

WINNEBAGO COUNTY
Forest City, Iowa

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2014

WINNEBAGO COUNTY
Forest City, Iowa

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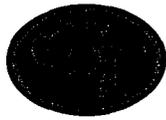
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WINNEBAGO COUNTY
Forest City, Iowa

OFFICIALS

Terry Durby	Board of Supervisors	January 2015
Warren Wubben	Board of Supervisors	January 2015
Mike Stensrud	Board of Supervisors	January 2017
Karla Weiss	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

*Lowell Ouverson retired March 31, 2014 and Sue McColloch was appointed effective April 1, 2014.



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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as 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, 2014, 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 50 – 53 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, 2013 (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 25, 2015, 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 Thompson, P.C.

Charles City, Iowa

March 25, 2015

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, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 9.85%, or approximately \$1,023,702, from fiscal 2013 to fiscal 2014. Property tax decreased approximately \$173,973, operating grants, capital grants and contributions decreased approximately \$228,163 and charges for service increased approximately \$805,157. Tax increment financing revenues increased \$396,136.
- Program expenses were 3.32% or approximately \$385,490 more in fiscal 2014 than in fiscal 2013. Administration expenses increased approximately \$337,144.
- The County's net position decreased 4.24%, or approximately \$578,018 from June 30, 2013 to June 30, 2014.

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 financial information on all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference 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 years.

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, 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) A proprietary fund accounts for the County's Internal Service Fund, Employee Group Health Fund. 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 governmental fund financial statements follow the governmental 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 \$13,631,993 to \$13,053,975. The analysis that follows focuses on the changes in the net position for governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	2014	2013
Current and Other Assets	\$12,406	\$15,510
Capital Assets	33,514	32,040
Total Assets	<u>45,920</u>	<u>47,550</u>
Long-Term Debt Outstanding	26,337	27,768
Other Liabilities	633	891
Total Liabilities	<u>26,970</u>	<u>28,659</u>
Deferred Inflows of Resources	<u>5,896</u>	<u>5,259</u>
Net Position:		
Net Investment in Capital Assets	10,352	9,748
Restricted	3,453	5,237
Unrestricted	(751)	(1,353)
Total Net Position	<u><u>\$13,054</u></u>	<u><u>\$13,632</u></u>

Net position of Winnebago County's governmental activities decreased by 4.24% (\$13.054 million compared to \$13.632 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 represents 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 increased from \$(1,352,691) at June 30, 2013 to \$(751,293) at the end of this year.

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

	2014	2013
Program Revenues:		
Charges for Service	\$ 2,405	\$ 1,600
Operating Grants, Contributions and Restricted Interest	2,532	2,516
Capital Grants, Contributions and Restricted Interest	110	354
General Revenues:		
Property Taxes	3,992	4,166
Penalty and Interest on Property Tax	25	54
State Tax Credits	221	224
Local Option Sales Tax	375	399
Tax Increment Financing	1,309	913
Unrestricted Investment Earnings	59	100
Other General Revenues	387	65
Total Revenues	<u>11,415</u>	<u>10,391</u>
Public Safety and Legal Services	1,498	1,528
Physical Health and Social Services	1,182	1,114
Mental Health	658	618
County Environment and Education	653	679
Roads and Transportation	4,824	4,751
Governmental Services to Residents	464	409
Administration	1,346	1,009
Non-Program	504	624
Interest on Long-Term Debt	864	875
Total Expenses	<u>11,993</u>	<u>11,607</u>
Decrease in Net Position	(578)	(1,216)
Net Position Beginning of Year	<u>13,632</u>	<u>14,848</u>
Net Position End of Year	<u><u>\$13,054</u></u>	<u><u>\$13,632</u></u>

The results of governmental activities for the year resulted in Winnebago County's net position decreasing by approximately \$578,018. Revenues for governmental activities increased by approximately \$1,023,702 compared to the prior year.

The cost of all governmental activities this year was \$11,992,713 compared to \$11,607,223 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was \$6.945 million because of the cost that was paid by those directly benefiting from the programs \$2,405,247 or by other governments and organizations that subsidized certain programs with grants and contributions \$2,642,433. Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased in 2014 from approximately \$4,470,686 to \$5,047,680. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$3,991,854 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 \$5,264,297, a decrease of \$3,809,456 from last year's total of \$9,073,753. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased slightly while expenditures increased. The ending fund balance showed a decrease of \$324,457 from the prior year to \$3,073,140.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$640,016, an increase of 5.0% from the prior year. The Mental Health Fund balance at year end increased by approximately \$85,758 over the prior year.
- Rural Service Fund revenues decreased slightly and expenditures decreased approximately \$31,593. The ending fund balance showed a decrease of \$30,785 from the prior year to \$237,724.
- Secondary Roads Fund expenditures increased by approximately \$640,540 over the prior year. The Secondary Roads Fund ending balance decreased by approximately \$295,433.
- 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 \$2,036,071.

BUDGETARY HIGHLIGHTS

Over the course of the year, Winnebago County amended its budget two times. The amendments were made on April 29, 2014 and May 27, 2014, 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, roads and transportation, and debt service functions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, Winnebago County had approximately \$46,388,189 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 \$2,821,092 or 7.0% over last year.

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

	2014	2013
Land	\$ 1,622	\$ 1,503
Buildings and Improvements	4,037	4,037
Equipment	7,184	6,810
Intangibles	42	42
Infrastructure	33,503	30,015
Construction in Progress	0	1,160
Total	\$46,388	\$43,567

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

Land	\$ 119
Sheriff Equipment and Vehicles	27
Secondary Road Equipment and Vehicles	726
Infrastructure	3,488
	\$ 4,360

The County had depreciation expense of \$1,852,219 for the year ended June 30, 2014 and total accumulated depreciation of \$12,874,131 at June 30, 2014.

The County's fiscal year 2014 capital projects budget included \$2,997,710 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, 2014, Winnebago County had approximately \$26,049,288 in general obligation bonds and other debt outstanding compared to approximately \$27,537,554 at June 30, 2013, as shown below.

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

	2014	2013
General Obligation Urban Renewal Bonds	\$25,210	\$26,810
Notes and Contracts	6	11
Installment Purchases	196	0
Drainage Warrants	367	512
Compensated Absences	254	174
Termination Benefits	16	30
	\$26,049	\$27,537

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 \$48 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 2015 budget, tax rates, and the fees that will be charged for various County activities. One of these factors is the local economy.

The County's nonagricultural employment, according to Iowa Works (Iowa Workforce Development) again increased slightly in 2014 through most of the year, with seasonal farm employees working off the farm typically from January through March, and then coming back to the farm in September for fall harvest. This continues to be an ongoing trend since the mid 1980's and likely will slowly continue into the future. The average number, aggregated from January to December, of nonfarm employees in Winnebago County in 2014 was 4,090.

The population of Winnebago County also continued to slowly decline in 2014 according to the U.S. Census. The 2013 U.S. Census population estimate for Winnebago County was 10,866 and the 2014 U.S. Census population estimate for Winnebago County was 10,554. The County's population decline is attributed to the following: deaths in an aged population, outmigration of young to middle-aged workers whose jobs may have been eliminated, and 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 4.1% (Jan. 2015) versus 5.4% one year ago (Jan. 2014), according to Iowa Works (Iowa Workforce Development). This shows a decrease of 1.3% which is significant. The change from 2013 to 2014 was only (0.6)%, so 1.3% decrease shows that the local economy has steadily improved in 2014. This 2014 decrease is likely due to the area's major manufacturing industries hiring new employees, and other small businesses starting up and expanding in the county. The Winnebago County 2014 average unemployment rate from January – December 2014 was 4.5% according to Iowa Works (Iowa Workforce Development). This is a decrease of 0.4% from the 2013 average unemployment rate of 4.9%. The 2014 average state and national unemployment rates were 4.4% (IA) and 6.2% (U.S.), respectively (according to the U.S. Bureau of Labor Statistics). The 2013 unemployment rates were 5.8% (IA) and 7.4% (U.S.).

While the manufacturing sector in Winnebago County has continued to add jobs in the last 12 months, the agricultural sector has seen slow 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 manufacturing orders to our local industries continued to increase in 2014. This caused area industries to hire more workers in 2014 again, as they also did in 2013. The outlook for 2015 in the manufacturing sector looks to continue to stay steady or increase slowly, while the service and agricultural sectors look to remain relatively stable or increase marginally.

Winnebago County's housing market remained steady in 2014. While there still was not a major jump in new construction, there was a slight increase in the sales of homes in the County. This again, is a good indication of a stronger economy. The County's housing prices remained approximately ½ of the U.S. average housing price. This bodes well for our County's affordability factor when people are considering places to live.

Some Winnebago County citizens paid more for basic living expense in 2014 even though overall food prices and electric prices stayed about the same as in 2013. Food prices continued to be below the national average for Winnebago County residents. Electric prices rose again by a marginal 0.35% in 2014. Average natural gas prices in Winnebago County went up in January and February by more than 100%. The average propane price in Iowa overall for 2014 reached the highest costs ever recorded since documentation on this market began. That price was \$4/gallon or higher by February 1, 2014. This caused more out of pocket expense for Winnebago County residents who utilized LP.

Winnebago County continued to see a rebound in the local economy from year's past. Local industries hired more staff and some businesses expanded in 2014. The unemployment rate for the County was down again in 2014 and the housing market remained relatively steady. Resident's living expenses stayed relatively level.

The current economic conditions in Winnebago County being what they are, the Citizen's needs were considered when preparing the 2015 County budget. Amounts available for appropriation in the operating budget are \$13.6 million. The County has added no new major programs or initiatives in the 2015 budget. All departments kept their budgets nearly 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, 2014

	Governmental Activities
ASSETS	
Cash, Cash Equivalents and Pooled Investments	\$ 4,472,177
Receivables:	
Property Tax:	
Delinquent	7,145
Succeeding Year	5,896,412
Accounts	82,674
Accrued Interest	14,193
Special Assessments	9,992
Drainage Assessments	489,362
Due From Other Governments	422,610
Notes Receivable	160,801
Inventories	790,391
Prepaid Insurance	60,398
Capital Assets (Net of Accumulated Depreciation/Amortization)	33,514,058
TOTAL ASSETS	45,920,213
 LIABILITIES	
Accounts Payable	325,970
Accrued Interest Payable	109,041
Salaries and Benefits Payable	175,818
Due To Other Governments	21,357
Long-Term Liabilities:	
Portion Due Or Payable Within One Year:	
Installment Purchases	195,901
General Obligation Bonds	1,010,000
Notes and Contracts	4,958
Compensated Absences	254,042
Termination Benefits	11,839
Portion Due Or Payable After One Year:	
General Obligation Bonds	24,200,000
Notes and Contracts	1,539
Termination Benefits	3,946
Drainage Warrants	367,063
Net OPEB Liability	288,352
TOTAL LIABILITIES	26,969,826

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities
DEFERRED INFLOWS OF RESOURCES	
Unavailable Property Tax Revenue	\$ 5,896,412
NET POSITION	
Net Investment in Capital Assets	10,351,640
Restricted For:	
Supplemental Levy Purposes	743,693
Mental Health Purposes	289,168
Rural Services Purposes	239,057
Secondary Roads Purposes	888,712
Other Purposes	1,292,998
Unrestricted	(751,293)
TOTAL NET POSITION	<u><u>\$13,053,975</u></u>

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

	Expenses	Program Revenues
FUNCTIONS/PROGRAMS:		Charges for Service
Governmental Activities:		
Public Safety and Legal Services	\$ 1,497,525	\$ 313,640
Physical Health and Social Services	1,181,609	833,808
Mental Health	657,668	0
County Environment and Education	653,036	25,302
Roads and Transportation	4,824,469	47,586
Governmental Services to Residents	464,039	234,899
Administration	1,345,825	118,375
Non-Program	504,446	831,637
Interest on Long-Term Debt	864,096	0
TOTAL	\$11,992,713	\$2,405,247

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
- Gain on Disposal of Capital Assets

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION BEGINNING OF YEAR

NET POSITION END OF YEAR

See Notes To Financial Statements

Exhibit B

<u>Program Revenues</u>		
<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
\$ 4,972	\$ 0	\$ (1,178,913)
198,759	0	(149,042)
289,716	0	(367,952)
19,643	110,352	(497,739)
2,018,991	0	(2,757,892)
0	0	(229,140)
0	0	(1,227,450)
0	0	327,191
0	0	(864,096)
<u>\$2,532,081</u>	<u>\$110,352</u>	<u>(6,945,033)</u>

3,991,854
24,802
220,506
375,171
1,308,833
58,603
225,596
161,650
<u>6,367,015</u>
(578,018)
<u>13,631,993</u>
<u>\$13,053,975</u>

WINNEBAGO COUNTY
Forest City, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
 June 30, 2014

	Special Revenue			
General	Mental Health	Rural Services	Secondary Roads	
ASSETS				
Cash, Cash Equivalents and Pooled Investments	\$2,931,514	\$276,722	\$ 248,461	\$ 355,071
Receivables:				
Property Tax:				
Delinquent	4,859	953	1,333	0
Succeeding Year	2,146,098	407,172	1,676,214	0
Accounts	64,798	0	10	341
Accrued Interest	13,995	0	0	0
Special Assessments	0	0	0	9,992
Drainage Assessments	0	0	0	0
Due From Other Governments	194,911	23,756	0	144,378
Notes Receivable	0	0	0	0
Inventories	0	0	0	790,391
Prepaid Insurance	42,207	0	168	17,679
TOTAL ASSETS	\$5,398,382	\$708,603	\$1,926,186	\$1,317,852

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES
 AND FUND BALANCES**

Liabilities:				
Accounts Payable	\$ 55,765	\$ 382	\$ 3,696	\$ 224,859
Accrued Interest Payable	0	0	0	0
Salaries and Benefits Payable	102,652	11,881	7,219	51,682
Due To Other Governments	15,868	0	0	5,489
Total Liabilities	<u>174,285</u>	<u>12,263</u>	<u>10,915</u>	<u>282,030</u>

See Notes To Financial Statements

Special Revenue			
Linden Urban Renewal	Urban Renewal 2	Nonmajor	Total
\$ 69,686	\$ 20,950	\$ 555,306	\$ 4,457,710
0	0	0	7,145
158,900	1,392,990	115,038	5,896,412
0	0	17,525	82,674
0	0	198	14,193
0	0	0	9,992
0	0	489,362	489,362
0	0	59,565	422,610
0	0	160,801	160,801
0	0	0	790,391
0	0	344	60,398
<u>\$228,586</u>	<u>\$1,413,940</u>	<u>\$1,398,139</u>	<u>\$12,391,688</u>
\$ 0	\$ 0	\$ 41,268	\$ 325,970
0	0	40,534	40,534
0	0	2,384	175,818
0	0	0	21,357
<u>0</u>	<u>0</u>	<u>84,186</u>	<u>563,679</u>

WINNEBAGO COUNTY
Forest City, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
 June 30, 2014

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Deferred Inflows of Resources:				
Unavailable Revenues:				
Succeeding Year Property Tax	\$2,146,098	\$407,172	\$1,676,214	\$ 0
Other	4,859	953	1,333	9,992
Total Deferred Inflows of Resources	2,150,957	408,125	1,677,547	9,992
Fund Balances				
Nonspendable:				
Inventories	0	0	0	790,391
Notes Receivable	0	0	0	0
Prepaid Insurance	42,207	0	0	17,679
Restricted For:				
Supplemental Levy Purposes	742,815	0	0	0
Mental Health Purposes	0	288,215	0	0
Rural Services Purposes	0	0	237,724	0
Secondary Roads Purposes	0	0	0	217,760
Drainage Warrants	0	0	0	0
Conservation Land Acquisition	199,425	0	0	0
Other Purposes	0	0	0	0
Assigned for Conservation	17,860	0	0	0
Assigned for Sheriff's Department	133,975	0	0	0
Assigned for Public Health	194,205	0	0	0
Assigned for Communications				
Infrastructure	20,875	0	0	0
Unassigned	1,721,778	0	0	0
Total Fund Balances	3,073,140	288,215	237,724	1,025,830
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$5,398,382	\$708,603	\$1,926,186	\$1,317,852

See Notes To Financial Statements

Exhibit C (Continued)

Special Revenue			
Linden Urban Renewal	Urban Renewal 2	Nonmajor	Total
\$158,900	\$1,392,990	\$ 115,038	\$ 5,896,412
0	0	650,163	667,300
158,900	1,392,990	765,201	6,563,712
0	0	0	790,391
0	0	160,801	160,801
0	0	344	60,230
0	0	0	742,815
0	0	0	288,215
0	0	0	237,724
0	0	0	217,760
0	0	54,500	54,500
0	0	0	199,425
69,686	20,950	444,306	534,942
0	0	0	17,860
0	0	0	133,975
0	0	0	194,205
0	0	0	20,875
0	0	(111,199)	1,610,579
69,686	20,950	548,752	5,264,297
\$228,586	\$1,413,940	\$1,398,139	\$12,391,688

WINNEBAGO COUNTY
Forest City, Iowa

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

June 30, 2014

Total Governmental Fund Balances (Page 20) \$ 5,264,297

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 \$46,388,189 and the accumulated depreciation/amortization is \$12,874,131. 33,514,058

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows in the governmental funds. 667,300

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. 14,467

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 year and, therefore, are not reported in the governmental funds. (26,406,147)

Net Position of Governmental Activities (Page 14) \$ 13,053,975

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
REVENUES:				
Property and Other County Tax	\$2,101,807	\$412,138	\$1,481,454	\$ 0
Local Option Sales Tax	0	0	0	0
Interest and Penalty on Property Tax	24,802	0	0	0
Intergovernmental	670,102	313,488	75,503	2,018,990
Licenses and Permits	11,836	0	60	6,862
Charges For Service	1,116,648	0	0	16,856
Use of Money and Property	59,827	0	0	3,000
Miscellaneous	132,811	148	843	69,675
Total Revenues	4,117,833	725,774	1,557,860	2,115,383
EXPENDITURES:				
Operating:				
Public Safety and Legal Services	1,339,870	0	108,172	0
Physical Health and Social Services	1,146,177	0	0	0
Mental Health	0	640,016	0	0
County Environment and Education	288,636	0	211,785	0
Roads and Transportation	0	0	403,170	3,249,019
Governmental Services to Residents	438,643	0	1,319	0
Administration	1,308,101	0	1,500	0
Non-Program	0	0	9,990	0
Debt Service	0	0	0	5,426
Capital Projects	130,883	0	10,309	366,235
Total Expenditures	4,652,310	640,016	746,245	3,620,680
Excess (Deficiency) of Revenues Over (Under) Expenditures	(534,477)	85,758	811,615	(1,505,297)

See Notes to Financial Statements

Exhibit E

Special Revenue				
Linden Urban Renewal	Urban Renewal 2	UR2A Capital Projects	Nonmajor	Total
\$ 61,130	\$1,125,389	\$ 0	\$ 148,440	\$ 5,330,358
0	0	0	375,171	375,171
0	0	0	0	24,802
0	0	0	67,889	3,145,972
0	0	0	0	18,758
0	0	0	59,931	1,193,435
2,784	0	2,152	32,645	100,408
0	0	9,823	481,741	695,041
63,914	1,125,389	11,975	1,165,817	10,883,945
0	0	0	7,171	1,455,213
0	0	0	0	1,146,177
0	0	0	0	640,016
0	0	0	165,336	665,757
0	0	0	0	3,652,189
0	0	0	0	439,962
0	0	0	0	1,309,601
0	0	0	882,056	892,046
1,363,868	992,185	0	112,177	2,473,656
0	0	2,036,071	0	2,543,498
1,363,868	992,185	2,036,071	1,166,740	15,218,115
(1,299,954)	133,204	(2,024,096)	(923)	(4,334,170)

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Other Financing Sources (Uses):				
Sale of Capital Assets	\$ 0	\$ 0	\$ 0	\$ 161,650
Transfers In	288,997	0	143,357	980,734
Transfers Out	(78,977)	0	(985,757)	0
Proceeds from Installment Purchase	0	0	0	225,901
Drainage Warrants	0	0	0	0
Total Other Financing Sources (Uses)	210,020	0	(842,400)	1,368,285
Net Change in Fund Balances	(324,457)	85,758	(30,785)	(137,012)
Fund Balances Beginning of Year	3,397,597	202,457	268,509	1,321,263
Decrease in Reserve For Inventories	0	0	0	(158,421)
Fund Balances End of Year	\$3,073,140	\$288,215	\$ 237,724	\$1,025,830

See Notes to Financial Statements

Exhibit E (Continued)

Special Revenue					
Linden Urban Renewal	Urban Renewal 2	UR2A Capital Projects	Nonmajor	Total	
\$ 0	\$ 0	\$ 0	\$ 0	\$ 161,650	
0	0	0	285,296	1,698,384	
0	(201,296)	0	(432,354)	(1,698,384)	
0	0	0	0	225,901	
0	0	0	295,584	295,584	
0	(201,296)	0	148,526	683,135	
(1,299,954)	(68,092)	(2,024,096)	147,603	(3,651,035)	
1,369,640	89,042	2,024,096	401,149	9,073,753	
0	0	0	0	(158,421)	
\$ 69,686	\$ 20,950	\$ 0	\$ 548,752	\$ 5,264,297	

WINNEBAGO COUNTY
Forest City, Iowa

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Net Change in Fund Balances –Total Governmental Funds (Page 25) \$(3,651,035)

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	\$ 3,326,300	
Depreciation/Amortization Expense	(1,852,219)	1,474,081

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

Property Tax	(2,133)	
Other	317,467	315,334

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	(521,485)	
Repaid	2,075,918	1,554,433

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	(80,458)	
Other Postemployment Benefits/Termination Benefits	(43,920)	
Interest on Long-Term Debt	4,602	(119,776)

WINNEBAGO COUNTY
Forest City, Iowa

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

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.	\$(158,421)
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	<u>7,366</u>
Change in Net Position of Governmental Activities (Page 16)	<u><u>\$(578,018)</u></u>

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2014

	<u>Internal Service Employee Group Health</u>
ASSETS	
Cash, Cash Equivalents and Pooled Investments	<u>\$14,467</u>
NET POSITION	
Unrestricted	<u>\$14,467</u>

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2014

	<u>Internal Service Employee Group Health</u>
Operating Revenues:	
Reimbursements From Operating Funds	\$810,900
Reimbursements From Employees	144,496
Other Reimbursements	16,831
Total Operating Revenues	<u>972,227</u>
Operating Expenses:	
Medical Claims	81,576
Insurance Premiums	864,155
Administrative Fees	14,749
Miscellaneous	4,381
Total Operating Expenses	<u>964,861</u>
Net Income	7,366
Net Position Beginning of Year	<u>7,101</u>
Net Position End of Year	<u>\$ 14,467</u>

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2014

	<u>Internal Service Employee Group Health</u>
Cash Flows From Operating Activities:	
Cash Received From Operating Fund Reimbursements	\$ 810,900
Cash Received From Employees and Others	161,327
Cash Paid to Suppliers for Services	(1,041,894)
Net Cash Used in Operating Activities	<u>(69,667)</u>
Cash, Cash Equivalents and Pooled Investments Beginning of Year	<u>84,134</u>
Cash, Cash Equivalents and Pooled Investments End of Year	<u><u>\$ 14,467</u></u>
Reconciliation of Operating Income to Net Cash Used in Operating Activities:	
Operating Income	\$ 7,366
Adjustments to Reconcile Operating Income to Net Cash Used in Operating Activities:	
Decrease in Accounts Payable	<u>(77,033)</u>
Net Cash Used in Operating Activities	<u><u>\$ (69,667)</u></u>

See Notes To Financial Statements

**WINNEBAGO COUNTY
Forest City, Iowa**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2014**

ASSETS

Cash, Cash Equivalents and Pooled Investments:	
County Treasurer	\$ 630,045
Other County Officials	6,325
Receivables:	
Property Tax:	
Succeeding Year	10,183,754
Accounts	14,924
Accrued Interest	16
Assessments	488,852
Due From Other Governments	16,452
Total Assets	<u>11,340,368</u>

LIABILITIES

Accounts Payable	670
Salaries and Benefits Payable	5,500
Due To Other Governments	11,317,193
Trusts Payable	13,446
Compensated Absences	3,559
Total Liabilities	<u>11,340,368</u>

NET POSITION

\$ 0

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 prepared 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 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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. Enabling legislation did not result in any restricted net position.

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, intellectual disabilities, 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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 year or soon enough thereafter to pay liabilities of the current year. 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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY

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

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2013.

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, DEFERRED INFLOWS OF RESOURCES 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, 2014, 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, intangibles 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, DEFERRED INFLOWS OF RESOURCES 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>
Infrastructure	30-50
Buildings and Improvements	20-50
Intangibles	5-20
Equipment and Vehicles	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.

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, 2014. 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.

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.

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year-end.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY (CONTINUED)

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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, 2014, disbursements exceeded amounts budgeted in the Non-Program and Debt Service functions and disbursements in certain departments exceeded the amounts appropriated.

Note 2: Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2014 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, Cash Equivalents 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, 2014 is as follows:

Transfer To	Transfer From	Amount
	Special Revenue:	
General	Local Option Sales Tax	\$ 280,073
General	Solid Waste Management	8,924
Special Revenue:	Special Revenue:	
Rural Services	Local Option Sales Tax	93,357
Rural Services	Solid Waste Management	50,000
Secondary Roads	Rural Services	951,757
Fair Association	Rural Services	34,000
Urban Renewal 2A	Urban Renewal 2	201,296
Winnebago/Worth BETCO	General	50,000
Secondary Roads	General	28,977
		\$1,698,384
Total		

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, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated/Amortized:				
Land	\$ 1,502,698	\$ 118,973	\$ 0	\$ 1,621,671
Construction in Progress	1,159,974	0	1,159,974	0
Total Capital Assets Not Being Depreciated/Amortized	2,662,672	118,973	1,159,974	1,621,671
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	4,571,071	561,429	278,817	4,853,683
Vehicles	2,239,405	317,478	226,391	2,330,492
Intangibles	42,469	0	0	42,469
Infrastructure, Road Network	30,014,767	3,488,394	0	33,503,161
Total Capital Assets Being Depreciated/Amortized	40,904,425	4,367,301	505,208	44,766,518
Less Accumulated Depreciation/Amortization For:				
Buildings	982,487	71,358	0	1,053,845
Improvements Other Than Buildings	292,625	13,713	0	306,338
Machinery and Equipment	3,469,424	243,941	278,817	3,434,548
Vehicles	1,681,982	137,365	226,391	1,592,956
Intangibles	21,235	8,494	0	29,729
Infrastructure, Road Network	5,079,367	1,377,348	0	6,456,715
Total Accumulated Depreciation/Amortization	11,527,120	1,852,219	505,208	12,874,131
Total Capital Assets Being Depreciated/Amortized, Net	29,377,305	2,515,082	0	31,892,387
Governmental Activities Capital Assets, Net	\$32,039,977	\$2,634,055	\$1,159,974	\$33,514,058
Depreciation/Amortization expense was charged to the following functions:				
Public Safety and Legal Services				\$ 52,120
Physical Health and Social Services				18,730
Mental Health				857
County Environment and Education				25,810
Roads and Transportation				1,658,480
Governmental Services to Residents Administration				20,998
				75,224
Total Depreciation/Amortization Expense – Governmental Activities				\$ 1,852,219

Notes to Financial Statements (Continued)

Note 5: Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$15,868
Special Revenue:		
Secondary Roads	Services	<u>5,489</u>
Total for Governmental Funds		<u>\$21,357</u>

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Agency:		
Agricultural Extension	Collections	\$ 145,633
Assessor		373,249
Schools		5,879,854
Community Colleges		311,133
Corporations		3,567,579
Auto License and Use Tax		272,400
All Others		<u>767,345</u>
Total for Agency Funds		<u>\$11,317,193</u>

Note 6: Changes in Long-Term Liabilities

	Installment	General	Secondary	Compensated	Termination	Drainage	Total
	Purchase	Obligation	Road	Absences	Benefits	Warrants	
Balance Beginning of Year	\$ 0	\$26,810,000	\$11,455	\$ 173,584	\$ 30,076	\$512,439	\$27,537,554
Increases	225,901	0	0	254,042	809	295,584	776,336
Decreases	<u>(30,000)</u>	<u>(1,600,000)</u>	<u>(4,958)</u>	<u>(173,584)</u>	<u>(15,100)</u>	<u>(440,960)</u>	<u>(2,264,602)</u>
Balance End of Year	<u>\$195,901</u>	<u>\$25,210,000</u>	<u>\$ 6,497</u>	<u>\$ 254,042</u>	<u>\$ 15,785</u>	<u>\$367,063</u>	<u>\$26,049,288</u>
Due Within One Year	<u>\$195,901</u>	<u>\$ 1,010,000</u>	<u>\$ 4,958</u>	<u>\$ 254,042</u>	<u>\$ 11,839</u>	<u>\$ 0</u>	<u>\$ 1,476,740</u>

Installment Purchase

The County entered into an installment purchase agreement to purchase a Caterpillar Excavator for a total cost of \$225,901. The County made a \$30,000 down payment when the agreement was entered into, and the remaining \$195,901 will be paid during the fiscal year ended June 30, 2015.

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 were called for redemption on June 1, 2014.

Principal on the General Obligation Urban Renewal County Road Improvement and Refunding Bonds, Series 2012A is due annually, commencing June 1, 2015 through June 1, 2025. Interest rates range from 2.00% to 2.60%.

A summary of the debt outstanding is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
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	2.00%	615,000	97,778	712,778
2020-2024	2.00-2.05%	2,060,000	346,688	2,406,688
2025	2.25-2.60%	1,805,000	114,153	1,919,153
	Total	\$6,310,000	\$1,054,828	\$7,364,828

On May 15, 2010, the County issued \$19,200,000 of 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
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	3.30%	1,230,000	567,025	1,797,025
2020-2024	3.50-3.95%	6,845,000	2,153,337	8,998,337
2025	4.00-4.25%	6,555,000	695,765	7,250,765
	Total	\$18,900,000	\$6,012,767	\$24,912,767

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
2015	4.00%	\$4,958	\$264	\$5,222
2016	4.00%	1,539	62	1,601
		\$6,497	\$326	\$6,823

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, 2014, premiums were paid for two retirees totaling \$15,100.

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

Year Ending June 30,	
2015	\$11,839
2016	3,947
	<u>\$15,786</u>

Notes to Financial Statements (Continued)

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

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 5.95% of their annual covered salary and the County is required to contribute 8.93% 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, 2014, 2013, and 2012 were \$342,929, \$322,243, and \$296,544, 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 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

Notes to Financial Statements (Continued)

Note 8: Risk Management (Continued)

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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, 2014 were \$78,309.

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 through reinsurance and excess risk sharing agreements up to the amount of risk sharing protection provided by the County's risk sharing certificate. Property and automobile physical damage risk are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk sharing agreements up to the amount of risk sharing protection provided by the County's risk sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk sharing protection provided by the County's risk sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the County's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance 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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for the coverage associated with worker's compensation and employee blanket bond in the amount 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.

Notes to Financial Statements (Continued)

Note 9: Employee Health Insurance

The Internal Service, Employee Group Health Fund 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, 2014 was \$810,900.

No amounts were payable from the Employee Group Health Fund at June 30, 2014. An amount necessary to create a reserve for catastrophic losses has been established. That reserve is reported as a designation of the Internal Service, Employee Group Health Fund net position. Had amounts been payable from the Employee Group Health Fund, a liability would have been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims to 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 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	\$ 6,631
Incurred Claims	81,576
Payments on Claims During Fiscal Year	<u>88,207</u>
Unpaid Claims End of Year	<u>\$ 0</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 3 retired members in the plan. Employees must be age 55 or older at retirement.

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

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

Notes to Financial Statements (Continued)

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

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (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 following table shows the components of the County's annual OPEB cost for June 30, 2014, the amount actually contributed to the plan and the changes in the County's net OPEB obligation:

Annual Required Contribution	\$ 66,617
Interest on Net OPEB Obligation	5,754
Adjustment to Annual Required Contribution	<u>(14,160)</u>
Annual OPEB Cost	58,211
Contributions Made	<u>0</u>
Increase in Net OPEB Obligation	58,211
Net OPEB Obligation Beginning of Year	<u>230,141</u>
Net OPEB Obligation End of the Year	<u><u>\$288,352</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, 2014.

For the fiscal year 2014, 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, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$67,780	3.22%	\$172,940
2013	57,201	0.00	230,141
2014	58,211	0.00	288,352

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$437,469, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$437,469. The covered payroll (annual payroll of active employees covered by the plan) was \$3,118,678, and the ratio of the UAAL to the covered payroll was 14.03%. As of June 30, 2014, there were no trust fund assets.

Notes to Financial Statements (Continued)

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

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

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

As of the July 1, 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 the IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan are \$550 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: Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Note 13: Subsequent Event

Management evaluated subsequent events through March 25, 2015, 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, 2014

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
RECEIPTS:						
Property and Other County Tax	\$ 5,713,021	\$ 0	\$ 5,713,021	\$ 4,662,845	\$ 4,662,845	\$1,050,176
Interest and Penalty on Property Tax	24,802	0	24,802	10,550	10,550	14,252
Intergovernmental	3,281,123	0	3,281,123	3,283,348	3,283,348	(2,225)
Licenses and Permits	19,148	0	19,148	15,556	15,556	3,592
Charges for Service	1,191,764	0	1,191,764	1,054,056	1,057,056	134,708
Use of Money and Property	118,192	0	118,192	260,596	260,596	(142,404)
Miscellaneous	693,790	481,019	212,771	118,915	298,915	(86,144)
Total Receipts	11,041,840	481,019	10,560,821	9,405,866	9,588,866	971,955
DISBURSEMENTS:						
Public Safety and Legal Services	1,452,144	0	1,452,144	1,612,387	1,630,187	178,043
Physical Health and Social Services	1,153,341	0	1,153,341	1,025,489	1,273,389	120,048
Mental Health	652,450	0	652,450	841,685	841,685	189,235
County Environment and Education	675,470	0	675,470	911,976	941,976	266,506
Roads and Transportation	3,388,571	0	3,388,571	3,244,227	3,544,227	155,656
Governmental Services to Residents	439,819	0	439,819	485,491	485,491	45,672
Administration	1,293,646	0	1,293,646	1,417,844	1,417,844	124,198
Non-Program	923,576	791,272	132,304	101,377	101,377	(30,927)
Debt Service	2,475,156	0	2,475,156	1,529,500	2,124,500	(350,656)
Capital Projects	2,701,927	0	2,701,927	2,997,710	2,997,710	295,783
Total Disbursements	15,156,100	791,272	14,364,828	14,167,686	15,358,386	993,558
Excess (Deficiency) of Receipts Over (Under) Disbursements	(4,114,260)	(310,253)	(3,804,007)	(4,761,820)	(5,769,520)	1,965,513
Other Financing Sources, Net	457,234	295,584	161,650	300,000	300,000	(138,350)
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(3,657,026)	(14,669)	(3,642,357)	(4,461,820)	(5,469,520)	1,827,163
Balance Beginning of Year	8,114,736	150,399	7,964,337	7,428,254	7,428,254	536,083
Balance End of Year	\$ 4,457,710	\$ 135,730	\$ 4,321,980	\$ 2,966,434	\$ 1,958,734	\$2,363,246

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, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$11,041,840	\$(157,895)	\$10,883,945
Expenditures	15,156,100	62,015	15,218,115
Net	(4,114,260)	(219,910)	(4,334,170)
Other Financing Sources, Net	457,234	225,901	683,135
Beginning Fund Balances	8,114,736	959,017	9,073,753
Decrease in Reserve For Inventories	0	(158,421)	(158,421)
Ending Fund Balances	\$ 4,457,710	\$ 806,587	\$ 5,264,297

See Accompanying Independent Auditor's Report

WINNEBAGO COUNTY
Forest City, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2014

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,190,700. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the 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
2014	July 1, 2012	0	437	437	0	3,119	14.03

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

WINNEBAGO COUNTY

Forest City, Iowa

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2014

	Special Revenue		
	Resource Enhancement and Protection	County Recorder's Records Management	Local Option Sales Tax
ASSETS			
Cash, Cash Equivalents and Pooled Investments	\$10,981	\$26,409	\$ 0
Receivables:			
Property Tax:			
Succeeding Year	0	0	0
Accounts	0	479	0
Notes	0	0	0
Accrued Interest	0	3	0
Drainage Assessments	0	0	0
Due From Other Governments	0	0	59,565
Prepaid Insurance	0	0	0
TOTAL ASSETS	\$10,981	\$26,891	\$59,565
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 0	\$ 0	\$ 0
Accrued Interest Payable	0	0	0
Salaries and Benefits Payable	0	0	0
Total Liabilities	0	0	0
Deferred Inflows of Resources:			
Unavailable Revenues:			
Succeeding Year Property Tax	0	0	0
Other	0	0	0
Total Deferred Inflows of Resources	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	10,981	26,891	59,565
Unassigned	0	0	0
Total Fund Balances	10,981	26,891	59,565
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$10,981	\$26,891	\$59,565

See Accompanying Independent Auditor's Report

Schedule 1

Special Revenue

Tax Increment Financing	Seizure	Sheriff's Reserve	Fair Association	WinnWorth BETCO
\$ 0	\$6,070	\$1,462	\$12,015	\$113,115
115,038	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	344
<u>\$115,038</u>	<u>\$6,070</u>	<u>\$1,462</u>	<u>\$12,015</u>	<u>\$113,459</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 572
0	0	0	0	0
0	0	0	0	2,384
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,956</u>
115,038	0	0	0	0
0	0	0	0	0
<u>115,038</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	0	0
0	0	0	0	344
0	0	0	0	0
0	6,070	1,462	12,015	110,159
0	0	0	0	0
<u>0</u>	<u>6,070</u>	<u>1,462</u>	<u>12,015</u>	<u>110,503</u>
<u>\$115,038</u>	<u>\$6,070</u>	<u>\$1,462</u>	<u>\$12,015</u>	<u>\$113,459</u>

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Special Revenue		
	Solid Waste Management	RBEG Grant Revolving Loan	EMS Training/ Ambulance
ASSETS			
Cash, Cash Equivalents and Pooled Investments	\$ 0	\$ 47,952	\$2,970
Receivables:			
Property Tax:			
Succeeding Year	0	0	0
Accounts	15,549	1,497	0
Notes	0	160,801	0
Accrued Interest	0	153	0
Drainage Assessments	0	0	0
Due From Other Governments	0	0	0
Prepaid Insurance	0	0	0
TOTAL ASSETS	\$15,549	\$ 210,403	\$2,970
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 0	\$ 0	\$ 0
Accrued Interest Payable	0	0	0
Salaries and Benefits Payable	0	0	0
Total Liabilities	0	0	0
Deferred Inflows of Resources:			
Unavailable Revenues:			
Succeeding Year Property Tax	0	0	0
Other	0	160,801	0
Total Deferred Inflows of Resources	0	160,801	0
Fund Balances:			
Nonspendable:			
Notes Receivable	0	160,801	0
Prepaid Insurance	0	0	0
Restricted For:			
Drainage Warrants	0	0	0
Other Purposes	15,549	0	2,970
Unassigned	0	(111,199)	0
Total Fund Balances	15,549	49,602	2,970
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$15,549	\$ 210,403	\$2,970

See Accompanying Independent Auditor's Report

Schedule 1 (Continued)

Special Revenue			
County Home Trust	Urban Renewal 2A	Drainage	Total
\$56,394	\$142,208	\$135,730	\$ 555,306
0	0	0	115,038
0	0	0	17,525
0	0	0	160,801
14	28	0	198
0	0	489,362	489,362
0	0	0	59,565
0	0	0	344
<u>\$56,408</u>	<u>\$142,236</u>	<u>\$625,092</u>	<u>\$1,398,139</u>
\$ 0	\$ 0	\$ 40,696	\$ 41,268
0	0	40,534	40,534
0	0	0	2,384
<u>0</u>	<u>0</u>	<u>81,230</u>	<u>84,186</u>
0	0	0	115,038
0	0	489,362	650,163
<u>0</u>	<u>0</u>	<u>489,362</u>	<u>765,201</u>
0	0	0	160,801
0	0	0	344
0	0	54,500	54,500
56,408	142,236	0	444,306
0	0	0	(111,199)
<u>56,408</u>	<u>142,236</u>	<u>54,500</u>	<u>548,752</u>
<u>\$56,408</u>	<u>\$142,236</u>	<u>\$625,092</u>	<u>\$1,389,139</u>

WINNEBAGO COUNTY
Forest City, Iowa

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2014**

	Special Revenue		
	Resource Enhancement and 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	375,171
Intergovernmental	14,918	0	0
Charges for Service	0	2,307	0
Use of Money and Property	7	31	0
Miscellaneous	0	0	0
Total Revenues	14,925	2,338	375,171
Expenditures:			
Operating:			
Public Safety and Legal Services	0	0	0
County Environment and Education	22,636	0	0
Non-Program	0	0	0
Debt Service	0	0	0
Total Expenditures	22,636	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,711)	2,338	375,171
Other Financing Sources (Uses):			
Transfers In	0	0	0
Transfers Out	0	0	(373,430)
Drainage Warrants Issued	0	0	0
Total Other Financing Sources (Uses)	0	0	(373,430)
Net Change in Fund Balance	(7,711)	2,338	1,741
Fund Balances Beginning of Year	18,692	24,553	57,824
Fund Balances End of Year	\$10,981	\$26,891	\$ 59,565

See Accompanying Auditor's Report

Schedule 2

Special Revenue

Tax Increment Financing	Seizure	Sheriff's Reserve	Fair Association	WinnWorth BETCO
\$122,314	\$ 0	\$ 0	\$ 0	\$ 26,126
0	0	0	0	0
0	0	0	0	50,000
0	0	0	0	0
0	0	1	0	0
0	0	400	0	122
122,314	0	401	0	76,248
0	0	1,950	0	0
0	0	0	21,985	120,715
122,314	0	0	0	0
0	0	0	0	0
122,314	0	1,950	21,985	120,715
0	0	(1,549)	(21,985)	(44,467)
0	0	0	34,000	50,000
0	0	0	0	0
0	0	0	0	0
0	0	0	34,000	50,000
0	0	(1,549)	12,015	5,533
0	6,070	3,011	0	104,970
\$ 0	\$6,070	\$ 1,462	\$ 12,015	\$110,503

WINNEBAGO COUNTY
Forest City, Iowa

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)**
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	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	2,971
Charges for Service	57,624	0	0
Use of Money and Property	31	32,154	0
Miscellaneous	0	200	0
Total Revenues	57,655	32,354	2,971
Expenditures:			
Operating:			
Public Safety and Legal Services	0	0	5,221
County Environment and Education	0	0	0
Non-Program	0	0	0
Debt Service	0	0	0
Total Expenditures	0	0	5,221
Excess (Deficiency) of Revenues Over (Under) Expenditures	57,655	32,354	(2,250)
Other Financing Sources (Uses):			
Transfers In	0	0	0
Transfers Out	(58,924)	0	0
Drainage Warrants Issued	0	0	0
Total Other Financing Sources (Uses)	(58,924)	0	0
Net Change in Fund Balance	(1,269)	32,354	(2,250)
Fund Balances Beginning of Year	16,818	17,248	5,220
Fund Balances End of Year	\$ 15,549	\$49,602	\$ 2,970

See Accompanying Auditor's Report

Schedule 2 (Continued)

Special Revenue			
County Home Trust	Urban Renewal2A	Drainage	Total
\$ 0	\$ 0	\$ 0	\$ 148,440
0	0	0	375,171
0	0	0	67,889
0	0	0	59,931
170	251	0	32,645
0	0	481,019	481,741
170	251	481,019	1,165,817
<hr/>			
0	0	0	7,171
0	0	0	165,336
0	0	759,742	882,056
0	112,177	0	112,177
0	112,177	759,742	1,166,740
<hr/>			
170	(111,926)	(278,723)	(923)
<hr/>			
0	201,296	0	285,296
0	0	0	(432,354)
0	0	295,584	295,584
0	201,296	295,584	148,526
<hr/>			
170	89,370	16,861	147,603
<hr/>			
56,238	52,866	37,639	401,149
<hr/>			
\$56,408	\$142,236	\$ 54,500	\$ 548,752

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING SCHEDULE OF
 FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
ASSETS					
Cash, Cash Equivalents and Pooled Investments:					
County Treasurer	\$ 0	\$ 1,918	\$126,590	\$ 77,321	\$ 4,231
Other County Officials	6,325	0	0	0	0
Receivables:					
Property Tax:					
Succeeding Year	0	143,715	255,963	5,802,533	306,902
Accounts	156	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	\$6,481	\$145,633	\$382,553	\$5,879,854	\$311,133
LIABILITIES					
Accounts Payable	\$ 0	\$ 0	\$ 245	\$ 0	\$ 0
Salaries and Benefits Payable	0	0	5,500	0	0
Due To Other Governments	385	145,633	373,249	5,879,854	311,133
Trusts Payable	6,096	0	0	0	0
Compensated Absences	0	0	3,559	0	0
TOTAL LIABILITIES	\$6,481	\$145,633	\$382,553	\$5,879,854	\$311,133

See Accompanying Independent Auditor's Report

Schedule 3

Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
\$ 34,969 0	\$ 1,805 0	\$ 5,855 0	\$272,400 0	\$104,956 0	\$ 630,045 6,325
3,532,610 0 0 0 0	140,450 0 0 0 0	0 0 0 488,852 0	0 0 0 0 0	1,581 14,768 16 0 16,452	10,183,754 14,924 16 488,852 16,452
<u>\$3,567,579</u>	<u>\$142,255</u>	<u>\$494,707</u>	<u>\$272,400</u>	<u>\$137,773</u>	<u>\$11,340,368</u>
\$ 0 0	\$ 0 0	\$ 0 0	\$ 0 0	\$ 425 0	\$ 670 5,500
3,567,579 0 0	142,255 0 0	494,707 0 0	272,400 0 0	129,998 7,350 0	11,317,193 13,446 3,559
<u>\$3,567,579</u>	<u>\$142,255</u>	<u>\$494,707</u>	<u>\$272,400</u>	<u>\$137,773</u>	<u>\$11,340,368</u>

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING SCHEDULE OF CHANGES IN
 FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor
ASSETS AND LIABILITIES			
Balances Beginning of Year	\$ 14,878	\$149,664	\$422,714
Additions:			
Property and Other County Tax	0	143,358	255,287
E911 Surcharge	0	0	0
State Tax Credits	0	8,512	16,092
Office Fees and Collections	246,963	0	0
Electronic Transaction Fees	0	0	0
Auto Licenses, Use Tax and Postage	0	0	0
Assessments	0	0	0
Trusts	41,434	0	0
Miscellaneous	0	53	792
Total Additions	288,397	151,923	272,171
Deductions:			
Agency Remittances:			
To Other Funds	128,443	0	0
To Other Governments	103,913	155,954	312,332
Trusts Paid Out	64,438	0	0
Total Deductions	296,794	155,954	312,332
Balances End of Year	\$ 6,481	\$145,633	\$382,553

See Accompanying Independent Auditor's Report

Schedule 4

Schools	Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
\$6,148,063	\$330,379	\$3,586,271	\$146,664	\$568,862	\$ 275,764	\$133,699	\$11,776,958
5,791,449	306,117	3,523,192	140,222	0	0	1,576	10,161,201
0	0	0	0	0	0	120,021	120,021
343,760	18,757	184,208	7,477	0	0	94	578,900
0	0	0	0	0	0	0	246,963
0	0	0	0	0	0	2,307	2,307
0	0	0	0	0	3,287,929	216	3,288,145
0	0	0	0	65,371	0	0	65,371
0	0	0	0	0	0	126,986	168,420
2,095	142	0	71	0	0	571	3,724
6,137,304	325,016	3,707,400	147,770	65,371	3,287,929	251,771	14,635,052
0	0	0	0	0	96,230	0	224,673
6,405,513	344,262	3,726,092	152,179	139,526	3,195,063	120,511	14,655,345
0	0	0	0	0	0	127,186	191,624
6,405,513	344,262	3,726,092	152,179	139,526	3,291,293	247,697	15,071,642
\$5,879,854	\$311,133	\$3,567,579	\$142,255	\$494,707	\$ 272,400	\$137,773	\$11,340,368

WINNEBAGO COUNTY
Forest City, Iowa

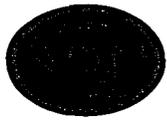
SCHEDULE OF REVENUES BY SOURCE
AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
For the Last Ten Years

	Modified Accrual Basis			
	2014	2013	2012	2011
Revenues:				
Property and Other County Tax	\$ 5,705,529	\$ 5,514,865	\$ 5,029,103	\$ 5,058,930
Interest and Penalty on Property Tax	24,802	53,501	26,568	29,575
Intergovernmental	3,145,972	3,290,151	4,167,837	3,915,880
Licenses and Permits	18,758	16,333	20,858	11,999
Charges for Service	1,193,435	1,025,875	1,055,817	1,016,481
Use of Money and Property	100,408	137,142	111,940	139,081
Miscellaneous	695,041	390,814	754,596	496,864
Total	\$10,883,945	\$10,428,681	\$11,166,719	\$10,668,810
Expenditures:				
Operating:				
Public Safety and Legal Services	\$ 1,455,213	\$ 1,521,989	\$ 1,512,217	\$ 1,718,430
Physical Health and Social Services	1,146,177	1,089,182	1,064,571	1,038,799
Mental Health	640,016	610,691	1,544,621	1,475,808
County Environment and Education	665,757	643,654	672,368	659,019
Roads and Transportation	3,652,189	3,024,088	3,398,039	3,906,835
Governmental Services to Residents	439,962	484,852	421,387	355,943
Administration	1,309,601	953,436	833,382	809,783
Non-Program	892,046	802,862	775,476	767,519
Debt Service	2,473,656	1,080,106	996,431	880,262
Capital Projects	2,543,498	3,502,697	5,255,319	8,548,891
Total	\$15,218,115	\$13,713,557	\$16,473,811	\$20,161,289

See Accompanying Independent Auditor's Report

Schedule 5

2010	2009	2008	2007	2006	2005
\$ 4,531,945	\$ 4,451,084	\$4,020,706	\$ 3,833,937	\$3,442,431	\$3,436,568
33,600	36,500	29,296	39,916	29,813	23,197
4,286,153	4,181,283	3,336,356	4,233,902	3,291,966	3,592,136
18,938	21,375	31,094	4,789	1,440	6,688
886,666	811,960	1,279,985	746,885	526,760	635,858
123,478	129,207	141,908	153,053	88,420	64,266
836,556	734,401	734,363	866,228	1,230,263	672,265
\$10,717,336	\$10,365,810	\$9,573,708	\$ 9,878,710	\$8,611,093	\$8,430,978
\$ 1,696,032	\$ 1,598,942	\$1,206,878	\$ 1,028,744	\$1,159,504	\$1,028,856
902,272	817,942	714,991	630,928	921,911	638,859
1,395,856	1,477,809	1,446,283	1,376,244	1,230,189	1,283,480
559,188	601,190	524,126	492,594	577,202	528,916
2,923,675	2,689,602	2,792,585	3,147,858	2,789,407	3,056,178
412,702	399,919	333,528	340,398	443,203	357,808
791,345	863,600	715,120	723,964	737,438	699,019
804,909	925,143	1,032,144	2,388,287	1,896,728	863,504
93,568	26,108	165,447	0	0	327,919
6,324,971	1,172,369	1,046,234	239,610	117,327	282,570
\$15,904,518	\$10,572,624	\$9,977,336	\$10,368,627	\$9,872,909	\$9,067,109



Gardiner Thomsen
Certified Public Accountants

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, 2014, 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 25, 2015.

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 no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2014 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 25, 2015

Charles City, Iowa

WINNEBAGO COUNTY
Forest City, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2014

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 receipts and accounts receivable incorrectly recorded in the County's financial statement.

Criteria – A good financial reporting system.

Condition – Receipts were incorrectly recorded and classified as miscellaneous revenue. Receipts in July and August following year end were not always coded correctly as a receipt for goods or services provided prior to June 30 to be included in the Accounts Receivable Listing.

Effect – Proceeds from the sale of capital assets were classified incorrectly and the accounts receivable listing was overstated.

Cause – Limited staff.

WINNEBAGO COUNTY
Forest City, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2014

Findings Related to the Financial Statements (Continued)

B Financial Reporting (Continued)

Recommendation – The County should implement procedures to ensure all receipts and receivables are properly classified and 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, 2014

Other Findings Related to Required Statutory Reporting:

1 **Certified Budget** – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the Non-Program and Debt Service functions. Disbursements in several departments exceeded the amounts appropriated during the year and at June 30, 2014.

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	\$ 1,571
Mark Krull – Thompson Shop Maintenance Operator		
Gary E. Kull – Father	Oil, grease, lubricants, etc.	15,312
Sandy Sunde – Recorder’s Office		
North Iowa Lawn Care – Owned by Son	Fertilizer and weed control	485
Dennis Tweeten – Secondary Roads		
Road Runner Auto Body	Motor vehicle parts	350

WINNEBAGO COUNTY
Forest City, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2014

Other Findings Related to Required Statutory Reporting: (Continued)

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with 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 Body Works and Gary E. Krull do not appear to represent conflicts of interest since Sandy Larson and Mark Krull do not appear 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, it was noted that the Board minutes of the August 26, 2013 and December 23, 2013 Board meetings were not published in a timely manner as required by Chapter 349.18 of the Code of Iowa. It was also noted that three publications out of the fifteen tested in the Lake Mills Graphic did not properly include the full text of resolutions. It was also noted the Board went into closed session on November 25, 2013 and December 9, 2013 and the minutes did not document the specific exemption under Chapter 21.5 of the Code of Iowa.

Recommendation – Chapter 349.18 of the Code of Iowa and Attorney General's Opinions dated December 10, 1985, December 31, 1986, and May 2, 1989 require that Board minutes be published within one week following the adjournment of the Board, including the full text of Resolutions. The County should review its procedures to ensure compliance with this requirement. The County should also ensure that all closed sessions comply with Chapter 21 of the Code of Iowa.

Response – We will comply.

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, 2014, the County paid \$123,378 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, 2014

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, 2014 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, 2014. 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.

- 13 **Tax Increment Financing** – For the year ended June 30, 2014, the County Auditor prepared reconciliations for each City reconciling TIF receipts with total outstanding TIF debt.