	<u>(2,338)</u>	<u>(2,338)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	<u>83,622</u>	<u>29,101</u>	<u>(2,338)</u>	<u>110,385</u>
<b>FUND BALANCES, beginning of year</b>	<u>332,608</u>	<u>121,228</u>	<u>2,338</u>	<u>456,174</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 416,230</u>	<u>\$ 150,329</u>	<u>\$ -</u>	<u>\$ 566,559</u>

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30, 2012

	REAP Grant	Water Testing Grant	Conservation Land Acquisition Fund	Recorder's Records Management	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>					
Cash and pooled investments	\$ 152,016	\$ 83,044	\$ 152,393	\$ 24,790	\$ 412,243
Receivables					
Accrued interest	12			15	27
Due from other governments		3,608			3,608
Due from other funds				352	352
<b>Total assets</b>	<b>\$ 152,028</b>	<b>\$ 86,652</b>	<b>\$ 152,393</b>	<b>\$ 25,157</b>	<b>\$ 416,230</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund balances</b>					
Reserved	152,028	86,652	152,393	25,157	416,230
<b>Total fund balances</b>	<b>152,028</b>	<b>86,652</b>	<b>152,393</b>	<b>25,157</b>	<b>416,230</b>
<b>Total liabilities and fund balances</b>	<b>\$ 152,028</b>	<b>\$ 86,652</b>	<b>\$ 152,393</b>	<b>\$ 25,157</b>	<b>\$ 416,230</b>

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 For the Year Ended June 30, 2012

	REAP Grant	Water Testing Grant	Conservation Land Acquisition Fund	Recorder's Records Management	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>					
Intergovernmental	\$ 12,786	\$ 20,228	\$ 98,564		\$ 131,578
Charges for service				\$ 4,478	4,478
Use of money and property	246			225	471
<b>Total revenues</b>	<b>13,032</b>	<b>20,228</b>	<b>98,564</b>	<b>4,703</b>	<b>136,527</b>
<b>EXPENDITURES</b>					
Current					
Physical health and social services		10,246			10,246
County environment and education services	2,601				2,601
Governmental services to residents				5,000	5,000
Capital projects			35,058		35,058
<b>Total expenditures</b>	<b>2,601</b>	<b>10,246</b>	<b>35,058</b>	<b>5,000</b>	<b>52,905</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>10,431</b>	<b>9,982</b>	<b>63,506</b>	<b>(297)</b>	<b>83,622</b>
<b>FUND BALANCES, beginning of year</b>	<b>141,597</b>	<b>76,670</b>	<b>88,887</b>	<b>25,454</b>	<b>332,608</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 152,028</b>	<b>\$ 86,652</b>	<b>\$ 152,393</b>	<b>\$ 25,157</b>	<b>\$ 416,230</b>

See Independent Auditor's Report on the Supplementary Information.

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WINNESHIEK COUNTY  
 COMBINING SCHEDULE OF NET ASSETS  
 NONMAJOR PROPRIETARY FUNDS  
 June 30, 2012

	Burr Oak Sewer Fund	Festina Sewer Fund	Burr Oak Sewer Sinking Fund
<b>ASSETS</b>			
Cash and pooled investments	\$ 27,015	\$ 20,709	\$ 1,120
Receivables			
Accounts	2,650		
<b>Total current assets</b>	<b>29,665</b>	<b>20,709</b>	<b>1,120</b>
Noncurrent assets			
Land	6,292	3,500	
Net capital assets	408,758	412,429	
<b>Total noncurrent assets</b>	<b>415,050</b>	<b>415,929</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 444,715</b>	<b>\$ 436,638</b>	<b>\$ 1,120</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accrued interest payable	\$ 75	\$ 98	
Notes payable	2,350	2,239	
<b>Total current liabilities</b>	<b>2,425</b>	<b>2,337</b>	<b>\$ -</b>
Noncurrent liabilities			
Long-term debt	75,165	111,147	
<b>Total liabilities</b>	<b>77,590</b>	<b>113,484</b>	<b>-</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	337,535	302,543	
Restricted	195,758	133,020	1,120
Unrestricted	(166,168)	(112,409)	
<b>Total net assets</b>	<b>367,125</b>	<b>323,154</b>	<b>1,120</b>
<b>Total liabilities and net assets</b>	<b>\$ 444,715</b>	<b>\$ 436,638</b>	<b>\$ 1,120</b>

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 5

Festina Sewer Sinking Fund	Burr Oak Sewer Reserve Fund	Festina Sewer Reserve Fund	Total Nonmajor Enterprise Funds
\$ 952	\$ 6,226	\$ 9,052	\$ 65,074
			2,650
952	6,226	9,052	67,724
			9,792
			821,187
-	-	-	830,979
\$ 952	\$ 6,226	\$ 9,052	\$ 898,703
			\$ 173
			4,589
-	-	-	4,762
			186,312
-	-	-	191,074
952	6,226	9,052	640,078
			346,128
			(278,577)
952	6,226	9,052	707,629
\$ 952	\$ 6,226	\$ 9,052	\$ 898,703

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WINNESHIEK COUNTY  
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 NONMAJOR PROPRIETARY FUNDS  
 For the Year Ended June 30, 2012

	Burr Oak Sewer Fund	Festina Sewer Fund	Burr Oak Sewer Sinking Fund
<b>OPERATING REVENUES</b>			
Charges for services	\$ 27,963	\$ 18,233	
Total operating revenues	27,963	18,233	\$ -
<b>OPERATING EXPENSES</b>			
Depreciation	12,667	11,216	
Other	11,848	1,441	810
Total operating expenses	24,515	12,657	810
Operating (loss) income	3,448	5,576	(810)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	17	477	
Interest expense	(3,985)	(5,198)	
Net nonoperating revenues (expenses)	(3,968)	(4,721)	-
(Loss) income before contributions and transfers	(520)	855	(810)
<b>OPERATING TRANSFERS</b>			
Transfer in	6,226	7,342	6,928
Transfer out	(6,928)	(12,088)	(6,226)
Total operating transfers	(702)	(4,746)	702
Change in net assets	(1,222)	(3,891)	(108)
NET ASSETS, beginning of year	368,347	327,045	1,228
NET ASSETS, end of year	\$ 367,125	\$ 323,154	\$ 1,120

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 6

Festina Sewer Sinking Fund	Burr Oak Sewer Reserve Fund	Festina Sewer Reserve Fund	Total Nonmajor Enterprise Funds
			\$ 46,196
\$ -	\$ -	\$ -	46,196
			23,883
3,504			17,603
3,504	-	-	41,486
(3,504)	-	-	4,710
			494
			(9,183)
-	-	-	(8,689)
(3,504)	-	-	(3,979)
11,344		744	32,584
(7,342)			(32,584)
4,002	-	744	-
498	-	744	(3,979)
454	6,226	8,308	711,608
\$ 952	\$ 6,226	\$ 9,052	\$ 707,629

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

	County Offices	Agricultural Extension Education	Assessor
<b>ASSETS</b>			
Cash and pooled investments			
County Treasurer		\$ 1,913	\$ 113,038
Other County officials	\$ 60,542		
Receivables			
Property tax			
Delinquent		48	104
Succeeding year		204,207	262,877
Accounts	4,508		
Accrued interest			
Due from other governments			15
Prepaid insurance			1,640
Total assets	\$ 65,050	\$ 206,168	\$ 377,674
<b>LIABILITIES</b>			
Accounts payable			\$ 1,912
Salaries and benefits payable			3,980
Due to other funds			58
Due to other governments	\$ 61,503	\$ 206,168	359,090
Trusts payable	3,547		
Accrued compensated absences			12,634
Total liabilities	\$ 65,050	\$ 206,168	\$ 377,674

See Independent Auditor's Report on the Supplementary Information.

<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>Other</u>	<u>Total</u>
\$ 137,348	\$ 9,583	\$ 28,697	\$ 4,059	\$ 463,288	\$ 433,810	\$ 1,191,736 60,542
3,027	226	2,201	42		104	5,752
14,734,994	958,109	4,328,501	354,837		601,793	21,445,318 4,508
					199	199
					19,694	19,709 1,640
<u>\$ 14,875,369</u>	<u>\$ 967,918</u>	<u>\$ 4,359,399</u>	<u>\$ 358,938</u>	<u>\$ 463,288</u>	<u>\$ 1,055,600</u>	<u>\$ 22,729,404</u>
					\$ 2,473	\$ 4,385
					444	4,424
					332	390
\$ 14,875,369	\$ 967,918	\$ 4,359,399	\$ 358,938	\$ 463,288	1,052,351	22,704,024 3,547 12,634
<u>\$ 14,875,369</u>	<u>\$ 967,918</u>	<u>\$ 4,359,399</u>	<u>\$ 358,938</u>	<u>\$ 463,288</u>	<u>\$ 1,055,600</u>	<u>\$ 22,729,404</u>

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WINNESHIEK COUNTY  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 For the Year Ended June 30, 2012

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>Assessor</u>
<b>ASSETS AND LIABILITIES</b>			
BALANCE, beginning of year	\$ 68,335	\$ 206,325	\$ 366,428
<b>ADDITIONS</b>			
Property and other County tax		193,962	244,314
State tax credits		7,192	9,052
Office fees and collections	367,189		
Auto license, use tax and postage			
E-911 telephone surcharges			
Miscellaneous	74,960		
Assessments			
Trusts	116,135		
Total additions	<u>558,284</u>	<u>201,154</u>	<u>253,366</u>
<b>DEDUCTIONS</b>			
Agency remittances			
To other funds	251,990		
To other governments	148,775	201,311	
Trusts paid out	128,309		
Miscellaneous	32,495		242,120
Total deductions	<u>561,569</u>	<u>201,311</u>	<u>242,120</u>
BALANCE, end of year	<u>\$ 65,050</u>	<u>\$ 206,168</u>	<u>\$ 377,674</u>

See Independent Auditor's Report on the Supplementary Information.

<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>Other</u>	<u>Total</u>
\$ 14,883,194	\$ 968,312	\$ 4,362,503	\$ 358,909	\$ 461,421	\$ 1,131,965	\$ 22,807,392
14,266,044	975,802	4,571,648	322,360		501,428	21,075,558
517,119	36,052	115,091	14,270		18,594	717,370
					5,278	372,467
				5,546,275		5,546,275
					103,785	103,785
					77,571	152,531
					80,199	80,199
						116,135
<u>14,783,163</u>	<u>1,011,854</u>	<u>4,686,739</u>	<u>336,630</u>	<u>5,546,275</u>	<u>786,855</u>	<u>28,164,320</u>
14,790,988	1,012,248	4,689,843	336,601	5,544,408	780,818	27,504,992
					82,402	128,309
						357,017
<u>14,790,988</u>	<u>1,012,248</u>	<u>4,689,843</u>	<u>336,601</u>	<u>5,544,408</u>	<u>863,220</u>	<u>28,242,308</u>
\$ 14,875,369	\$ 967,918	\$ 4,359,399	\$ 358,938	\$ 463,288	\$ 1,055,600	\$ 22,729,404

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

	Modified Accrual			
	2012	2011	2010	2009
<b>REVENUES</b>				
Property and other County tax	\$ 7,422,935	\$ 7,129,466	\$ 6,682,837	\$ 5,763,349
Local option sales tax	1,220,456	1,289,539	1,234,237	1,276,001
Interest and penalty on property tax	55,167	57,100	61,083	57,740
Intergovernmental	8,008,604	7,121,719	6,555,969	7,590,448
Licenses and permits	19,342	12,770	12,943	13,112
Charges for service	645,513	610,437	574,453	570,256
Use of money and property	172,689	190,454	189,438	241,727
Miscellaneous	872,123	774,961	539,518	387,281
<b>Total revenues</b>	<b>\$ 18,416,829</b>	<b>\$ 17,186,446</b>	<b>\$ 15,850,478</b>	<b>\$ 15,899,914</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
Public safety and legal services	\$ 2,292,597	\$ 2,217,149	\$ 2,044,387	\$ 1,974,433
Physical health and social services	1,419,929	1,411,514	1,707,517	1,622,070
Mental health	2,526,694	2,702,757	2,065,220	2,225,989
County environment and education services	1,520,347	1,695,435	3,448,510	1,310,048
Roads and transportation	5,494,568	4,734,265	6,737,583	5,227,666
Governmental services to residents	445,980	403,366	328,933	346,924
Administrative services	1,733,409	1,652,185	1,358,709	1,425,958
Non-program	14,004	2,720	39,217	2,657
Debt service		492,026	487,723	487,682
Capital project	1,605,035	1,683,341	587,285	1,535,195
<b>Total expenditures</b>	<b>\$ 17,052,563</b>	<b>\$ 16,994,758</b>	<b>\$ 18,805,084</b>	<b>\$ 16,158,622</b>

See Independent Auditor's Report on the Supplementary Information.

Modified Accrual					
2008	2007	2006	2005	2004	2003
\$ 5,521,664	\$ 5,506,728	\$ 5,379,392	\$ 5,462,955	\$ 5,728,954	\$ 5,745,793
1,151,833	1,296,816	1,090,902	1,144,299	958,144	954,606
51,023	46,990	49,037	51,129	65,567	56,975
7,014,918	6,214,640	6,234,227	5,996,378	6,133,510	6,134,465
17,422	14,210	13,040	14,969	13,577	9,317
567,022	533,809	524,258	554,535	566,941	533,625
343,464	406,426	355,300	252,964	209,672	241,446
176,988	397,847	131,274	104,590	136,139	64,201
<u>\$ 14,844,334</u>	<u>\$ 14,417,466</u>	<u>\$ 13,777,430</u>	<u>\$ 13,581,819</u>	<u>\$ 13,812,504</u>	<u>\$ 13,740,428</u>
\$ 1,924,780	\$ 1,769,761	\$ 1,673,671	\$ 1,568,370	\$ 1,491,544	\$ 1,336,837
1,510,110	1,424,742	1,372,241	1,350,847	1,381,162	1,434,542
2,426,900	2,198,888	2,081,849	1,973,584	2,113,732	2,291,141
1,226,245	1,079,757	1,002,931	969,412	943,942	983,901
5,435,764	5,063,759	4,320,893	4,464,945	4,495,658	3,484,717
299,885	285,872	449,990	275,852	275,390	254,917
1,335,264	1,125,199	1,090,546	1,213,439	1,080,717	1,020,258
29,808	16,382	5,251	3,317	3,344	4,804
563,841	551,322	2,781,219	569,658	821,934	578,122
1,106,536	704,588	2,002,286	1,479,367	1,135,748	1,142,002
<u>\$ 15,859,133</u>	<u>\$ 14,220,270</u>	<u>\$ 16,780,877</u>	<u>\$ 13,868,791</u>	<u>\$ 13,743,171</u>	<u>\$ 12,531,241</u>

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

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

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

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

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Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

12-1 Financial Report Preparation

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

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

Recommendation

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

Response and Corrective Action Planned

Management is cognizant of this limitation.

Conclusion

Response acknowledged.

12-2 Segregation of Duties

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

Recommendation

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

Response and Corrective Action Planned

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

Conclusion

Response acknowledged.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

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

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**Part III: Findings and Questioned Costs for Federal Awards**

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

CFDA Number 20.205, Highway Planning and Construction  
Federal Award Year: 2012  
U.S. Department of Transportation  
Passed through Iowa Department of Transportation

See 12-1 and 12-2 above

**Part IV: Other Findings Related to Required Statutory Reporting**

See management letter dated February 20, 2013

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

Comment Reference	Comment Title	Status	Explanation
11-1	Financial report preparation	Not corrected	Management does not have the necessary training to prepare year-end financial statements.
11-2	Segregation of duties	Not corrected	The County has limited staff and segregates duties to the best of their abilities.

WINNESHIEK COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2012

Grantor/Program	CFDA Number	Grant Number/Description	Program Expenditures
<b>Indirect</b>			
U.S. Department of Agriculture			
Passed through Iowa Department of Human Services			
State Administrative Matching Grants for Food Stamp Program	10.561	LAE Reimbursement	\$ 16,776
U.S. Department of Housing and Urban Development			
Passed through Iowa Department of Economic Development			
Community Development Block Grant	14.228	08-DRPG-250	26,705
U.S. Department of Justice			
Passed through Iowa Department of Justice			
Crime Victim Assistance	16.575	VA-12-19	19,500
U.S. Department of Transportation			
Passed through Iowa Department of Transportation			
Highway Planning and Construction	20.205	BROS-CO96(88)--8J-96	992,753
	20.205	BROS-CO96(91)--8J-96	400
	20.205	BROS-CO96(104)--8J-96	104,817
	20.205	BROS-CO96(106)--8J-96	156,422
			<u>1,254,392</u>
Passed through Iowa Department of Public Safety			
Highway Safety Cluster			
State and Community Highway Safety	20.600	PAP 11-03, Task 0587	389
	20.600	PAP 12-03, Task 287	3,245
			<u>3,634</u>
Sub-total U.S. Department of Transportation			<u>1,258,026</u>
U.S. Department of Health and Human Services			
Passed through Iowa Department of Public Health			
Immunization Cluster			
Immunization Grants	93.268	5881I482	4,102
	93.268	5882I482	3,636
			<u>7,738</u>
Public Health Emergency Preparedness			
	93.069	5881BT96	4,684
		5881BT396	11,561
		5882BT96	13,039
			<u>29,284</u>
Passed through Iowa Department of Human Services			
Social Services Block Grant			
	93.667	96-001	62,025
	93.667	LAE Reimbursement	5,375
			<u>67,400</u>

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2012

Grantor/Program	CFDA Number	Grant Number/Description	Program Expenditures
<b>Indirect (Continued)</b>			
<b>U.S. Department of Health and Human Services (Continued)</b>			
<b>Other Federal Financial Assistance</b>			
<b>Human Services Administrative Reimbursements</b>			
Refugee and Entrant Assistance - State Administered Programs	93.566	LAE Reimbursement	\$ 31
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	LAE Reimbursement	3,719
Foster Care - Title IV-E	93.658	LAE Reimbursement	6,122
Adoption Assistance	93.659	LAE Reimbursement	1,788
State Children's Insurance Program	93.767	LAE Reimbursement	58
Medical Assistance Program	93.778	LAE Reimbursement	15,762
			<u>27,480</u>
Sub-total U.S. Department of Health and Human Services			<u>131,902</u>
<b>U.S. Department of Homeland Security</b>			
<b>Passed through Iowa Department of Public Defense</b>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA DR-1763-IA	968
Emergency Management Performance Grants	97.042	EMPG-11-PT-96 EMPG-12-PT-96	7,991 13,139
			<u>21,130</u>
Sub-total U.S. Department of Homeland Security			<u>22,098</u>
Total Federal Financial Assistance			<u>\$ 1,475,007</u>

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2012

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Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Winneshiek County under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County.

Note 2. Summary of Significant Accounting Policies

- (1) Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

Note 3. Loans Outstanding

Winneshiek County has two outstanding notes payable to the Rural Housing and Community Development Service totaling \$77,515 and \$113,386 as of June 30, 2012. The proceeds from these notes were advanced under the Water and Waste Disposal Systems for Rural Communities Program.

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

To the Board of Supervisors  
Winneshiek County  
Decorah, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Winneshiek County as of and for the year ended June 30, 2012, which collectively comprise Winneshiek County's basic financial statements and have issued our report thereon dated February 20, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 12-1 and 12-2 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Winneshiek County in a separate letter dated February 20, 2013.

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

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

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
February 20, 2013

**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 Board of Supervisors  
Winneshiek County  
Decorah, Iowa

**Compliance**

We have audited Winneshiek County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Winneshiek County's major federal programs for the year ended June 30, 2012. Winneshiek County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Winneshiek County's management. Our responsibility is to express an opinion on Winneshiek County's compliance based on our audit.

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

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

**Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 12-1 and 12-2. 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.

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

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

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
February 20, 2013

## MANAGEMENT LETTER

To the Board of Supervisors  
Winneshiek County  
Decorah, Iowa

In planning and performing our audit of the financial statements of Winneshiek County for the year ended June 30, 2012, we considered the County's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the County's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 9 below are compliance comments required by the Iowa Auditor of State. A separate report dated February 20, 2013, contains our report on significant deficiencies in the County's internal control. This letter does not affect our report dated February 20, 2013 on the financial statements of Winneshiek County. Comment 10 is an unresolved comment from the prior year. All other prior year statutory comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the County's responses and, accordingly, we express no opinion on them.

1. Certified Budget  
Disbursements for the year ended June 30, 2012 did not exceed the amounts budgeted for any function.
2. Questionable Expenditures  
We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense  
No expenditures of County money for travel expenses of spouses of County officials and/or employees were noted.
4. Business Transactions  
We noted no business transactions between the County and County officials and/or employees for the year ended June 30, 2012.
5. Bond Coverage  
Surety bond coverage of County officials and employees is in accordance with statutory provisions.
6. Board Minutes  
No transactions were found that we believe should have been approved in the Board minutes but were not. The minutes were published as required by Chapter 349.18 of the Code of Iowa and Attorney General's opinions dated December 10, 1985, December 31, 1986 and May 2, 1989.

7. Resource Enhancement and Protection Certification

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

8. County Extension Office

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

Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.

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

9. Deposits and Investments

A resolution naming official depository banks has been approved by the Board. The maximum deposit amount stated in the resolution was not exceeded during the year ended June 30, 2012.

10. Property and Equipment Records

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

Recommendation

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

Response

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

Conclusion

Response accepted.

11. Solid Waste Fees Retainage

During the year ended June 30, 2012, the solid waste fees established by Chapter 455E.11 (2), (11), (13) and (15) of the Code of Iowa, were administered by Winneshiek County Area Solid Waste Agency. The Agency is a 28E organization of which Winneshiek County is a member.

12. Financial Assurance

The Winneshiek County Area Solid Waste Agency (Agency) has demonstrated financial assurance for closure and postclosure care costs by establishing a closure and postclosure account as provided in Chapter 567-113.14 of the Iowa Administrative Code. As of June 30, 2012, the estimated closure and postclosure care costs were fully funded by a dedicated investment account. The calculation is made as follows:

	<u>Closure</u>	<u>Postclosure</u>
Total estimated costs for closure and postclosure care	\$ 3,415,003	\$ 3,394,050
Less balance of funds held in local dedicated fund at June 30, 2012	<u>(3,522,416)</u>	<u>(3,500,803)</u>
Dedicated funds in excess of estimated costs for closure and postclosure care	<u>\$ (107,413)</u>	<u>\$ (106,753)</u>

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

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

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

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
February 20, 2013