

WINNEBAGO COUNTY
Forest City, Iowa

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

June 30, 2013

WINNEBAGO COUNTY
Forest City, Iowa

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WINNEBAGO COUNTY
Forest City, Iowa

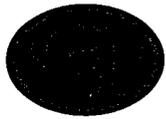
OFFICIALS

(Before January 2013)

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

(After January 2013)

Terry Durby	Board of Supervisors	January 2015
Warren Wubben	Board of Supervisors	January 2015
Mike Stensrud	Board of Supervisors	January 2017
Karla Niederkofler	Auditor	January 2017
Julie Swenson	Treasurer	January 2015
Kristin Colby	Recorder	January 2015
Dave Peterson	Sheriff	January 2017
Adam Sauer	Attorney	January 2015
Lowell Ouverson	Assessor	Appointed



Independent Auditor's Report

To the Officials of Winnebago County
Forest City, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winnebago County, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Winnebago County, Iowa as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 5 – 12 and 48 – 51 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winnebago County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplemental information included in Schedules 1 to 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2014, on our consideration of Winnebago County, Iowa'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* in considering Winnebago County, Iowa's internal control over financial reporting and compliance.

Gardiner Thomsen, P.C.

Charles City, Iowa
March 28, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Winnebago County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 11.29%, or approximately \$1,321,796, from fiscal 2012 to fiscal 2013. Property tax decreased approximately \$106,967, operating grants, capital grants and contributions decreased approximately \$1,471,426 and charges for service decreased approximately \$147,287. Tax increment financing revenues increased \$545,238.
- Program expenses were 4.89%, or approximately \$596,513 less in fiscal 2013 than in fiscal 2012. Mental health expenses decreased approximately \$927,558.
- The County's net position decreased 8.19%, or approximately \$1,216,230 from June 30, 2012 to June 30, 2013.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The Statement of Net Position presents all of the County's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Winnebago County’s combined net position decreased from a year ago, from \$14,848,223 to \$13,631,993. The analysis that follows focuses on the changes in the net position for governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	2013	2012
Current and Other Assets	\$15,510	\$18,598
Capital Assets	32,040	30,298
Total Assets	<u>47,550</u>	<u>48,896</u>
Long-Term Debt Outstanding	27,768	27,767
Other Liabilities	6,150	6,281
Total Liabilities	<u>33,918</u>	<u>34,048</u>
Net Position:		
Net Investment in Capital Assets	9,748	10,210
Restricted	5,237	5,791
Unrestricted	<u>(1,353)</u>	<u>(1,153)</u>
Total Net Position	<u>\$13,632</u>	<u>\$14,848</u>

Net position of the Winnebago County’s governmental activities decreased by 8.19% (\$13.632 million compared to \$14.848 million). The largest portion of the County’s net position is invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraint established by debt covenant, enabling legislation or other legal requirements was \$(1,352,691).

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

	2013	2012
Program Revenues:		
Charges for Service	\$ 1,600	\$ 1,747
Operating Grants, Contributions and Restricted Interest	2,516	2,960
Capital Grants, Contributions and Restricted Interest	354	1,382
General Revenues:		
Property Taxes	4,166	4,273
Penalty and Interest on Property Tax	54	27
State Tax Credits	224	194
Local Option Sales Tax	399	356
Tax Increment Financing	913	368
Unrestricted Investment Earnings	100	80
Other General Revenues	65	326
Total Revenues	<u>10,391</u>	<u>11,713</u>
Public Safety and Legal Services	1,528	1,551
Physical Health and Social Services	1,114	1,083
Mental Health	618	1,546
County Environment and Education	679	684
Roads and Transportation	4,751	4,665
Governmental Services to Residents	409	429
Administration	1,009	904
Non-Program	624	520
Interest on Long-Term Debt	875	822
Total Expenses	<u>11,607</u>	<u>12,204</u>
Decrease in Net Position	(1,216)	(491)
Net Position Beginning of Year	<u>14,848</u>	<u>15,339</u>
Net Position End of Year	<u>\$13,632</u>	<u>\$14,848</u>

The results of governmental activities for the year resulted in Winnebago County's net position decreasing by approximately \$1,216,230. Revenues for governmental activities decreased by approximately \$1,321,796 compared to the prior year.

The cost of all governmental activities this year was \$11,607,223 compared to \$12,203,736 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was \$7.1 million because of the cost that was paid by those directly benefiting from the programs \$1,600,090 or by other governments and organizations that subsidized certain programs with grants and contributions \$2,870,596. Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, decreased in 2013 from approximately \$6,089,399 to \$4,470,686. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$4,165,827 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUNDS

As Winnebago County completed the year, its governmental funds reported a combined fund balance of \$9,073,753, a decrease of \$2,858,718 from last year's total of \$11,932,471. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased while expenditures increased. The ending fund balance showed a slight increase of \$28,981 from the prior year to \$3,397,597.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$610,691, a decrease of 60% from the prior year. The Mental Health Fund balance at year end increased by approximately \$175,746 over the prior year.
- Rural Service Fund revenues increased approximately \$2,219 and expenditures decreased approximately \$64,116. The ending fund balance showed a decrease of \$96,250 from the prior year to \$268,509.
- Secondary Roads Fund expenditures decreased by approximately \$881,549 over the prior year. The Secondary Roads Fund ending balance increased by approximately \$238,174.
- The Linden Urban Renewal and Urban Renewal 2 Funds were established to account for the collection of tax increment financing to pay principal and interest on the debt issued to complete the roadway construction and improvement projects.
- The UR2A Capital Projects Fund was established to account for capital projects in the UR2A area. The County had capital project expenditures of \$2,944,205.

BUDGETARY HIGHLIGHTS

Over the course of the year, Winnebago County amended its budget one time. The amendment was made on May 13, 2013, and resulted in increases to budgeted disbursements in the public safety and legal services, the physical health and social services, the county environment and education, administration, and debt service functions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, Winnebago County had approximately \$43,567,097 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$3,494,271 or 9% over last year.

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

	2013	2012
Land	\$ 1,503	\$ 1,384
Buildings and Improvements	4,037	4,037
Equipment	6,810	6,358
Intangibles	42	42
Infrastructure	30,015	27,757
Construction in Progress	1,160	495
Total	\$43,567	\$40,073

This Year's Major Additions Include (Expressed In Thousands)

Land	\$ 119
Sheriff Equipment and Vehicles	63
Secondary Road Equipment and Vehicles	291
Infrastructure	2,258
	<u>\$ 2,731</u>

The County had depreciation expense of \$1,780,169 for the year ended June 30, 2013 and total accumulated depreciation of \$11,527,120 at June 30, 2013.

The County's fiscal year 2013 capital projects budget included \$6,001,412 for capital projects, principally for continued upgrading of secondary roads and bridges. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2013, Winnebago County had approximately \$27,537,554 in general obligation bonds and other debt outstanding compared to approximately \$27,593,650 at June 30, 2012, as shown below.

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

	2013	2012
General Obligation Urban Renewal Bonds	\$26,810	\$27,010
Notes and Contracts	11	16
Drainage Warrants	512	385
Compensated Absences	174	162
Termination Benefits	30	21
	<u>\$27,537</u>	<u>\$27,594</u>

Winnebago County has general obligation debt outstanding at June 30, 2013 of \$26,810,000. During 2012, the County issued \$6,310,000 in General Obligation Urban Renewal County Road Improvement and Refunding Bonds with \$5,000,000 to be used to fund roadway construction and improvement projects and \$1,310,000 to be used to refund outstanding bonds. This refunding was undertaken to reduce total debt service payments by \$40,673. When netted against the "Resources Held in Escrow for Bond Refunding" the net amount of General Obligation Urban Renewal Bonds is \$25,690,584. The bonds will be paid with tax increment financing revenues.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Winnebago County's outstanding general obligation debt is significantly below its constitutional debt limit of \$46.9 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Winnebago County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates, and the fees that will be charged for various County activities. One of these factors is the economy.

The County's nonagricultural employment, according to Iowa Works (Iowa Workforce Development) once again increased in 2013 through most of the year, with seasonal farm employees working off the farm typically from January through July, and then coming back to the farm in August for fall harvest. This continues to be an ongoing trend since the mid 1980's and likely will slowly continue into the future.

The population of Winnebago County also continued to slowly decline in 2013 according to the U.S. Census. The County's population decline is attributed to the following: continued death of an aged population, the outmigration of young to middle-aged workers whose jobs were eliminated, and an out-migration of youth entering college and not returning upon receiving educational degrees to live in Winnebago County and raise families.

The County unemployment rate is currently 5.5% (Jan. 2014) versus 6.1% one year ago (Jan. 2013), according to Iowa Works (Iowa Workforce Development). This shows a decrease of 0.6% with slightly less people in the county being unemployed. This slight decrease is likely due to the area's major manufacturing industries hiring new employees in the last 12 months, and other small businesses starting up in the county. The Winnebago County 2013 average unemployment rate was 4.9% according to Iowa Works (Iowa Workforce Development). The 2013 average state and national unemployment rates were 5.8% and 7.4%, respectively (according to the U.S. Bureau of Labor Statistics).

While the manufacturing sector in Winnebago County has been adding jobs in the last 12 months, the agricultural sector has seen very slow growth of less than 1%, but all the same growth. The service sector (medical, insurance, finance) has remained stable the last 12 months, with some increases in employment in the medical portion of that sector. The County housing market has remained relatively steady, with an overall slight decline in 2013. However, the home sales in Winnebago County in January 2014 were up 150% compared with December 2013 which shows an upwards trend in the housing market in the county. The manufacturing orders to our local industries continued to increase in 2013. This caused area industries to hire more workers in 2013 as well. The outlook for 2014 in the manufacturing sector looks to continue to stay steady or increase while the service and agricultural sectors look to remain relatively stable or increase marginally.

Some Winnebago County citizens paid more for basic living expense in 2013 even though overall food prices and electric prices stayed about the same as in 2012. Food prices did not change, even though the price of certain products went up, other products went down, resulting in no increase overall in food expense for Winnebago County residents. Electric prices rose by a marginal .24% in 2013. Average natural gas prices stayed the same in 2013, however the liquid propane prices (which all of the rural users in Winnebago County utilize as well as over half of the incorporated communities in the county) went up by more than 100%. The average propane price in Iowa overall for 2013 reached the highest costs ever recorded since documentation on this market began in October 1990. This caused residents to spend more of their money for rising utility expenses if they utilized liquid propane in their home or business. All increases to any living expenses in 2013 also impacted the local businesses and Main Street districts as residents had less disposable income to spend in restaurants and retail stores.

Overall, Winnebago County saw a rebound in the local economy from year's past where the industries were hiring more people and some businesses were expanding in 2013. The unemployment rate for the county was down in 2013 and the housing market remained relatively steady. Resident's living expenses for food and electricity and natural gas stayed level. However, those residents and businesses utilizing liquid propane saw a significant increase in those expenses.

The current economic conditions in Winnebago County being what they are, the Citizens' needs were considered when preparing the 2014 County budget. Amounts available for appropriation in the operating budget are \$16.6 million. The County has added no new major programs or initiatives in the 2014 budget. Nearly all departments kept their budgets unchanged from the prior year. Any increases were minimal and only allowed for primary expenses.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities
ASSETS	
Cash and Pooled Investments	\$ 7,079,454
Receivables:	
Property Tax:	
Delinquent	9,278
Succeeding Year	5,259,403
Accounts	169,362
Accrued Interest	30,577
Special Assessments	12,491
Drainage Assessments	192,510
Due From Other Governments	477,433
Resources Held in Escrow for Bond Refunding	1,119,416
Notes Receivable	137,687
Inventories	948,812
Prepaid Insurance	73,907
Capital Assets (Net of Accumulated Depreciation/Amortization)	32,039,977
TOTAL ASSETS	47,550,307
LIABILITIES	
Accounts Payable	571,634
Accrued Interest Payable	129,380
Salaries and Benefits Payable	161,533
Due To Other Governments	28,669
Deferred Revenue:	
Succeeding Year Property Tax	5,259,403
Long Term Liabilities:	
Portion Due Or Payable Within One Year:	
General Obligation Bonds	1,600,000
Notes and Contracts	4,958
Compensated Absences	173,584
Termination Benefits	15,038
Portion Due Or Payable After One Year:	
General Obligation Bonds	25,210,000
Notes and Contracts	6,497
Termination Benefits	15,038
Drainage Warrants/Improvement Certificates	512,439
Net OPEB Liability	230,141
TOTAL LIABILITIES	33,918,314

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities
NET POSITION	
Net Investment in Capital Assets	\$ 9,748,109
Restricted For:	
Supplemental Levy Purposes	1,177,994
Mental Health Purposes	203,651
Rural Services Purposes	270,020
Secondary Roads Purposes	1,178,294
Capital Projects	33,624
Other Purposes	2,372,992
Unrestricted	(1,352,691)
TOTAL NET POSITION	\$13,631,993

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

	Expenses	Program Revenues Charges for Service
FUNCTIONS/PROGRAMS:		
Governmental Activities:		
Public Safety and Legal Services	\$ 1,527,611	\$ 262,693
Physical Health and Social Services	1,113,981	688,238
Mental Health	618,578	801
County Environment and Education	679,129	18,083
Roads and Transportation	4,751,097	27,104
Governmental Services to Residents	409,169	223,969
Administration	1,008,681	74,575
Non-Program	624,334	304,627
Interest on Long-Term Debt	874,643	0
	TOTAL	\$1,600,090

GENERAL REVENUES:

- Property and Other County Tax Levied For:
 - General Purposes
 - Penalty and Interest on Property Tax
 - State Tax Credits
 - Local Option Sales Tax
 - Tax Increment Financing
 - Unrestricted Investment Earnings
 - Miscellaneous

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION BEGINNING OF YEAR

NET POSITION END OF YEAR

Exhibit B

Program Revenues		
Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	Net (Expense) Revenue and Changes in Net Position
\$ 66,740	\$ 0	\$ (1,198,178)
194,581	0	(231,162)
330,826	0	(286,951)
25	135,021	(526,000)
1,914,147	219,256	(2,590,590)
0	0	(185,200)
10,000	0	(924,106)
0	0	(319,707)
0	0	(874,643)
<u>\$2,516,319</u>	<u>\$354,277</u>	<u>(7,136,537)</u>
		4,165,827
		53,501
		224,278
		398,905
		912,697
		99,753
		65,346
		<u>5,920,307</u>
		(1,216,230)
		<u>14,848,223</u>
		<u>\$13,631,993</u>

WINNEBAGO COUNTY
Forest City, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
ASSETS				
Cash and Pooled Investments	\$3,133,844	\$177,709	\$ 283,837	\$ 454,464
Receivables:				
Property Tax:				
Delinquent	6,573	1,194	1,511	0
Succeeding Year	2,106,900	413,137	1,482,180	0
Accounts	136,522	345	0	3,053
Accrued Interest	29,375	0	0	0
Assessments	0	0	0	12,491
Drainage Assessments	0	0	0	0
Due From Other Governments	217,477	49,100	0	153,032
Resources Held in Escrow for Bond				
Refunding	0	0	0	0
Notes Receivable	0	0	0	0
Inventories	0	0	0	948,812
Prepaid Insurance	42,613	0	0	31,286
TOTAL ASSETS	\$5,673,304	\$641,485	\$1,767,528	\$1,603,138
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 51,332	\$ 2,456	\$ 10,611	\$ 219,652
Accrued Interest Payable	0	0	0	0
Salaries and Benefits Payable	96,670	11,043	4,717	46,493
Due To Other Governments	14,232	11,198	0	3,239
Deferred Revenue:				
Succeeding Year Property Tax	2,106,900	413,137	1,482,180	0
Other	6,573	1,194	1,511	12,491
Total Liabilities	2,275,707	439,028	1,499,019	281,875

See Notes To Financial Statements

Exhibit C

<u>Special Revenue</u>		UR2A Capital Projects	Nonmajor	Total
Linden Urban Renewal	Urban Renewal 2			
\$ 250,224	\$ 90,542	\$2,173,109	\$431,591	\$ 6,995,320
0	0	0	0	9,278
167,923	971,775	0	117,488	5,259,403
0	0	0	29,442	169,362
0	0	875	327	30,577
0	0	0	0	12,491
0	0	0	192,510	192,510
0	0	0	57,824	477,433
1,119,416	0	0	0	1,119,416
0	0	0	137,687	137,687
0	0	0	0	948,812
0	0	0	8	73,907
<u>\$1,537,563</u>	<u>\$1,062,317</u>	<u>\$2,173,984</u>	<u>\$966,877</u>	<u>\$15,426,196</u>
\$ 0	\$ 1,500	\$ 149,888	\$ 59,162	\$ 494,601
0	0	0	56,271	56,271
0	0	0	2,610	161,533
0	0	0	0	28,669
167,923	971,775	0	117,488	5,259,403
0	0	0	330,197	351,966
<u>167,923</u>	<u>973,275</u>	<u>149,888</u>	<u>565,728</u>	<u>6,352,443</u>

WINNEBAGO COUNTY
Forest City, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Fund Balances				
Nonspendable:				
Inventories	\$ 0	\$ 0	\$ 0	\$ 948,812
Notes Receivable	0	0	0	0
Prepaid Insurance	42,613	0	0	31,286
Restricted For:				
Supplemental Levy Purposes	1,176,206	0	0	0
Mental Health Purposes	0	202,457	0	0
Rural Services Purposes	0	0	268,509	0
Secondary Roads Purposes	0	0	0	341,165
Drainage Warrants	0	0	0	0
Conservation Land Acquisition	213,775	0	0	0
Capital Projects	0	0	0	0
Other Purposes	5,000	0	0	0
Assigned	335,474	0	0	0
Unassigned	1,624,529	0	0	0
Total Fund Balances	3,397,597	202,457	268,509	1,321,263
 TOTAL LIABILITIES AND				
FUND BALANCES				
	\$5,673,304	\$641,485	\$1,767,528	\$1,603,138

See Notes To Financial Statements

Exhibit C (Continued)

<u>Special Revenue</u>					
<u>Linden Urban Renewal</u>	<u>Urban Renewal 2</u>	<u>UR2A Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>	
\$ 0	\$ 0	\$ 0	\$ 0	\$ 948,812	
0	0	0	137,687	137,687	
0	0	0	8	73,907	
0	0	0	0	1,176,206	
0	0	0	0	202,457	
0	0	0	0	268,509	
0	0	0	0	341,165	
0	0	0	37,639	37,639	
0	0	0	0	213,775	
0	0	2,024,096	0	2,024,096	
1,369,640	89,042	0	346,254	1,809,936	
0	0	0	0	335,474	
0	0	0	(120,439)	1,504,090	
<u>1,369,640</u>	<u>89,042</u>	<u>2,024,096</u>	<u>401,149</u>	<u>9,073,753</u>	
<u>\$1,537,563</u>	<u>\$1,062,317</u>	<u>\$2,173,984</u>	<u>\$ 966,877</u>	<u>\$15,426,196</u>	

WINNEBAGO COUNTY
Forest City, Iowa

RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2013

Total Governmental Fund Balances (Page 20) \$ 9,073,753

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is \$43,567,097 and the accumulated depreciation/amortization is \$11,527,120. 32,039,977

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 351,966

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 7,101

Long-term liabilities, including bonds payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (27,840,804)

Net Position of Governmental Activities (Page 14) \$ 13,631,993

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
REVENUES:				
Property and Other County Tax	\$2,279,457	\$413,986	\$1,479,339	\$ 0
Local Option Sales Tax	0	0	0	0
Interest and Penalty on Property Tax	53,501	0	0	0
Intergovernmental	656,481	371,497	77,749	2,132,782
Licenses and Permits	12,408	0	90	3,835
Charges For Service	955,296	0	0	5,921
Use of Money and Property	78,615	0	0	3,000
Miscellaneous	68,183	954	824	28,425
Total Revenues	4,103,941	786,437	1,558,002	2,173,963
EXPENDITURES:				
Operating:				
Public Safety and Legal Services	1,426,205	0	90,009	0
Physical Health and Social Services	1,089,182	0	0	0
Mental Health	0	610,691	0	0
County Environment and Education	223,862	0	211,282	0
Roads and Transportation	0	0	461,122	2,562,966
Governmental Services to Residents	483,365	0	1,487	0
Administration	953,436	0	0	0
Non-Program	0	0	4,440	0
Debt Service	0	0	0	5,625
Capital Projects	137,445	0	9,498	411,549
Total Expenditures	4,313,495	610,691	777,838	2,980,140
Excess (Deficiency) of Revenues Over (Under) Expenditures	(209,554)	175,746	780,164	(806,177)
Other Financing Sources (Uses):				
Transfers In	287,535	0	142,119	984,533
Transfers Out	(49,000)	0	(1,018,533)	0
Drainage Warrants	0	0	0	0
Total Other Financing Sources (Uses)	238,535	0	(876,414)	984,533
Net Change in Fund Balances	28,981	175,746	(96,250)	178,356
Fund Balances Beginning of Year	3,368,616	26,711	364,759	1,083,089
Increase in Reserve For Inventories	0	0	0	59,818
Fund Balances End of Year	\$3,397,597	\$202,457	\$ 268,509	\$1,321,263

See Notes to Financial Statements

Exhibit E

Special Revenue					
Linden Urban Renewal	Urban Renewal 2	UR2A Capital Projects	Nonmajor	Total	
\$ 307,009	\$ 470,843	\$ 0	\$ 165,326	\$ 5,115,960	
0	0	0	398,905	398,905	
0	0	0	0	53,501	
0	0	0	51,642	3,290,151	
0	0	0	0	16,333	
0	0	0	64,658	1,025,875	
2,816	3,376	17,956	31,379	137,142	
0	0	5,000	287,428	390,814	
309,825	474,219	22,956	999,338	10,428,681	
0	0	0	5,775	1,521,989	
0	0	0	0	1,089,182	
0	0	0	0	610,691	
0	0	0	208,510	643,654	
0	0	0	0	3,024,088	
0	0	0	0	484,852	
0	0	0	0	953,436	
0	0	0	798,422	802,862	
268,618	693,685	0	112,178	1,080,106	
0	0	2,944,205	0	3,502,697	
268,618	693,685	2,944,205	1,124,885	13,713,557	
41,207	(219,466)	(2,921,249)	(125,547)	(3,284,876)	
0	0	0	83,000	1,497,187	
0	0	0	(429,654)	(1,497,187)	
0	0	0	366,340	366,340	
0	0	0	19,686	366,340	
41,207	(219,466)	(2,921,249)	(105,861)	(2,918,536)	
1,328,433	308,508	4,945,345	507,010	11,932,471	
0	0	0	0	59,818	
\$1,369,640	\$ 89,042	\$ 2,024,096	\$ 401,149	\$ 9,073,753	

WINNEBAGO COUNTY
Forest City, Iowa

**RECONCILIATION OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds (Page 23) \$(2,918,536)

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

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

Expenditures for Capital Assets	\$ 3,521,797	
Capital Assets Contributed by the Iowa Department of Transportation	622	
Depreciation/Amortization Expense	<u>(1,780,169)</u>	1,742,250

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

Property Tax	(5,486)	
Other	<u>(93,085)</u>	(98,571)

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

Issued	(366,340)	
Repaid	<u>443,589</u>	77,249

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

Compensated Absences	(14,967)	
Other Postemployment Benefits/Termination Benefits	(66,279)	
Interest on Long-Term Debt	<u>505</u>	(80,741)

Inventories in the governmental funds have been recorded as expenditures when paid. However, the statement of activities will report these items as expenditures in the period that the corresponding net position is exhausted. 59,818

See Notes to Financial Statements

**WINNEBAGO COUNTY
Forest City, Iowa**

**RECONCILIATION OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2013**

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

\$ 2,301

Change in Net Position of Governmental Activities (Page 16)

\$(1,216,230)

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2013

	<u>Internal Service Employee Group Health</u>
ASSETS	
Cash	\$84,134
<hr/>	
LIABILITIES	
Accounts Payable	\$77,033
<hr/>	
NET POSITION	
Unrestricted	\$ 7,101
<hr/>	

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2013

	Internal Service Employee Group Health
<hr/>	
Operating Revenues:	
Reimbursements From Operating Funds	\$731,566
Reimbursements From Employees	125,291
Other Reimbursements	20,140
Total Operating Revenues	<hr/> 876,997 <hr/>
Operating Expenses:	
Medical Claims	78,607
Insurance Premiums	785,580
Administrative Fees	10,509
Total Operating Expenses	<hr/> 874,696 <hr/>
Net Income	2,301
Net Position Beginning of Year	<hr/> 4,800 <hr/>
Net Position End of Year	<hr/> \$ 7,101 <hr/>

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2013

	Internal Service Employee Group Health
<hr/>	
Cash Flows From Operating Activities:	
Cash Received From Operating Fund Reimbursements	\$ 731,566
Cash Received From Employees and Others	145,431
Cash Paid to Suppliers for Services	(797,663)
Net Cash Provided by Operating Activities	79,334
<hr/>	
Cash Beginning of Year	4,800
<hr/>	
Cash End of Year	\$ 84,134
<hr/> <hr/>	

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

Operating Income	\$ 2,301
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase in Accounts Payable	77,033
<hr/>	
Net Cash Provided by Operating Activities	\$ 79,334
<hr/> <hr/>	

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2013

ASSETS

Cash and Pooled Investments:	
County Treasurer	\$ 644,584
Other County Officials	14,284
Receivables:	
Property Tax:	
Succeeding Year	10,528,673
Accounts	14,706
Accrued Interest	13
Assessments	563,840
Due From Other Governments	10,858
<hr/> Total Assets	<hr/> 11,776,958

LIABILITIES

Accounts Payable	24,675
Salaries and Benefits Payable	7,504
Due To Other Governments	11,711,788
Trusts Payable	21,734
Compensated Absences	11,257
<hr/> Total Liabilities	<hr/> 11,776,958

NET POSITION	\$ 0
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WINNEBAGO COUNTY
Forest City, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

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

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

A. REPORTING ENTITY

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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

B. BASIS OF PRESENTATION

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

The Statement of Net Position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories.

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

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

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

The County reports the following major governmental funds:

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

Special Revenue

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

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

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

The Linden Urban Renewal Fund and the Urban Renewal 2 Fund are used to account for the collection of tax increment financing revenues and principal and interest payments on the debt issued for roadway construction.

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

Additionally, the County reports the followings funds:

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

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

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

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY

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

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

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2012.

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health and Secondary Roads Funds.

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

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

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

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

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

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

Unassigned – All amounts not included in other classifications.

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

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, disbursements exceeded amounts budgeted in the Roads and Transportation, Non-Program and Debt Service functions and disbursements in certain departments exceeded the amounts appropriated.

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Notes to Financial Statements (Continued)

Note 2: Cash and Pooled Investments (Continued)

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

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

Note 3: Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer To	Transfer From	Amount
	Special Revenue:	
General	Local Option Sales Tax	\$ 276,360
General	Solid Waste Management	11,175
Special Revenue:	Special Revenue:	
Rural Services	Local Option Sales Tax	92,119
Rural Services	Solid Waste Management	50,000
Secondary Roads	Rural Services	984,533
Fair Association	Rural Services	34,000
Winnebago/Worth BETCO	General	49,000
Agency:	Agency:	
Assessor	Special Appraisers	69,500
Total		\$1,566,687

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

Notes to Financial Statements (Continued)

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated/Amortized:				
Land	\$ 1,384,020	\$ 118,678	\$ 0	\$ 1,502,698
Construction in Progress	495,245	1,159,974	495,245	1,159,974
Total Capital Assets Not Being Depreciated/Amortized	1,879,265	1,278,652	495,245	2,662,672
Capital Assets Being Depreciated/Amortized:				
Buildings	3,537,918	0	0	3,537,918
Improvements Other Than Buildings	498,795	0	0	498,795
Machinery and Equipment	4,305,702	293,517	28,148	4,571,071
Vehicles	2,052,192	187,213	0	2,239,405
Intangibles	42,469	0	0	42,469
Infrastructure, Road Network	27,756,485	2,258,282	0	30,014,767
Total Capital Assets Being Depreciated/Amortized	38,193,561	2,739,012	28,148	40,904,425
Less Accumulated Depreciation/Amortization For:				
Buildings	911,129	71,358	0	982,487
Improvements Other Than Buildings	278,912	13,713	0	292,625
Machinery and Equipment	3,256,671	240,901	28,148	3,469,424
Vehicles	1,554,094	127,888	0	1,681,982
Intangibles	12,741	8,494	0	21,235
Infrastructure, Road Network	3,761,552	1,317,815	0	5,079,367
Total Accumulated Depreciation/Amortization	9,775,099	1,780,169	28,148	11,527,120
Total Capital Assets Being Depreciated/Amortized, Net	28,418,462	958,843	0	29,377,305
Governmental Activities Capital Assets, Net	\$30,297,727	\$2,237,495	\$495,245	\$32,039,977
Depreciation/Amortization expense was charged to the following functions:				
Public Safety and Legal Services				\$ 52,234
Physical Health and Social Services				18,013
Mental Health				856
County Environment and Education				17,755
Roads and Transportation				1,610,052
Governmental Services to Residents				19,321
Administration				61,938
Total Depreciation/Amortization Expense – Governmental Activities				\$ 1,780,169

Notes to Financial Statements (Continued)

Note 5: Due to Other Governments

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

Fund	Description	Amount
General		\$ 14,232
Special Revenue:		
Mental Health	Services	11,198
Secondary Roads		3,239
		<u>28,669</u>
	Total for governmental funds	<u>\$ 28,669</u>
Agency:		
Agricultural Extension	Collections	\$ 149,664
Assessor		381,982
Schools		6,148,063
Community Colleges		330,379
Corporations		3,586,271
Auto License and Use Tax		275,764
All Others		839,665
		<u>11,711,788</u>
	Total for agency funds	<u>\$11,711,788</u>

Note 6: Changes in Long-Term Liabilities

	General Obligation Bonds	Drainage Warrants	Secondary Road Loan	Compensated Absences	Termination Benefits	Total
Balance Beginning of Year	\$27,010,000	\$ 384,730	\$16,413	\$161,509	\$20,998	\$27,593,650
Increases	0	366,340	0	173,584	22,653	562,577
Decreases	200,000	238,631	4,958	161,509	13,575	618,673
Balance End of Year	<u>\$26,810,000</u>	<u>\$512,439</u>	<u>\$11,455</u>	<u>\$173,584</u>	<u>\$30,076</u>	<u>\$27,537,554</u>
Due Within One Year	<u>\$ 1,600,000</u>	<u>\$ 0</u>	<u>\$ 4,958</u>	<u>\$173,584</u>	<u>\$15,038</u>	<u>\$ 1,793,580</u>

Notes to Financial Statements (Continued)

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

General Obligation Bonds

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

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

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

A summary of the debt outstanding is as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	2.55%	\$1,300,000	\$ 176,046	\$1,476,046
2015	2.00%	210,000	134,377	344,377
2016	2.00%	420,000	130,177	550,177
2017	2.00%	595,000	121,777	716,777
2018	2.00%	605,000	109,878	714,878
2019-2023	2.00%	2,245,000	391,588	2,636,588
2024-2028	2.05-2.60%	2,235,000	167,030	2,402,030
	Total	<u>\$7,610,000</u>	<u>\$1,230,873</u>	<u>\$8,840,873</u>

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

Notes to Financial Statements (Continued)

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

A summary of the debt outstanding is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2014	2.00%	\$ 300,000	\$ 691,685	\$ 991,685
2015	2.30%	800,000	685,685	1,485,685
2016	2.50%	1,125,000	667,285	1,792,285
2017	3.00%	1,155,000	639,160	1,794,160
2018	3.15%	1,190,000	604,510	1,794,510
2019-2023	3.30-3.85%	6,600,000	2,392,233	8,992,233
2024-2028	3.95-4.25%	8,030,000	1,023,895	9,053,895
	Total	\$19,200,000	\$6,704,453	\$25,904,453

Secondary Road Loan

On April 15, 2008, Secondary Road entered into a loan agreement for \$49,579 for the purpose of construction of a road. The loan will be repaid with special assessments collected from the adjoining land owners. The loan requires annual payments of principal and interest on November 1, 2008 through 2018. Interest is 4%. During the years ended June 30, 2009 through 2012, the department made irregular payments on the note with assessments as collected. They will continue to make payments as assessments are collected.

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

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2014	4.00%	\$ 4,958	\$465	\$ 5,423
2015	4.00%	4,957	264	5,221
2016	4.00%	1,540	62	1,602
		\$11,455	\$791	\$12,246

Retirement Benefits

Secondary Road workers who retire after 20 years of continuous service shall receive the basic single policy of health or supplemental insurance through the County for the first three years from the date of the employee's last day of work. During the year ended June 30, 2013, premiums were paid for two retirees totaling \$13,575.

Notes to Financial Statements (Continued)

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

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

Year Ending June 30,	
2014	\$15,038
2015	<u>15,038</u>
	<u>\$30,076</u>

Drainage Warrants Payable

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

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

Note 7: Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$322,243, \$296,544, and \$262,892, respectively, equal to the required contributions for each year.

Note 8: Risk Management

Winnebago County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Notes to Financial Statements (Continued)

Note 8: Risk Management (Continued)

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expense due and payable in the current year, plus all of any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2013 were \$89,643.

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 \$15,000,000 such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, at June 30, 2013, no liability has been recorded in the County's financial statements. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

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

Notes to Financial Statements (Continued)

Note 8: Risk Management (Continued)

The County also carries commercial insurance purchased from other insurers for the coverage associated with worker's compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for worker's compensation and employee blanket bond claims in excess of \$1,000,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9: Employee Health Insurance

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

Monthly payments of plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the agreement with Wellmark monthly payments of premiums are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2013 was \$731,566.

Amounts payable from the Employee Group Health Fund at June 30, 2013 total \$77,033, of which is for incurred but not reported but not paid claims (\$6,631), insurance premiums (\$69,528) and administrative fees (\$874) not paid. The amounts of claims incurred but not reported are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 0
Incurred claims (including claims incurred but not reported at June 30, 2013)	78,607
Payments on claims during fiscal year	<u>71,796</u>
Unpaid claims end of year	<u>\$ 6,631</u>

Note 10: 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 71 active and 1 retired members in the plan. Employees must be age 55 or older at retirement.

Notes to Financial Statements (Continued)

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

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

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

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (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 costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The table shows the components of the County's annual OPEB cost for June 30, 2013, the amount actually contributed to the plan and the changes in the County's net OPEB obligation:

Annual Required Contribution	\$ 60,938
Interest on Net OPEB Obligation	4,324
Adjustment to Annual Required Contribution	(8,061)
Annual OPEB Cost (Expense)	<u>57,201</u>
Contributions Made	<u>0</u>
Increase in Net OPEB Obligation	57,201
Net OPEB Obligation Beginning of Year	<u>172,940</u>
Net OPEB Obligation End of the Year	<u><u>\$230,141</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2013.

For the fiscal year 2013, the County made no contributions to the medical plan. There were no contributions from retirees.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$56,334	2.57%	\$ 54,884
2011	61,774	2.90	110,957
2012	67,780	3.22	172,940
2013	57,201	0.00	230,141

Notes to Financial Statements (Continued)

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

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$472,969, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$472,969. The covered payroll (annual payroll of active employees covered by the plan) was \$2,883,072, and the ratio of the UAAL to the covered payroll was 16.69%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial date, the Frozen Entry Age Actuarial Cost method was used. The actuarial assumptions included 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2010 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan are \$567 per month for retirees. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized on a level dollar basis over 30 years.

Note 11: Related Party Transaction

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

Note 12: Construction Commitment

The County has entered into contracts totaling \$3,243,007 for roadway projects. As of June 30, 2013 costs of \$1,159,974 on the projects have been incurred. The balance of \$2,083,033 remaining on the contracts at June 30, 2013 will be paid as work on the projects progress.

Note 13: Subsequent Event

Management evaluated subsequent events through March 28, 2014, the date the financial statements were available to be issued.

WINNEBAGO COUNTY
Forest City, Iowa

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION**
Year Ended June 30, 2013

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
RECEIPTS:						
Property and Other County Tax	\$ 5,455,416	\$ 0	\$ 5,455,416	\$ 5,469,864	\$ 5,530,517	\$ (75,101)
Interest and Penalty on Property Tax	53,630	0	53,630	10,600	10,600	43,030
Intergovernmental	3,381,517	0	3,381,517	3,756,052	3,756,052	(374,535)
Licenses and Permits	15,988	0	15,988	14,010	14,010	1,978
Charges for Service	1,020,742	0	1,020,742	999,375	999,375	21,367
Use of Money and Property	113,021	0	113,021	259,751	259,751	(146,730)
Miscellaneous	392,384	286,824	105,560	123,585	123,585	(18,025)
Total Receipts	10,432,698	286,824	10,145,874	10,633,237	10,693,890	(548,016)
DISBURSEMENTS:						
Public Safety and Legal Services	1,598,393	0	1,598,393	1,640,093	1,825,874	227,481
Physical Health and Social Services	1,081,324	0	1,081,324	1,000,062	1,130,062	48,738
Mental Health	852,343	0	852,343	1,416,842	1,416,842	564,499
County Environment and Education	646,918	0	646,918	900,907	901,204	254,286
Roads and Transportation	3,223,748	0	3,223,748	3,217,538	3,211,538	(12,210)
Governmental Services to Residents	484,857	0	484,857	576,309	573,809	88,952
Administration	951,229	0	951,229	995,816	1,063,514	112,285
Non-Program	802,155	662,870	139,285	5,000	5,000	(134,285)
Debt Service	1,079,356	0	1,079,356	936,095	1,036,095	(43,261)
Capital Projects	3,432,261	0	3,432,261	6,001,412	6,001,412	2,569,151
Total Disbursements	14,152,584	662,870	13,489,714	16,690,074	17,165,350	3,675,636
Excess (Deficiency) of Receipts Over (Under) Disbursements	(3,719,886)	(376,046)	(3,343,840)	(6,056,837)	(6,471,460)	3,127,620
Other Financing Sources, Net	366,340	366,340	0	261,672	261,672	(261,672)
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(3,353,546)	(9,706)	(3,343,840)	(5,795,165)	(6,209,788)	2,865,948
Balance Beginning of Year	11,468,282	160,105	11,308,177	10,152,105	10,152,105	1,156,072
Balance End of Year	\$ 8,114,736	\$ 150,399	\$ 7,964,337	\$ 4,356,940	\$ 3,942,317	\$4,022,020

See Accompanying Independent Auditor's Report

WINNEBAGO COUNTY
Forest City, Iowa

BUDGET COMPARISON SCHEDULE –
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$10,432,698	\$ (4,017)	\$10,428,681
Expenditures	14,152,584	(439,027)	13,713,557
Net	(3,719,886)	435,010	(3,284,876)
Other Financing Sources, Net	366,340	0	366,340
Beginning Fund Balances	11,468,282	464,189	11,932,471
Increase in Reserve For: Inventories	0	59,818	59,818
Ending Fund Balances	\$ 8,114,736	\$959,017	\$ 9,073,753

See Accompanying Independent Auditor's Report

WINNEBAGO COUNTY
Forest City, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$475,276. The budget amendments is reflected in the final budgeted amounts.

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

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the Roads and Transportation, Non-Program and Debt Service functions and disbursements in certain departments exceeded the amounts appropriated.

WINNEBAGO COUNTY
Forest City, Iowa

Required Supplementary Information

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
2010	July 1, 2009	\$0	\$425	\$425	0%	\$3,091	13.75%
2011	July 1, 2009	0	425	425	0	3,091	13.75
2012	July 1, 2009	0	425	425	0	3,171	13.41
2013	July 1, 2012	0	473	473	0	2,833	16.69

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

See Accompanying Independent Auditor's Report

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2013

	Special Revenue		
	Resource Enhancement & Protection	County Recorder's Management	Local Option Sales Tax
ASSETS			
Cash and Pooled Investments	\$18,691	\$24,051	\$ 0
Receivables:			
Property Tax:			
Succeeding Year	0	0	0
Accounts	0	500	0
Notes	0	0	0
Accrued Interest	1	2	0
Drainage Assessments	0	0	0
Due From Other Governments	0	0	57,824
Prepaid Insurance	0	0	0
TOTAL ASSETS	\$18,692	\$24,553	\$57,824
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 0	\$ 0	\$ 0
Accrued Interest Payable	0	0	0
Salaries and Benefits Payable	0	0	0
Deferred Revenue:			
Succeeding Year Property Tax	0	0	0
Other	0	0	0
Total Liabilities	0	0	0
Fund Balances:			
Nonspendable:			
Notes Receivable	0	0	0
Prepaid Insurance	0	0	0
Restricted For:			
Drainage Warrants	0	0	0
Other Purposes	18,692	24,553	57,824
Unassigned	0	0	0
Total Fund Balances	18,692	24,553	57,824
TOTAL LIABILITIES AND FUND BALANCES	\$18,692	\$24,553	\$57,824

See Accompanying Independent Auditor's Report

Schedule 1

Tax Increment Financing	Seizure	Sheriff's Reserve	WinnWorth BETCO
\$ 0	\$6,070	\$3,011	\$101,012
117,488	0	0	0
0	0	0	9,233
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	8
<u>\$117,488</u>	<u>\$6,070</u>	<u>\$3,011</u>	<u>\$110,253</u>
\$ 0	\$ 0	\$ 0	\$ 2,673
0	0	0	0
0	0	0	2,610
117,488	0	0	0
0	0	0	0
<u>117,488</u>	<u>0</u>	<u>0</u>	<u>5,283</u>
0	0	0	0
0	0	0	8
0	0	0	0
0	6,070	3,011	104,962
0	0	0	0
<u>0</u>	<u>6,070</u>	<u>3,011</u>	<u>104,970</u>
<u>\$117,488</u>	<u>\$6,070</u>	<u>\$3,011</u>	<u>\$110,253</u>

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2013

	Special Revenue		
	Solid Waste Management	RBEG Grant Revolving Loan	EMS Training/ Ambulance
ASSETS			
Cash and Pooled Investments	\$ 0	\$ 14,047	\$5,220
Receivables:			
Property Tax:			
Succeeding Year	0	0	0
Accounts	16,812	2,897	0
Notes	0	137,687	0
Accrued Interest	6	304	0
Drainage Assessments	0	0	0
Due From Other Governments	0	0	0
Prepaid Insurance	0	0	0
TOTAL ASSETS	\$16,818	\$ 154,935	\$5,220
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 0	\$ 0	\$ 0
Accrued Interest Payable	0	0	0
Salaries and Benefits Payable	0	0	0
Deferred Revenue			
Succeeding Year Property Tax	0	0	0
Other	0	137,687	0
Total Liabilities	0	137,687	0
Fund Balances:			
Nonspendable:			
Notes Receivable	0	137,687	0
Prepaid Insurance	0	0	0
Restricted For:			
Drainage Warrants	0	0	0
Other Purposes	16,818	0	5,220
Unassigned	0	(120,439)	0
Total Fund Balances	16,818	17,248	5,220
TOTAL LIABILITIES AND FUND BALANCES	\$16,818	\$ 154,935	\$5,220

See Accompanying Independent Auditor's Report

Schedule 1 (Continued)

Special Revenue			
County Home Trust	Urban Renewal 2A	Drainage	Total
\$56,224	\$52,866	\$150,399	\$ 431,591
0	0	0	117,488
0	0	0	29,442
0	0	0	137,687
14	0	0	327
0	0	192,510	192,510
0	0	0	57,824
0	0	0	8
\$56,238	\$52,866	\$342,909	\$ 966,877
\$ 0	\$ 0	\$ 56,489	\$ 59,162
0	0	56,271	56,271
0	0	0	2,610
0	0	0	117,488
0	0	192,510	330,197
0	0	305,270	565,728
0	0	0	137,687
0	0	0	8
0	0	37,639	37,639
56,238	52,866	0	346,254
0	0	0	(120,439)
56,238	52,866	37,639	401,149
\$56,238	\$52,866	\$342,909	\$ 966,877

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	Special Revenue		
	Resource Enhancement & Protection	County Recorder's Records Management	Local Option Sales Tax
Revenues:			
Property and Other County Tax	\$ 0	\$ 0	\$ 0
Local Option Sales Tax	0	0	398,905
Intergovernmental	9,671	0	0
Charges for Service	0	2,381	0
Use of Money and Property	12	26	0
Miscellaneous	0	0	0
Total Revenues	9,683	2,407	398,905
Expenditures:			
Operating:			
Public Safety and Legal Services	0	0	0
County Environment and Education	9,354	0	0
Non-Program	0	0	0
Debt Service	0	0	0
Total Expenditures	9,354	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	329	2,407	398,905
Other Financing Sources (Uses):			
Transfers In	0	0	0
Transfers Out	0	0	(368,480)
Drainage Warrants Issued	0	0	0
Total Other Financing Sources (Uses)	0	0	(368,480)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	329	2,407	30,425
Fund Balances Beginning of Year	18,363	22,146	27,399
Fund Balances End of Year	\$18,692	\$24,553	\$ 57,824

See Accompanying Auditor's Report

Schedule 2

Special Revenue

Tax Increment Financing	Seizure	Sheriff's Reserve	Fair Association	WinnWorth BETCO
\$134,845	\$ 0	\$ 0	\$ 0	\$ 30,481
0	0	0	0	0
0	0	0	0	36,750
0	0	0	0	0
0	0	2	0	0
0	161	450	0	0
134,845	161	452	0	67,231
0	0	100	0	0
0	0	0	34,297	114,859
134,845	0	0	0	0
0	0	0	0	0
134,845	0	100	34,297	114,859
0	161	352	(34,297)	(47,628)
0	0	0	34,000	49,000
0	0	0	0	0
0	0	0	0	0
0	0	0	34,000	49,000
0	161	352	(297)	1,372
0	5,909	2,659	297	103,598
\$ 0	\$6,070	\$3,011	\$ 0	\$104,970

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	Special Revenue		
	Solid Waste Management	RBEG Grant Revolving Loan	EMS Training/ Ambulance
Revenues:			
Property and Other County Tax	\$ 0	\$ 0	\$ 0
Local Option Sales Tax	0	0	0
Intergovernmental	0	0	5,221
Charges for Service	62,277	0	0
Use of Money and Property	43	31,111	0
Miscellaneous	0	0	0
Total Revenues	62,320	31,111	5,221
Expenditures:			
Operating:			
Public Safety and Legal Services	0	0	5,675
County Environment and Education Non-Program	0	50,000	0
Debt Service	0	0	0
Total Expenditures	0	50,000	5,675
Excess (Deficiency) of Revenues Over (Under) Expenditures	62,320	(18,889)	(454)
Other Financing Sources (Uses):			
Transfers In	0	0	0
Transfers Out	(61,174)	0	0
Drainage Warrants Issued	0	0	0
Total Other Financing Sources (Uses)	(61,174)	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	1,146	(18,889)	(454)
Fund Balances Beginning of Year	15,672	36,137	5,674
Fund Balances End of Year	\$16,818	\$17,248	\$5,220

See Accompanying Auditor's Report

Schedule 2 (Continued)

Special Revenue				
County Home Trust	Urban Renewal2A	Drainage	UR2 Capital Projects	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 165,326
0	0	0	0	398,905
0	0	0	0	51,642
0	0	0	0	64,658
185	0	0	0	31,379
0	0	286,824	(7)	287,428
185	0	286,824	(7)	999,338
0	0	0	0	5,775
0	0	0	0	208,510
0	0	663,577	0	798,422
0	112,178	0	0	112,178
0	112,178	663,577	0	1,124,885
185	(112,178)	(376,753)	(7)	(125,547)
0	0	0	0	83,000
0	0	0	0	(429,654)
0	0	366,340	0	366,340
0	0	366,340	0	19,686
185	(112,178)	(10,413)	(7)	(105,861)
56,053	165,044	48,052	7	507,010
\$56,238	\$ 52,866	\$ 37,639	\$ 0	\$ 401,149

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING SCHEDULE OF
FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
ASSETS					
Cash and Pooled Investments:					
County Treasurer	\$ 0	\$ 1,727	\$143,040	\$ 76,970	\$ 3,810
Other County Officials	14,284	0	0	0	0
Receivables:					
Property Tax:					
Succeeding Year	0	147,937	279,674	6,071,093	326,569
Accounts	594	0	0	0	0
Accrued Interest	0	0	0	0	0
Assessments	0	0	0	0	0
Due From Other Governments	0	0	0	0	0
TOTAL ASSETS	\$14,878	\$149,664	\$422,714	\$6,148,063	\$330,379
LIABILITIES					
Accounts Payable	\$ 0	\$ 0	\$ 21,971	\$ 0	\$ 0
Salaries and Benefits Payable	0	0	7,504	0	0
Due To Other Governments	694	149,664	381,982	6,148,063	330,379
Trusts Payable	14,184	0	0	0	0
Compensated Absences	0	0	11,257	0	0
TOTAL LIABILITIES	\$14,878	\$149,664	\$422,714	\$6,148,063	\$330,379

See Accompanying Independent Auditor's Report

Schedule 3

Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$ 29,414	\$ 1,748	\$ 5,022	\$275,764	\$107,089	\$ 644,584
0	0	0	0	0	14,284
3,556,857	144,916	0	0	1,627	10,528,673
0	0	0	0	14,112	14,706
0	0	0	0	13	13
0	0	563,840	0	0	563,840
0	0	0	0	10,858	10,858
<u>\$3,586,271</u>	<u>\$146,664</u>	<u>\$568,862</u>	<u>\$275,764</u>	<u>\$133,699</u>	<u>\$11,776,958</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,704	\$ 24,675
0	0	0	0	0	7,504
3,586,271	146,664	568,862	275,764	123,445	11,711,788
0	0	0	0	7,550	21,734
0	0	0	0	0	11,257
<u>\$3,586,271</u>	<u>\$146,664</u>	<u>\$568,862</u>	<u>\$275,764</u>	<u>\$133,699</u>	<u>\$11,776,958</u>

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING SCHEDULE OF CHANGES IN
 FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor
ASSETS AND LIABILITIES			
Balances Beginning of Year	\$ 12,184	\$144,071	\$352,446
Additions:			
Property and Other County Tax	0	147,915	279,633
E911 Surcharge	0	0	0
State Tax Credits	0	7,737	14,821
Office Fees and Collections	285,721	0	0
Electronic Transaction Fees	0	0	0
Auto Licenses, Use Tax and Postage	0	0	0
Assessments	0	0	0
Trusts	72,539	0	0
Miscellaneous	0	53	1,509
Total Additions	358,260	155,705	295,963
Deductions:			
Agency Remittances:			
To Other Funds	130,877	0	0
To Other Governments	152,410	150,112	295,195
Trusts Paid Out	72,279	0	0
Total Deductions	355,566	150,112	295,195
Transfers In (Out)	0	0	69,500
Balances End of Year	\$ 14,878	\$149,664	\$422,714

See Accompanying Independent Auditor's Report

Schedule 4

Schools	Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$6,574,750	\$317,828	\$3,637,050	\$162,388	\$700,694	\$ 253,815	\$203,924	\$12,359,150
6,074,274	326,520	3,544,204	125,806	0	0	1,627	10,499,979
0	0	0	0	0	0	102,054	102,054
347,417	17,069	147,894	7,443	0	0	85	542,466
0	0	0	0	0	0	0	285,721
0	0	0	0	0	0	2,381	2,381
0	0	0	0	0	3,229,761	244	3,230,005
0	0	0	0	35,097	0	0	35,097
0	0	0	0	0	0	112,508	185,047
2,251	116	0	69	0	0	1,165	5,163
6,423,942	343,705	3,692,098	133,318	35,097	3,229,761	220,064	14,887,913
0	0	0	0	0	97,925	0	228,802
6,850,629	331,154	3,742,877	149,042	166,929	3,109,887	107,480	15,055,715
0	0	0	0	0	0	113,309	185,588
6,850,629	331,154	3,742,877	149,042	166,929	3,207,812	220,789	15,470,105
0	0	0	0	0	0	(69,500)	0
\$6,148,063	\$330,379	\$3,586,271	\$146,664	\$568,862	\$ 275,764	\$133,699	\$11,776,958

WINNEBAGO COUNTY
Forest City, Iowa

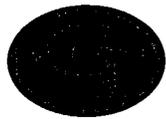
**SCHEDULE OF REVENUES BY SOURCE
AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS**
For the Last Ten Years

	Modified Accrual Basis			
	2013	2012	2011	2010
Revenues:				
Property and Other County Tax	\$ 5,514,865	\$ 5,029,103	\$ 5,058,930	\$ 4,531,945
Interest and Penalty on Property Tax	53,501	26,568	29,575	33,600
Intergovernmental	3,290,151	4,167,837	3,915,880	4,286,153
Licenses and Permits	16,333	20,858	11,999	18,938
Charges for Service	1,025,875	1,055,817	1,016,481	886,666
Use of Money and Property	137,142	111,940	139,081	123,478
Miscellaneous	390,814	754,596	496,864	836,556
Total	\$10,428,681	\$11,166,719	\$10,668,810	\$10,717,336
Expenditures:				
Operating:				
Public Safety and Legal Services	\$ 1,521,989	\$ 1,512,217	\$ 1,718,430	\$ 1,696,032
Physical Health and Social Services	1,089,182	1,064,571	1,038,799	902,272
Mental Health	610,691	1,544,621	1,475,808	1,395,856
County Environment and Education	643,654	672,368	659,019	559,188
Roads and Transportation	3,024,088	3,398,039	3,906,835	2,923,675
Governmental Services to Residents	484,852	421,387	355,943	412,702
Administration	953,436	833,382	809,783	791,345
Non-Program	802,862	775,476	767,519	804,909
Debt Service	1,080,106	966,431	880,262	93,568
Capital Projects	3,502,697	5,255,319	8,548,891	6,324,971
Total	\$13,713,557	\$16,443,811	\$20,161,289	\$15,904,518

See Accompanying Independent Auditor's Report

Schedule 5

2009	2008	2007	2006	2005	2004
\$ 4,451,084	\$4,020,706	\$ 3,833,937	\$3,442,431	\$3,436,568	\$3,425,587
36,500	29,296	39,916	29,813	23,197	23,710
4,181,283	3,336,356	4,233,902	3,291,966	3,592,136	3,343,500
21,375	31,094	4,789	1,440	6,688	4,318
811,960	1,279,985	746,885	526,760	635,858	623,015
129,207	141,908	153,053	88,420	64,266	47,350
734,401	734,363	866,228	1,230,263	672,265	553,359
\$10,365,810	\$9,573,708	\$ 9,878,710	\$8,611,093	\$8,430,978	\$8,020,839
\$ 1,598,942	\$1,206,878	\$ 1,028,744	\$1,159,504	\$1,028,856	\$1,068,430
817,942	714,991	630,928	921,911	638,859	634,685
1,477,809	1,446,283	1,376,244	1,230,189	1,283,480	1,319,996
601,190	524,126	492,594	577,202	528,916	589,841
2,689,602	2,792,585	3,147,858	2,789,407	3,056,178	2,846,418
399,919	333,528	340,398	443,203	357,808	334,201
863,600	715,120	723,964	737,438	699,019	724,891
925,143	1,032,144	2,388,287	1,896,728	863,504	597,397
26,108	165,447	0	0	327,919	119,324
1,172,369	1,046,234	239,610	117,327	282,570	493,070
\$10,572,624	\$9,977,336	\$10,368,627	\$9,872,909	\$9,067,109	\$8,728,253



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

To the Officials of Winnebago County
Forest City, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Winnebago County, Iowa as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Winnebago County, Iowa's basic financial statements and have issued our report thereon dated March 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Winnebago County, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Winnebago County, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of Winnebago County, Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

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. We consider the deficiency described in the accompany schedule of findings as item C to be a significant deficiency.

Compliance and Other Matters.

As part of obtaining reasonable assurance about whether Winnebago County, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Winnebago County, Iowa's Response to Findings

Winnebago County, Iowa's response to the findings identified in our audit is described in the accompanying schedule of findings. Winnebago County, Iowa's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Winnebago County, Iowa's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Gardiner Thomsen, P.C.

March 28, 2014
Charles City, Iowa

WINNEBAGO COUNTY
Forest City, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2013

Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

A Segregation of Duties

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

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

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

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

Cause – Limited staff available to segregate duties.

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

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

B Financial Reporting

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

Criteria – A good financial reporting system.

Condition – Receipts in July and August following year end were not always coded as a receipt for goods or services provided prior to June 30 to be included in the Accounts Receivable Listing. Capital asset additions and disposals were not included on the capital asset listing.

Effect – The accounts receivable listing and capital asset listing were understated.

Cause – Limited staff.

WINNEBAGO COUNTY
Forest City, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2013

Findings Related to the Financial Statements (Continued)

B Financial Reporting (Continued)

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

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

C Preparation of Full Disclosure Financial Statements

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

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

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

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

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

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

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

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

WINNEBAGO COUNTY
Forest City, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

1 **Certified Budget** – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the Roads and Transportation, Non-Program and Debt Service functions. Disbursements in several departments exceeded the amounts appropriated during the year and at June 30, 2013.

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

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

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

Conclusion – Response accepted.

2 **Questionable Expenditures** – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted.

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

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

<u>Name, Title, and Business Relationship</u>	<u>Description</u>	<u>Amount</u>
Sandy Larson – Sheriff’s Office		
Body Works – Owned by Husband	Vehicle body work	\$ 1,250
Mark Krull – Thompson Shop Maintenance Operator		
Gary E. Kull – Father	Oil, grease, lubricants, etc.	20,681
Sandy Sunde – Recorder’s Office		
North Iowa Lawn Care – Owned by Son	Fertilizer and weed control	300
Dennis Tweeten – Secondary Roads		
Road Runner Auto Body	Motor Vehicle Parts	550

WINNEBAGO COUNTY
Forest City, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2013

Other Findings Related to Required Statutory Reporting: (Continued)

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Body Works, North Iowa Lawn Care, and Road Runner Auto Body do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year.

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

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

6 **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the Board went into closed sessions on December 17, 2012 and June 10, 2013 and the minutes did not document the specific exemption under Chapter 21.5 of the Code of Iowa.

Recommendation – The County should ensure that all closed meetings comply with Chapter 21 of the Code of Iowa.

Response – This was an oversight. The specific exemption was discussed as the Board went into closed session in these instances, however, the specific exemption was not documented in the Board minutes.

Conclusion – Response accepted.

7 **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

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

9 **Economic Development** – During the year ended June 30, 2013, the County paid \$115,088 for economic development which appears to be an appropriate expenditure of public funds since the public benefits have been clearly documented.

WINNEBAGO COUNTY
Forest City, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2013

Other Findings Related to Required Statutory Reporting: (Continued)

- 10 **County Extension Office** – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2013 for the County Extension Office did not exceed the amount budgeted.

- 11 **Sheriff's Office** – During the audit, it was noted that deposits weren't made in a timely manner. The general account and trust account do not balance to monies owed at June 30, 2013. We noted an investigations account that was not included in the County budget process, accounting system and financial reporting. There appears to be no legal reason for these accounts to be separately maintained.

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

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

Conclusion – Response acknowledged.

- 12 **Urban Renewal Annual Report** – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.