

**WINNESHIEK COUNTY
DECORAH, IOWA**

FINANCIAL REPORT

JUNE 30, 2014

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WINNESHIEK COUNTY

OFFICIALS
JUNE 30, 2014

Name	Title	Term Expires
John Logsdon	Chairperson	December 2016
Floyd Ashbacher	Vice-Chairperson	December 2014
Dennis Karlsbrotten	Supervisor	December 2014
Dean Thompson	Supervisor	December 2016
Mark Kuhn	Supervisor	December 2016
Benjamin Steines	County Auditor	December 2016
Wayne Walter	County Treasurer	December 2014
Teresa Bockman	County Recorder	December 2014
Leon Bohr	County Sheriff	December 2016
Andrew Van Der Maaten	County Attorney	December 2014
James Alstad	County Assessor	Appointed
Lee Bjerke	County Engineer	Appointed

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

To the Board of Supervisors
Winneshiek County
Decorah, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Winneshiek County, as of and for the year ended June 30, 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, the business-type activities, each major fund, and the aggregate remaining fund information of Winneshiek County, 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 U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, and funding progress for the retiree health plan on pages 5 through 5g and pages 40 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winneshiek County's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of governmental funds' revenues by source and expenditures by function for 2014 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedule of governmental funds' revenues by source and expenditures by function for 2014 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 the 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 U.S. generally accepted auditing standards. In our opinion, the combining and individual nonmajor fund financial statements, schedule of governmental funds' revenues by source and expenditures by function for 2014 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

We also have previously audited, in accordance with U.S. generally accepted auditing standards, the basic financial statements of Winneshiek County, as of and for the years ended June 30, 2005 through 2013, (none of which is presented herein). We expressed a modified opinion on those financial statements as of and for the year ended June 30, 2013 due to our inability to determine the validity of inventory for the governmental activities and special revenue major fund-secondary roads. We expressed unmodified opinions on the governmental activities as of and for the years ended June 30, 2007 through 2012, respectively. We expressed modified opinions on the governmental activities for the 2005 through 2006 fiscal years due to the omission of certain capital assets, net depreciation. We expressed unmodified opinions on the business-type activities, each major fund, and aggregate remaining fund information for the 2005 through 2006 fiscal years. Those audits were conducted for purposes of forming opinions on the financial statements that collectively comprise Winneshiek County's basic financial statements as a whole. The schedule of revenues by source and expenditures by function of the governmental funds for the years ended June 30, 2005 through 2013 presented on page 52 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2005 through 2013 basic financial statements. The information has been subjected to the auditing procedures applied in the audits of those 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 U.S. generally accepted auditing standards. In our opinion, the schedule of revenues by source and expenditures by function of the governmental funds for the years ended June 30, 2005 through 2013, presented on page 52, is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2015, on our consideration of Winneshiek County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Winneshiek County's internal control over financial reporting and compliance.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 18, 2015

WINNESHIEK COUNTY
DECORAH, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Winneshiek County provides this management's discussion and analysis of Winneshiek County's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 15.52%, or approximately \$2,600,000, from fiscal 2013 to fiscal 2014. Capital grants increased approximately \$2,412,000 and operating grants increased approximately \$606,000.
- Program expenses of the County's governmental activities were 26.79%, or approximately \$4,133,000, more in fiscal 2014 than in fiscal 2013. Public safety and legal services, physical health and social services, county environment and education, and administration or general government remained similar to fiscal 2013 while mental health, roads and transportation, and governmental services to residents increased \$720,000, \$2,717,000, and \$159,000, respectively.
- The County's net position of the County's governmental activities decreased 0.41%, or approximately \$198,000, from June 30, 2013 to June 30, 2014.

USING THE BASIC FINANCIAL STATEMENTS

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

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

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

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

Required supplementary information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

REPORTING THE COUNTY AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

The statement of net position presents all of the County's assets, deferred inflows of resources and liabilities, 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 periods.

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

- **Governmental activities:** most of the County's programs and services are reported here, including public safety and legal services, physical health and social services, mental health, County environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and other non-program activities. Property tax, state tax credits and state and federal grants finance most of these activities.
- **Business-type activities:** these services are provided on a charge for goods or services basis to recover all of the expenses for the goods or services provided.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS (Continued)

Governmental Funds

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

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

Proprietary Funds

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

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

Fiduciary Funds

Fiduciary funds are used to report assets held in an agency capacity for others and cannot be used to support the government's own programs. The County has agency funds that account for functions such as Emergency Management Services, the County Assessor, and E-911 Service Board.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Condensed Statement of Net Position (Expressed in Thousands)			
Governmental Activities			
	2014	2013	Percent Change
Current and other assets	\$ 15,788	\$ 16,316	-3.24%
Capital assets	44,742	44,256	1.10%
Total assets	60,530	60,572	-0.07%
Long-term debt outstanding	618	455	35.82%
Other liabilities	745	1,309	-43.09%
Total liabilities	1,363	1,764	-22.73%
Deferred inflows of resources	8,480	7,910	7.21%
Net position			
Net investment in capital assets	44,706	44,184	1.18%
Restricted	3,287	3,896	-15.63%
Unrestricted	2,694	2,818	-4.40%
Total net position	\$ 50,687	\$ 50,898	-0.41%

Condensed Statement of Net Position (Expressed in Thousands)			
Business-type Activities			
	2014	2013	Percent Change
Current and other assets	\$ 108	\$ 98	10.20%
Capital assets	1,062	1,087	-2.30%
Total assets	1,170	1,185	-1.27%
Long-term debt outstanding	203	195	4.10%
Other liabilities	21	21	0.00%
Total liabilities	224	216	3.70%
Net position			
Net investment in capital assets	881	901	-2.22%
Restricted	387	367	5.45%
Unrestricted	(322)	(299)	-7.69%
Total net position	\$ 946	\$ 969	-2.37%

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 the sources other than capital assets. Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position-the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements-decreased for the governmental activities approximately \$124,000 or 4.4% and also decreased for the business-type activities approximately \$23,000 or 7.69%.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The decrease in net position for the governmental activities is due to a decrease in charges for services and a decrease in property taxes with an increase in expenditures for public safety and legal services, mental health and governmental services to residents. The decrease in net position for the business-type activities is due to the Burr Oak sewer fund and Festina sewer fund paying of interest on bonds and depreciation expense.

The following analysis shows the changes in net position for the years ending June 30, 2014 and 2013:

	Changes in Net Position (Expressed in Thousands)		
	Governmental Activities		
	2014	2013	Percent Change
Revenues:			
Program revenue			
Charges for service	\$ 2,252	\$ 2,337	-3.64%
Operating grants	4,981	4,375	13.85%
Capital grants	2,657	244	988.93%
General revenue			
Property taxes	7,569	7,782	-2.74%
Local option sales tax	1,305	1,443	-9.56%
Penalty and interest on property taxes	52	52	0.00%
State tax credits	386	352	9.66%
Rents	116	116	0.00%
Unrestricted investment earnings	32	39	-17.95%
Other		9	-100.00%
Total revenues	19,350	16,749	15.53%
Program expenses:			
Public safety and legal services	2,518	2,273	10.78%
Physical health and social services	1,419	1,358	4.49%
Mental health	1,770	1,050	68.57%
County environment and education	1,714	1,573	8.96%
Roads and transportation	9,467	6,750	40.25%
Governmental services to residents	531	372	42.74%
Administration	1,930	1,795	7.52%
Non-program	198	240	-17.50%
Interest on long-term debt	14	17	-17.65%
Total expenses	19,561	15,428	26.79%
(Decrease) increase in net position	(211)	1,321	-115.97%
Net position beginning of year	50,898	49,577	2.66%
Net position end of year	\$ 50,687	\$ 50,898	-0.41%

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Business-type Activities</u>		
	<u>2014</u>	<u>2013</u>	<u>Percent Change</u>
Revenues:			
Program revenue			
Charges for service	\$ 283	\$ 274	3.28%
Program expenses:			
Operating expenses	306	337	-9.20%
Operating loss	(23)	(63)	63.49%
Net position beginning of year	969	1,032	-6.10%
Net position end of year	\$ 946	\$ 969	-2.37%

INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$6,278,579, a decrease of \$434,586 from the 2013 fiscal year end balance of \$6,713,165.

- The general fund ending fund balance showed an increase from the prior year of \$110,139 to \$3,126,526, due primarily to expenditures remaining consistent while revenues in the property and other County tax and intergovernmental increased approximately \$158,000 and 108,000, respectively.
- The County participates in a 28E agreement with 20 other counties to provide mental health services at a regional level. For the year, expenditures totaled approximately \$1,769,000, an increase of 68.5% from the prior year. The property tax levy decreased by 33% from the prior year and as a result property tax revenues decreased \$434,000 in the fund. The mental health fund balance at year end decreased by \$689,416 from the prior year.
- Secondary roads fund revenues increased \$776,571 over the prior year. For the year, expenditures totaled \$7,082,293, an increase of \$835,463. The increase in revenues along with the increase in expenditures and transfers from the general fund and rural services fund resulted in a small decrease in the secondary roads fund ending balance of approximately \$70,000 or 6.13%.
- The ending fund balance for the rural service fund increased by \$183,107 or 29.62% over the prior year. The increase is due to an increase of revenues of approximately \$78,000 with a decrease in expenditures of about \$71,000. The increase in revenues is mostly due to a decrease in local option sales tax revenue but increase in property and other County tax.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget once. The amendment was made in May 2014. However, this did not require an increase in taxes.

The amendment made during the 2014 fiscal year should have no impact on the 2015 fiscal year's budget.

The following chart shows the original and amended budget for fiscal 2014 as well as the actual revenue and expenditures for the year:

	Budgetary Comparison Schedule (Expressed in Thousands)			
	Budget Basis	Budget Amounts		Variance
		Original	Final	
REVENUES				
Property and other County tax	\$ 8,943	\$ 8,926	\$ 8,926	\$ 17
Interest and penalty on property tax	52	25	25	27
Intergovernmental	5,983	6,752	7,286	(1,303)
Licenses and permits	26	15	15	11
Charges for service	718	672	690	28
Use of money and property	142	160	160	(18)
Miscellaneous	748	742	1,592	(844)
Total revenues	\$ 16,612	\$ 17,292	\$ 18,694	\$ (2,082)
EXPENDITURES				
Public safety and legal services	\$ 2,461	\$ 2,561	\$ 2,616	\$ 155
Physical health and social services	1,319	1,450	1,529	210
Mental health	1,708	1,236	2,330	622
County environment and education	1,588	1,606	1,684	96
Roads and transportation	5,750	5,873	6,723	973
Governmental services to residents	522	576	579	57
Administration	2,019	2,056	2,197	178
Non-program	3	5	5	2
Capital projects	2,073	4,186	4,141	2,068
Total expenditures	\$ 17,443	\$ 19,549	\$ 21,804	\$ 4,361

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014, Winneshiek County had \$44,742,011 invested in a broad range of capital assets, including large road equipment, infrastructure, and construction in progress for the governmental activities. For the enterprise funds, the County had, \$1,062,309 invested in land, landfill and sewer systems.

The County had depreciation expense of \$2,319,233 for fiscal year 2014 and total accumulated depreciation of \$35,054,974 as of June 30, 2014 for the governmental activities. The County had depreciation/depletion expense of \$24,876 for fiscal year 2014 and total accumulated depreciation/depletion of \$1,796,609 as of June 30, 2014 for the business-type activities. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Debt

At year-end, the County had \$678,805 in bonds and other debt compared to \$521,293 last year. More detail is presented in Note 9 to the financial statements.

The County's general obligation bond rating continues to carry the fourth highest rating possible, a rating that has been assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this \$51,176,339 limit.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Winneshiek County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates, and the fee that will be charged for various County activities. One of those factors is the economy.

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

Winneshiek County has a very small amount of delinquent property taxes due to the fact that the local taxpayers pay their property taxes in a timely manner.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

WINNESHIEK COUNTY
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 6,134,914	\$ 87,825	\$ 6,222,739
Receivables			
Property tax			
Delinquent	1,256		1,256
Succeeding year	8,479,954		8,479,954
Accounts	101,006		101,006
Accrued interest	3,072		3,072
Due from other governments	730,483	19,970	750,453
Inventories	265,488		265,488
Prepaid expenses	71,595		71,595
Nondepreciable assets	573,928	290,044	863,972
Capital assets, net of accumulated depreciation/depletion	44,168,083	772,265	44,940,348
	<u>\$ 60,529,779</u>	<u>\$ 1,170,104</u>	<u>\$ 61,699,883</u>
LIABILITIES			
Accounts payable	\$ 590,584		\$ 590,584
Salaries and benefits payable	174,140		174,140
Accrued interest payable	371	\$ 47	418
Due to (from) other funds	(20,645)	20,645	-
Due to other governments	997		997
Long-term liabilities			
Portion due within one year			
Capital lease payable	35,760		35,760
Notes payable	13,633	5,036	18,669
Compensated absences	418,627	21,904	440,531
Portion due after one year			
Net OPEB obligation	141,766		141,766
Notes payable	7,374	176,471	183,845
	<u>1,362,607</u>	<u>224,103</u>	<u>1,586,710</u>
DEFERRED INFLOWS OF RESOURCES			
Succeeding year property tax	8,479,954		8,479,954
NET POSITION			
Net investment in capital assets	44,706,251	880,802	45,587,053
Restricted for			
Mental health	702,854		702,854
Rural services	801,419		801,419
Secondary roads	1,137,854		1,137,854
Capital projects	8,216		8,216
Other special revenue	571,693		571,693
Other purposes	65,227	386,884	452,111
Unrestricted	2,693,704	(321,685)	2,372,019
	<u>50,687,218</u>	<u>946,001</u>	<u>51,633,219</u>
Total net position	<u>\$ 60,529,779</u>	<u>\$ 1,170,104</u>	<u>\$ 61,699,883</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 60,529,779</u>	<u>\$ 1,170,104</u>	<u>\$ 61,699,883</u>

See Notes to Financial Statements.

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WINNESHIEK COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
Governmental activities				
Public safety and legal services	\$ 2,517,919	\$ 125,603	\$ 4,200	
Physical health and social services	1,418,646	550,681	392,236	\$ 702
Mental health	1,769,751		83,888	
County environment and education	1,713,797	154,016	285,215	14,129
Roads and transportation	9,467,646	248,815	4,212,030	2,625,485
Governmental services to residents	531,409	1,010,140	3,378	16,907
Administration	1,929,605			
Non-program	198,397	163,095		
Long-term debt interest	13,861			
Total governmental activities	<u>19,561,031</u>	<u>2,252,350</u>	<u>4,980,947</u>	<u>2,657,223</u>
Business-type activities				
Landfill	255,526	242,353		
Burr Oak sewer	28,904	21,926		
Festina sewer	21,421	18,883		
Total business-type activities	<u>305,851</u>	<u>283,162</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 19,866,882</u>	<u>\$ 2,535,512</u>	<u>\$ 4,980,947</u>	<u>\$ 2,657,223</u>
General revenues				
Property taxes levied for				
General purposes				
Local option sales tax				
Penalty and interest on property taxes				
State tax credits				
Rents				
Unrestricted investment earnings				
Total general revenues				
Change in net position				
Net position, beginning of year				
Net position, end of year				

See Notes to Financial Statements.

EXHIBIT B

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (2,388,116)		\$ (2,388,116)
(475,027)		(475,027)
(1,685,863)		(1,685,863)
(1,260,437)		(1,260,437)
(2,381,316)		(2,381,316)
499,016		499,016
(1,929,605)		(1,929,605)
(35,302)		(35,302)
(13,861)		(13,861)
(9,670,511)	\$ -	(9,670,511)
	(13,173)	(13,173)
	(6,978)	(6,978)
	(2,538)	(2,538)
-	(22,689)	(22,689)
(9,670,511)	(22,689)	(9,693,200)
7,568,535		7,568,535
1,305,241		1,305,241
52,312		52,312
385,463		385,463
115,758		115,758
32,534	108	32,642
9,459,843	108	9,459,951
(210,668)	(22,581)	(233,249)
50,897,886	968,582	51,866,468
\$ 50,687,218	\$ 946,001	\$ 51,633,219

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WINNESHIEK COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
ASSETS				
Cash and pooled investments	\$ 3,052,188	\$ 851,746	\$ 576,726	\$ 799,717
Receivables				
Property tax				
Delinquent	1,049	70	137	
Succeeding year	6,012,722	983,609	1,483,623	
Accounts	82,338		1,485	3,285
Accrued interest	2,861			
Due from other funds			20,645	
Due from other governments	124,484	1,297	212,267	366,328
Prepaid expenditures	41,660	680	4,601	24,654
Inventories				265,488
Total assets	\$ 9,317,302	\$ 1,837,402	\$ 2,299,484	\$ 1,459,472
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 63,480	\$ 150,086	\$ 5,025	\$ 270,014
Salaries and benefits payable	112,915	853	8,768	51,604
Due to other funds	276			
Due to other governments	348		649	
Total liabilities	177,019	150,939	14,442	321,618
Deferred inflows of resources				
Succeeding year property tax	6,012,722	983,609	1,483,623	
Other	1,035	68	137	69,778
Total deferred inflows of resources	6,013,757	983,677	1,483,760	69,778
Fund balances				
Nonspendable				
Inventories				265,488
Prepaid expenditures	41,660	680	4,601	24,654
Restricted for				
Other purposes	23,567			
Mental health purposes		702,106		
Rural services purposes			796,681	
Secondary roads purposes				777,934
Other special revenue purposes				
Capital projects				
Unassigned	3,061,299			
Total fund balances	3,126,526	702,786	801,282	1,068,076
Total liabilities, deferred inflows of resources and fund balances	\$ 9,317,302	\$ 1,837,402	\$ 2,299,484	\$ 1,459,472

See Notes to Financial Statements.

EXHIBIT C

Nonmajor Governmental Funds	Total Governmental Funds
\$ 574,008	\$ 5,854,385
	1,256
	8,479,954
13,898	101,006
31	2,892
276	20,921
5,100	709,476
	71,595
	265,488
<u>\$ 593,313</u>	<u>\$ 15,506,973</u>
\$ 13,404	\$ 502,009
	174,140
	276
	997
<u>13,404</u>	<u>677,422</u>
	8,479,954
	71,018
<u>-</u>	<u>8,550,972</u>
	265,488
	71,595
	23,567
	702,106
	796,681
	777,934
571,693	571,693
8,216	8,216
	3,061,299
<u>579,909</u>	<u>6,278,579</u>
<u>\$ 593,313</u>	<u>\$ 15,506,973</u>

WINNESHIEK COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

Reconciliation of governmental fund balances to net position	
Total governmental fund balances	\$ 6,278,579
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds, net of accumulated depreciation of \$35,054,974	44,742,011
Other assets, including due from WCASWA and other governments are not available in the current period and therefore are not reported as assets in the funds	20,636
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	71,018
Internal service funds are used by management to charge the costs of 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	192,134
Other liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the funds	
Net OPEB obligation	(141,766)
Capital lease payable	(35,760)
Notes payable	(21,007)
Compensated absences	(418,627)
	50,687,218
Net position of governmental activities	\$ 50,687,218
Cash and pooled investments of governmental activities include the following reclassifications:	
Internal service fund cash at June 30, 2014	\$ 280,529

See Notes to Financial Statements.

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

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
REVENUES				
Property and other County tax	\$ 5,478,275	\$ 948,576	\$ 1,207,091	
Local option sales tax			1,305,241	
Interest and penalty on property tax	52,312			
Intergovernmental	928,932	130,858	310,914	\$ 4,645,269
Licenses and permits	1,877		12,300	11,240
Charges for service	691,697		16,552	235
Use of money and property	145,782			
Miscellaneous	802,666		1,057	195,257
Total revenues	8,101,541	1,079,434	2,853,155	4,852,001
EXPENDITURES				
Current				
Public safety and legal services	2,486,450			
Physical health and social services	1,243,916		63,559	
Mental health	85	1,768,850		
County environment and education	919,731		632,349	
Roads and transportation				6,508,015
Governmental services to residents	507,728		13,747	
Administration	2,019,642			
Non-program	3,398			
Capital projects	610,342			574,278
Total expenditures	7,791,292	1,768,850	709,655	7,082,293
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	310,249	(689,416)	2,143,500	(2,230,292)
OTHER FINANCING SOURCES (USES)				
Transfers in				2,160,503
Transfers out	(200,110)		(1,960,393)	
	(200,110)	-	(1,960,393)	2,160,503
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	110,139	(689,416)	183,107	(69,789)
FUND BALANCES, beginning of year	3,016,387	1,392,202	618,175	1,137,865
FUND BALANCES, end of year	\$ 3,126,526	\$ 702,786	\$ 801,282	\$ 1,068,076

See Notes to Financial Statements.

EXHIBIT D

Nonmajor Governmental Funds	Total Governmental Funds
	\$ 7,633,942
	1,305,241
	52,312
\$ 123,808	6,139,781
	25,417
3,470	711,954
532	146,314
1,829	1,000,809
<u>129,639</u>	<u>17,015,770</u>
	2,486,450
13,662	1,321,137
	1,768,935
37,167	1,589,247
	6,508,015
3,037	524,512
	2,019,642
	3,398
44,400	1,229,020
<u>98,266</u>	<u>17,450,356</u>
<u>31,373</u>	<u>(434,586)</u>
	2,160,503
	(2,160,503)
<u>-</u>	<u>-</u>
31,373	(434,586)
<u>548,536</u>	<u>6,713,165</u>
<u>\$ 579,909</u>	<u>\$ 6,278,579</u>

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

Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities		
Net change in fund balances - total governmental funds	\$	(434,586)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital additions exceeds depreciation in the period		
Depreciation	\$	(2,319,233)
Capital assets contributed by the Iowa Department of Transportation		2,234,564
Capital outlays		570,671
		<u>486,002</u>
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds		
Property tax		(65,407)
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 issues, as follows:		
Repaid		35,760
Proceeds		-
		<u>35,760</u>
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due		
		(371)
The internal service fund is used by management to charge the costs of employee health benefits to individual funds. The net revenue of the internal service fund is reported with governmental activities		
		(21,460)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Net OPEB obligation		(12,246)
Compensated absences		(198,360)
		<u>(210,606)</u>
Change in net position of governmental activities	\$	<u>(210,668)</u>

See Notes to Financial Statements.

WINNESHIK COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Business-type Activities			Governmental Activities
	Landfill	Nonmajor Enterprise Funds		Internal Service
		Total		
ASSETS				
Cash and pooled investments		\$ 87,825	\$ 87,825	\$ 280,529
Accrued interest receivable				180
Due from other governments	\$ 19,970		19,970	
Total current assets	19,970	87,825	107,795	280,709
Noncurrent assets				
Land	280,252	9,792	290,044	
Net capital assets		772,265	772,265	
Total noncurrent assets	280,252	782,057	1,062,309	-
Total assets	\$ 300,222	\$ 869,882	\$ 1,170,104	\$ 280,709
LIABILITIES AND NET POSITION				
Liabilities				
Salaries and benefits payable				\$ 88,575
Accrued interest payable		\$ 47	\$ 47	
Due to other funds	\$ 20,645		20,645	
Notes payable		5,036	5,036	
Total current liabilities	20,645	5,083	25,728	88,575
Noncurrent liabilities				
Long-term debt		176,471	176,471	
Compensated absences	21,904		21,904	
Total noncurrent liabilities	21,904	176,471	198,375	-
Total liabilities	42,549	181,554	224,103	88,575
Net position				
Net investment in capital assets	280,252	600,550	880,802	
Restricted		386,884	386,884	
Unrestricted	(22,579)	(299,106)	(321,685)	192,134
Total net position	257,673	688,328	946,001	192,134
Total liabilities and net position	\$ 300,222	\$ 869,882	\$ 1,170,104	\$ 280,709

See Notes to Financial Statements.

WINNESHIEK COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Business-type Activities			Governmental Activities
	Landfill	Nonmajor Enterprise Funds	Total	Internal Service
OPERATING REVENUES				
Charges for service		\$ 40,809	\$ 40,809	\$ 991,619
Contract services	\$ 242,353		242,353	
Total operating revenues	242,353	40,809	283,162	991,619
OPERATING EXPENSES				
Wages and benefits	255,526		255,526	
Depreciation		24,876	24,876	
Other		16,810	16,810	
Insurance claims paid				1,015,420
Total operating expenses	255,526	41,686	297,212	1,015,420
Operating (loss)	(13,173)	(877)	(14,050)	(23,801)
NONOPERATING REVENUES (EXPENSES)				
Interest income		108	108	2,341
Interest expense		(8,639)	(8,639)	
Net nonoperating revenues (expenses)	-	(8,531)	(8,531)	2,341
(Loss) before contributions and transfers	(13,173)	(9,408)	(22,581)	(21,460)
TRANSFERS				
Transfer in		31,096	31,096	
Transfer out		(31,096)	(31,096)	
	-	-	-	-
Change in net position	(13,173)	(9,408)	(22,581)	(21,460)
NET POSITION, beginning of year	270,846	697,736	968,582	213,594
NET POSITION, end of year	\$ 257,673	\$ 688,328	\$ 946,001	\$ 192,134

See Notes to Financial Statements.

WINNESHIEK COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Business-type Activities			Governmental Activities
	Landfill	Nonmajor Enterprise Funds	Total	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from contract labor	\$ 255,607		\$ 255,607	
Cash received from charges for services		\$ 40,809	40,809	\$ 996,410
Cash payments to employees for services	(255,607)		(255,607)	
Cash payments to suppliers for services		(16,810)	(16,810)	(1,038,838)
Net cash provided by (used in) operating activities	-	23,999	23,999	(42,428)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating transfers in		31,096	31,096	
Operating transfers (out)		(31,096)	(31,096)	
Net cash provided by noncapital financing activities	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal payments on notes payable		(4,807)	(4,807)	
Interest paid on long-term borrowing		(8,761)	(8,761)	
Net cash used in capital and related financing activities	-	(13,568)	(13,568)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments		108	108	2,308
Net increase (decrease) in cash and cash equivalents	-	10,539	10,539	(40,120)
CASH and CASH EQUIVALENTS, beginning of year	-	77,286	77,286	320,649
CASH and CASH EQUIVALENTS, end of year	\$ -	\$ 87,825	\$ 87,825	\$ 280,529
Reconciliation of operating (loss) to net cash provided by (used in) operating activities				
Operating (loss)	\$ (13,173)	\$ (877)	\$ (14,050)	\$ (23,801)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities				
Depreciation and depletion		24,876	24,876	
Decrease in accounts receivable				4,790
Decrease in accounts payable				(23,417)
Decrease in due from other governments	46		46	
(Decrease) in salaries and benefits payable	(81)		(81)	
Increase in accrued compensated absences	13,208		13,208	
Net cash provided by (used in) operating activities	\$ -	\$ 23,999	\$ 23,999	\$ (42,428)

See Notes to Financial Statements.

WINNESHIEK COUNTY
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2014

ASSETS

Cash and pooled investments	
County Treasurer	\$ 1,431,567
Other County officials	49,747
Receivables	
Property tax	
Delinquent	1,318
Succeeding year	22,923,212
Accounts	2,865
Accrued interest	146
Due from other governments	39,349
Prepaid insurance	2,402
	24,450,606
Total assets	24,450,606

LIABILITIES

Accounts payable	11,101
Salaries and benefits payable	6,238
Due to other funds	26,559
Due to other governments	24,382,216
Unearned revenue	10,159
Trusts payable	14,333
	24,450,606
Total liabilities	24,450,606

NET POSITION

	\$ None
	None

See Notes to Financial Statements.

WINNESHIEK COUNTY

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

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

b. Significant Accounting Policies

Scope of Reporting Entity

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

Joint Ventures

The County participates in two jointly governed organizations that provide services to the County and meet the criteria of a joint venture since there is ongoing financial interest or responsibility by the participating governments. The County is a member of Metronet and Winneshiek County Area Solid Waste Agency.

Jointly Governed Organizations

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

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

b. Significant Accounting Policies (Continued)

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The major funds of the financial reporting entity are described below:

Governmental

General Fund

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

Special Revenue Funds

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

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

b. Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Governmental (Continued)

Special Revenue Funds (Continued)

The mental health/development disabilities (MH/DD) services fund is used to account for property tax and other revenues to be used to fund mental health, mental retardation, and developmental disabilities services.

The rural services fund is used to account for property tax and other revenues to provide services, which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The secondary roads fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the general and the special revenue, rural services funds and other revenues to be used for secondary road construction and maintenance.

Proprietary Fund Types

Enterprise Fund

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

Internal Service Fund

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

Fiduciary Fund Types

Agency Funds

The agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units, and/or other funds. Agency funds are custodial in nature, assets equal liabilities and deferred inflows of resources, and do not involve measurement of results of operations.

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

b. Significant Accounting Policies (Continued)

Measurement Focus

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

On the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the “economic resources” measurement focus. This means that all assets and liabilities, whether current or non-current, associated with their activity are included on their statement of net position. In reporting the financial activity on the governmental activities statements, the County applies all applicable GASB pronouncements.

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

- a. All governmental fund financial statements are accounted for on “current financial resources” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in fund balances. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.
- b. The proprietary funds are accounted for on “economic resources” measurement focus. This means that all assets and liabilities, whether current or non-current, associated with their activity are included on their statement of net position.

Basis of Accounting

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

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

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

b. Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principle and interest on long-term debt, claims and 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 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 generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications-committed, assigned, and then unassigned fund balances.

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

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash Management, Cash Equivalents, and Investments

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

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

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

Property Tax Receivable

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

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

Property tax revenue recognized in the governmental funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 represents the amount of interest and penalty that was due and payable but has not been collected.

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Interfund Transactions

During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2014, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the government-wide statements.

Due from Other Governments

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

Inventories

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

Prepaid Expenditures

Payments made for insurance for a future period beyond June 30, 2014 are recorded as prepaid insurance. The fund balances in the governmental fund types have been reserved for the prepaid expenditures recorded in those funds. This reflects the amount of net position not currently available for expenditure.

Capital Assets

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

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Capital Assets (Continued)

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

Asset Class	Estimated Useful Lives (in Years)
Buildings and improvements	25-50
Land improvements	10-50
Equipment	3-20
Vehicles	5-15
Infrastructure, road networks	10-65

Depletion is recorded on the landfill using the useful life of 27 years.

Due to Other Governments

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

Trusts Payable

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

Deferred Inflows of Resources

In the fund financial statements, certain revenues are measurable, however they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consists of the succeeding year property tax receivable as well as delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources on 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.

Long-term Obligations

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

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.

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)
Compensated Absences

County employees receive vacation leave at the following rates:

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

Employees may accumulate up to 2 times their annual allotment of vacation days. Sick leave accrues at the rate of 2 days per month and employees may accumulate up to 120 days sick leave. These accumulations are not recognized as expenditures by the County until used. The County's policy prohibits payoff of accumulated sick leave at termination of employment. Consequently, no liability for accumulated sick leave at June 30, 2014 has been determined or presented. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. The County's approximate maximum liability for accrued vacation pay at June 30, 2014 is \$418,627.

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

Fund Balance

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

- *Nonspendable fund balances* are amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- *Restricted fund balances* are amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.
- *Unassigned fund balances* are the remaining fund balance which is not included in other spendable classifications.

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Net Position

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

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

Unrestricted net positions represent the difference between assets and liabilities that are not restricted and can be used for future obligations of the County. Unrestricted net positions are often subject to constraints imposed by management which can be removed or modified.

Budgets and Budgetary Accounting

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

Management Estimates

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

2. Deposits and Investments

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

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

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

In addition, the County had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$627,095 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to credit risk categorization.

NOTES TO FINANCIAL STATEMENTS

2. Deposits and Investments (Continued)

Interest Rate Risk

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

Credit Risk

The investment in Iowa Public Agency Investment Trust is unrated.

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2014:

Governmental		
General fund		
Medicare	\$	36,127
Miscellaneous state grants and reimbursements		81,120
DHS administration reimbursements		5,552
Other		1,685
		124,484
Special revenue		
Mental health fund		
Miscellaneous state grants and reimbursements		1,297
		1,297
Rural service fund		
Local option sales tax		212,248
Other		19
		212,267
Secondary roads fund		
Road use tax		281,788
Grants		84,013
Other		527
		366,328
Water testing		
Other		5,100
		5,100
Calmar Fire Department		
Loan receivable		21,007
		21,007
Total governmental		730,483
Business-type activities		
Proprietary		
Finance agreement landfill		19,970
		19,970
	\$	750,453

NOTES TO FINANCIAL STATEMENTS

4. **Capital Assets**

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Governmental activities				
Capital assets not being depreciated				
Land	\$ 489,907			\$ 489,907
Construction in progress	437,393	\$ 2,349,237	\$ 2,702,609	84,021
	<u>927,300</u>	<u>2,349,237</u>	<u>2,702,609</u>	<u>573,928</u>
Capital assets being depreciated				
Buildings	7,786,546	15,476		7,802,022
Equipment	7,837,136	251,335		8,088,471
Vehicles	1,037,853	136,195		1,174,048
Infrastructure	59,402,915	2,755,601		62,158,516
	<u>76,064,450</u>	<u>3,158,607</u>		<u>79,223,057</u>
Less accumulated depreciation				
Buildings	3,843,377	180,531		4,023,908
Equipment	4,362,606	407,006		4,769,612
Vehicles	834,012	62,148		896,160
Infrastructure	23,695,746	1,669,548		25,365,294
	<u>32,735,741</u>	<u>2,319,233</u>		<u>35,054,974</u>
Total capital assets being depreciated, net	<u>43,328,709</u>	<u>839,374</u>		<u>44,168,083</u>
Governmental activities, capital assets, net	<u>\$ 44,256,009</u>	<u>\$ 3,188,611</u>	<u>\$ 2,702,609</u>	<u>\$ 44,742,011</u>

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets (Continued)

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Business-type activities				
Land	\$ 290,044			\$ 290,044
Capital assets being depreciated or depleted				
Equipment	1,195,426			1,195,426
Landfill	1,373,448			1,373,448
Total capital assets being depreciated or depleted	2,568,874			2,568,874
Less accumulated depreciation or depletion				
Equipment	398,285	\$ 24,876		423,161
Landfill	1,373,448			1,373,448
Total accumulated depreciation or depletion	1,771,733	24,876		1,796,609
Total capital assets being depreciated or depleted, net	797,141	(24,876)		772,265
Business-type activities				
Capital assets, net	\$ 1,087,185	\$ (24,876)	\$ None	\$ 1,062,309

For the year ended June 30, 2014, depreciation expense was charged to functions of the primary government as follows:

Governmental activities	
Public safety and legal services	\$ 36,957
Physical health and social services	13,539
County environment and education	169,371
Roads and transportation	2,053,525
Governmental services to residents	16,595
Administration	29,246
	\$ 2,319,233
Business-type activities	
Burr Oak sewer fund	\$ 13,661
Festina sewer fund	11,215
	\$ 24,876

NOTES TO FINANCIAL STATEMENTS

5. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments as of June 30, 2014 is as follows:

<p>Governmental General fund</p>	<p>Services</p>	<p>\$ 348</p>
<p>Special revenue fund Rural services</p>	<p>Services</p>	<p>649</p>
<p>Total governmental</p>		<p>\$ 997</p>
<p>Fiduciary Agency</p>		
<p>County offices</p>		<p>\$ 11,860</p>
<p>Agricultural Extension Education</p>		<p>218,118</p>
<p>County Assessor collections</p>		<p>908,588</p>
<p>Schools</p>		<p>15,528,124</p>
<p>Area schools</p>		<p>998,752</p>
<p>Corporations</p>		<p>5,008,844</p>
<p>Townships</p>		<p>408,781</p>
<p>Auto license and use tax</p>		<p>467,218</p>
<p>E-911 surcharge</p>		<p>257,046</p>
<p>Other</p>		<p>574,885</p>
<p>Total agency funds</p>		<p>\$ 24,382,216</p>

6. Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.95%, 5.78%, and 5.38% of their annual covered salary and the County is required to contribute 8.93%, 8.67%, and 8.07% of annual covered salary for the years ended June 30, 2014, 2013, and 2012 respectively. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$497,397, \$468,785, and \$444,982, respectively, equal to the required contributions for each year.

7. Construction, Purchase, and Other Commitments

The total outstanding construction and purchase commitments of the County at June 30, 2014 amount to \$408,721 and commitments to be reimbursed is \$301,040.

NOTES TO FINANCIAL STATEMENTS

8. Leases

- The City of Decorah has leased land to Winneshiek County under a 99-year lease for \$1 per year for the Sheriff's office and jail.
- The City of Decorah has leased space to Winneshiek County within the City's Police Department for \$172,100 from July 1, 2014 through June 30, 2015.
- The County has agreed to lease land to Winneshiek County Area Solid Waste Agency until December 2015.
- The County is leasing land to various entities for a nominal fee over long-term arrangements in association with the health campus.

Future lease payments under these agreements are as follows:

Year ended June 30, 2014 \$ 172,100

9. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Issued	(Paid)	Balance June 30, 2014	Amounts Due Within One Year
Governmental activities					
Other liabilities					
Note payable	\$ 34,496		\$ (13,489)	\$ 21,007	\$ 13,633
Capital lease	71,520		(35,760)	35,760	35,760
Compensated absences	220,267	\$ 418,627	(220,267)	418,627	418,627
	326,283	418,627	(269,516)	475,394	468,020
Governmental activities					
Long-term liabilities	\$ 326,283	\$ 418,627	\$ (269,516)	\$ 475,394	\$ 468,020
Business-type activities					
Other liabilities					
Notes payable	\$ 186,314		\$ (4,807)	\$ 181,507	\$ 5,036
Compensated absences	8,696	\$ 21,904	(8,696)	21,904	21,904
	195,010	21,904	(13,503)	203,411	26,940
Total other liabilities	195,010	21,904	(13,503)	203,411	26,940
Business-type activities					
Long-term liabilities	\$ 195,010	\$ 21,904	\$ (13,503)	\$ 203,411	\$ 26,940

NOTES TO FINANCIAL STATEMENTS

9. Long-term Debt Obligations (Continued)

Notes Payable

Calmar Township Note

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

USDA Rural Development

In April 1993, the County issued revenue notes totaling \$105,000 at 5% interest due in annual payments of \$6,226 starting July 1995 through 2032. These notes were used to partially finance the Burr Oak sewer project, and are recorded in the enterprise fund. Interest expense of \$3,705 is reported in the Burr Oak sewer enterprise fund.

Department of Natural Resources

In April 2000, the County issued revenue notes totaling \$132,500 at 4.5% interest due in annual payments of \$7,342 starting July 2003 through 2039. These notes were issued to partially finance the Festina Wastewater Collection & Treatment System Project. Interest expense of \$4,934 is reported in the Festina sewer enterprise fund.

Capital Lease

Voting Equipment Lease

The County entered into a contract for the purchase of vote tabulation systems equipment, hardware and software, and training and technical support services. The contract is due in annual installments of \$35,760 through October 1, 2014 with no interest accruing. The contract had a balance of \$35,760 at June 30, 2014.

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

Year ending June 30,	Governmental Activities		Governmental Activities	
	Capital Lease		Notes Payable	
	Principal	Interest	Principal	Interest
2015	\$ 35,760	\$ None	\$ 13,633	\$ 807
2016			7,374	129
Total	\$ 35,760	\$ None	\$ 21,007	\$ 936

Year ending June 30,	Business-type Activities	
	Notes/Leases Payable	
	Principal	Interest
2015	\$ 5,036	\$ 8,533
2016	5,276	8,292
2017	5,526	8,042
2018	5,789	7,779
2019	6,065	7,503
2020-2024	34,941	32,899
2025-2029	44,091	23,749
2030-2034	42,669	13,969
2035-2039	32,114	5,914
Total	\$ 181,507	\$ 116,680

NOTES TO FINANCIAL STATEMENTS

9. **Long-term Debt Obligations (Continued)**

At June 30, 2014, the debt issued by the County did not exceed its legal debt margin compiled as follows:

Total assessed valuation	<u>\$1,023,526,776</u>
Debt limit – 5% of total assessed valuation	\$ 51,176,339
Debt applicable to debt limit	
Notes payable	(21,007)
Other debt	<u>(349,553)</u>
Legal debt margin	<u>\$ 50,805,779</u>

10. **Due to/from Other Funds**

As of June 30, 2014, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
Special revenue funds		
Rural services	\$ 20,645	
Proprietary funds		
Landfill		<u>\$ 20,645</u>
	<u>\$ 20,645</u>	<u>\$ 20,645</u>

11. **Other Postemployment Benefits (OPEB)**

Plan Description

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

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

11. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$	34,105
Interest on net OPEB obligation		5,241
Adjustment to annual required contribution		<u>(7,951)</u>
Annual OPEB cost		31,395
Contributions made		<u>(19,149)</u>
Increase in net OPEB obligation		12,246
Net OPEB obligation beginning of year		<u>129,520</u>
Net OPEB obligation end of year	\$	<u><u>141,766</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 actual contributions for the year ended June 30, 2014.

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	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 37,097	0.0%	\$ 116,473
June 30, 2013	\$ 32,196	0.0%	\$ 129,520
June 30, 2014	\$ 31,395	0.0%	\$ 141,766

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 \$263,479, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$263,479. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,131,304 and the ratio of the UAAL to covered payroll was 5.13%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions

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

11. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions (Continued)

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

As of July 1, 2012, actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County’s funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching 5% ultimate trend rate.

Mortality rates are from RP-2000 Combined Mortality Table projected to 2014 using Scale AA.

12. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

	Transfers In	Transfers Out
General fund		
Secondary roads		\$ 200,110
Special revenue funds		
Rural services		1,960,393
Secondary roads	\$ 2,160,503	
	2,160,503	1,960,393
Total	\$ 2,160,503	\$ 2,160,503

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

13. Fund Equity

The government-wide statement of net position reports \$3,287,263 of restricted net position, of which \$3,222,036 is restricted by enabling legislation. The amounts restricted at June 30, 2014 are as follows:

Restricted net position	
Mental health	\$ 702,854
Rural services	801,419
Secondary roads	1,137,854
Capital projects fund	8,216
Other special revenue	571,693
Other	65,227
	\$ 3,287,263

Restricted net position	
Proprietary funds	
Burr Oak sewer	\$ 217,432
Festina sewer	150,874
Burr Oak sewer reserve	6,226
Festina sewer reserve	10,540
Other purpose	1,812
	\$ 386,884

The fund balance nonspendable amounts at June 30, 2014 are as follows:

Nonspendable	
Inventories	\$ 265,488
Prepaid expenditures	71,595
	\$ 337,083

14. Joint Ventures

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

The County participates in Metronet, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The County appoints a member to the Metronet board and has access to the broadband service provided by Metronet. Metronet's audited financial statements are included in the City of Decorah's financial statements and are available from the City of Decorah at City Hall, Decorah, IA 52101.

15. Accrued Closure and Postclosure Care Costs

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

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

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

The estimate of these costs for the agency was revised as of March 9, 2012 and have been estimated at \$3,415,003 for closure and \$3,394,050 for postclosure, for a total of \$6,809,053 as of June 30, 2014, and the portion of the liability that has been recognized is \$4,939,920. There was no change in estimated closure and postclosure costs effective August 27, 2014 from the prior year calculation. The amounts allocated are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2014. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 9 years and the capacity used at June 30, 2014 is approximately 73 percent.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The agency has accumulated resources to fund these costs and, at June 30, 2014, assets of \$7,388,237 are restricted for these purposes, of which \$3,705,486 is for closure and \$3,682,751 is for postclosure care. They are reported as restricted investments on the statements of net position.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), the agency is required to demonstrate financial assurance for the unfunded costs. The agency has adopted the dedicated fund as an additional funding mechanism. Chapter 576-113.14(8) of the IAC requires a dedicated fund that is restricted to pay for closure, postclosure or corrective action costs. The amount of funds restricted for the year ended June 30, 2014 is \$7,388,237.

16. Contingent Liabilities

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of June 30, 2014, significant amounts of grant expenditures have not been audited by granting authorities but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

The County is currently contingently liable to perform environmental cleanup at two locations due to the Iowa Department of Natural Resources (DNR) classifying them as high risk sites. Proposals have been submitted to the Iowa DNR outlining the County's plans for clean up. As of June 30, 2014, no ruling has been made by the Iowa DNR. As a result, no estimate can be made of future clean up costs. Funds may be available from the Iowa Comprehensive Petroleum Underground Storage Tank fund to offset some of these potential costs.

17. Risk Management

Winneshiek County is a member in the 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 percent of basis rate or to comply with the requirements of any applicable regulatory authority having jurisdiction over the pool.

The pool also provides property coverage. Members who elect such coverage make annual 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 contributions to the pool for the year ended June 30, 2014 were \$156,643.

17. Risk Management (Continued)

The pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured 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 risks 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 claim 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 coverage associated with workers 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.

18. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued one statement not yet implemented by the County. The statement which might impact the County is as follows:

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

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

NOTES TO FINANCIAL STATEMENTS

19. Accounting Change

GASB Statement 65, *Items Previously Classified as Assets and Liabilities*; and No. 66 *Technical Corrections–2012, an amendment of GASB Statements 10 and 62*, were implemented during fiscal year 2014.

20. Subsequent Event

Management has evaluated subsequent events through February 18, 2015, the date on which the financial statements were available to be issued.

Required Supplementary Information

WINNESHIEK COUNTY
 BUDGETARY COMPARISON SCHEDULE
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 June 30, 2014

	Actual	Less Amounts not Budgeted	Budget Basis
RECEIPTS			
Property and other County tax	\$ 8,942,996		\$ 8,942,996
Interest and penalty on property tax	52,361		52,361
Intergovernmental	5,982,678		5,982,678
Licenses and permits	26,317		26,317
Charges for service	718,143		718,143
Use of money and property	141,399		141,399
Miscellaneous	751,296	\$ 3,272	748,024
Total receipts	16,615,190	3,272	16,611,918
DISBURSEMENTS			
Public safety and legal services	2,460,696		2,460,696
Physical health and social services	1,319,144		1,319,144
Mental health	1,707,689		1,707,689
County environment and education	1,587,936		1,587,936
Roads and transportation	5,750,366		5,750,366
Governmental services to residents	521,657		521,657
Administration	2,019,234		2,019,234
Non-program	3,398		3,398
Capital projects	2,072,692		2,072,692
Total disbursements	17,442,812	-	17,442,812
(DEFICIENCY) EXCESS OF RECEIPTS (UNDER) OVER DISBURSEMENTS	(827,622)	3,272	(830,894)
OTHER FINANCING SOURCES, NET	-		-
(DEFICIENCY) EXCESS OF RECEIPTS AND OTHER FINANCING SOURCES (UNDER) OVER DISBURSEMENTS AND OTHER FINANCING USES	(827,622)	3,272	(830,894)
BALANCE, beginning of year	6,631,060		6,631,060
BALANCE, end of year	\$ 5,803,438	\$ 3,272	\$ 5,800,166

See Notes to Required Supplementary Information.

Budget Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 8,925,770	\$ 8,925,770	\$ 17,226
25,380	25,380	26,981
6,752,255	7,285,923	(1,303,245)
14,700	14,700	11,617
672,290	690,568	27,575
160,402	160,402	(19,003)
741,517	1,591,718	(843,694)
<u>17,292,314</u>	<u>18,694,461</u>	<u>(2,082,543)</u>
2,561,165	2,615,584	154,888
1,449,800	1,528,863	209,719
1,236,016	2,330,031	622,342
1,605,533	1,684,053	96,117
5,873,040	6,723,040	972,674
575,726	578,726	57,069
2,055,799	2,197,049	177,815
5,500	5,500	2,102
4,186,000	4,141,363	2,068,671
<u>19,548,579</u>	<u>21,804,209</u>	<u>4,361,397</u>
(2,256,265)	(3,109,748)	2,278,854
<u>615,000</u>	<u>615,000</u>	<u>(615,000)</u>
(1,641,265)	(2,494,748)	1,663,854
<u>6,999,541</u>	<u>6,999,541</u>	<u>(368,481)</u>
<u>\$ 5,358,276</u>	<u>\$ 4,504,793</u>	<u>\$ 1,295,373</u>

WINNESHIEK COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 BUDGET TO GAAP RECONCILIATION
 For the Year Ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 16,615,190	\$ 400,580	\$ 17,015,770
Expenditures	17,442,812	7,544	17,450,356
Net	(827,622)	393,036	(434,586)
Beginning fund balance	6,631,060	82,105	6,713,165
Ending fund balance	\$ 5,803,438	\$ 475,141	\$ 6,278,579

See Notes to Required Supplementary Information.

WINNESHIEK COUNTY

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are:

1. Public safety and legal services
2. Physical health and social services
3. Mental health
4. County environment and education
5. Roads and transportation
6. Governmental services to residents
7. Administration
8. Non-program
9. Debt service
10. Capital projects

Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, capital projects fund, and debt service fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted revenues by \$1,402,147 and increased disbursements by \$2,255,630. The budget amendment is reflected in the final budgeted amount.

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; for the E-911 System by the Joint E-911 Service Board; and for Emergency Management Services by the County Emergency Management Commission.

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

See Independent Auditor's Report.

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

Fiscal Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 319	\$ 319	0.00%	\$ 4,486	7.1110%
2011	July 1, 2009	-	\$ 319	\$ 319	0.00%	\$ 4,923	6.4798%
2012	July 1, 2009	-	\$ 319	\$ 319	0.00%	\$ 5,117	6.2341%
2013	July 1, 2012	-	\$ 263	\$ 263	0.00%	\$ 4,832	5.4429%
2014	July 1, 2012	-	\$ 263	\$ 263	0.00%	\$ 5,131	5.1257%

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

See Independent Auditor's Report.

Other Supplementary Information

WINNESHIEK COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Special Revenue	Capital Projects	Nonmajor Governmental Funds
ASSETS			
Cash and pooled investments	\$ 552,616	\$ 21,392	\$ 574,008
Receivables			
Accounts	13,898		13,898
Accrued interest	31		31
Due from other funds	276		276
Due from other governments	5,100		5,100
	<u>571,921</u>	<u>21,392</u>	<u>593,313</u>
Total assets	<u>\$ 571,921</u>	<u>\$ 21,392</u>	<u>\$ 593,313</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 228	\$ 13,176	\$ 13,404
	<u>228</u>	<u>13,176</u>	<u>13,404</u>
Total liabilities	<u>228</u>	<u>13,176</u>	<u>13,404</u>
Fund balances			
Restricted for:			
Other special revenue funds	571,693		571,693
Capital projects		8,216	8,216
	<u>571,693</u>	<u>8,216</u>	<u>579,909</u>
Total fund balances	<u>571,693</u>	<u>8,216</u>	<u>579,909</u>
Total liabilities and fund balances	<u>\$ 571,921</u>	<u>\$ 21,392</u>	<u>\$ 593,313</u>

See Independent Auditor's Report.

WINNESHIEK COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2014

	Special Revenue	Capital Projects	Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 123,808		\$ 123,808
Charges for service	3,470		3,470
Use of money and property	532		532
Miscellaneous		\$ 1,829	1,829
Total revenues	127,810	1,829	129,639
EXPENDITURES			
Current			
Physical health and social services	13,662		13,662
County environment and education	37,167		37,167
Governmental services to residents	3,037		3,037
Capital projects	29,239	15,161	44,400
Total expenditures	83,105	15,161	98,266
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	44,705	(13,332)	31,373
FUND BALANCES, beginning of year	526,988	21,548	548,536
FUND BALANCES, end of year	\$ 571,693	\$ 8,216	\$ 579,909

See Independent Auditor's Report.

WINNESHIEK COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2014

	REAP Grant	Water Testing Grant	Conservation Land Acquisition Fund	Recorder's Records Management	Total Nonmajor Special Revenue Funds
ASSETS					
Cash and pooled investments	\$ 300,747	\$ 99,726	\$ 140,920	\$ 11,223	\$ 552,616
Receivables					
Accounts			13,898		13,898
Accrued interest	25			6	31
Due from other funds				276	276
Due from other governments		5,100			5,100
Total assets	\$ 300,772	\$ 104,826	\$ 154,818	\$ 11,505	\$ 571,921
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable		\$ 228			\$ 228
Total liabilities	\$ -	228	\$ -	\$ -	228
Fund balances					
Reserved	300,772	104,598	154,818	11,505	571,693
Total fund balances	300,772	104,598	154,818	11,505	571,693
Total liabilities and fund balances	\$ 300,772	\$ 104,826	\$ 154,818	\$ 11,505	\$ 571,921

See Independent Auditor's Report.

WINNESHIEK COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2014

	REAP Grant	Water Testing Grant	Conservation Land Acquisition Fund	Recorder's Records Management	Total Nonmajor Special Revenue Funds
REVENUES					
Intergovernmental	\$ 41,524	\$ 23,735	\$ 58,549		\$ 123,808
Charges for service				\$ 3,470	3,470
Use of money and property	458			74	532
Total revenues	41,982	23,735	58,549	3,544	127,810
EXPENDITURES					
Current					
Physical health and social services		13,662			13,662
County environment and education	37,167				37,167
Governmental services to residents				3,037	3,037
Capital projects			29,239		29,239
Total expenditures	37,167	13,662	29,239	3,037	83,105
EXCESS OF REVENUES OVER EXPENDITURES	4,815	10,073	29,310	507	44,705
FUND BALANCES, beginning of year	295,957	94,525	125,508	10,998	526,988
FUND BALANCES, end of year	\$ 300,772	\$ 104,598	\$ 154,818	\$ 11,505	\$ 571,693

See Independent Auditor's Report.

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WINNESHIEK COUNTY
 COMBINING SCHEDULE OF NET POSITION
 NONMAJOR PROPRIETARY FUNDS
 June 30, 2014

	Burr Oak Sewer Fund	Festina Sewer Fund	Burr Oak Sewer Sinking Fund
ASSETS			
Cash and pooled investments	\$ 38,812	\$ 30,435	\$ 1,524
Total current assets	38,812	30,435	1,524
Noncurrent assets			
Land	6,292	3,500	
Net capital assets	382,268	389,997	
Total noncurrent assets	388,560	393,497	-
Total assets	\$ 427,372	\$ 423,932	\$ 1,524
LIABILITIES AND NET POSITION			
Liabilities			
Accrued interest payable	\$ 20	\$ 27	
Notes payable	2,591	2,445	
Total current liabilities	2,611	2,472	\$ -
Noncurrent liabilities			
Long-term debt	70,108	106,363	
Total liabilities	72,719	108,835	-
Net position			
Net investment in capital assets	315,861	284,689	
Restricted	217,432	150,874	1,524
Unrestricted	(178,640)	(120,466)	
Total net position	354,653	315,097	1,524
Total liabilities and net position	\$ 427,372	\$ 423,932	\$ 1,524

See Independent Auditor's Report.

SCHEDULE 5

Festina Sewer Sinking Fund	Burr Oak Sewer Reserve Fund	Festina Sewer Reserve Fund	Total Nonmajor Enterprise Funds
\$ 288	\$ 6,226	\$ 10,540	\$ 87,825
288	6,226	10,540	87,825
			9,792
			772,265
-	-	-	782,057
\$ 288	\$ 6,226	\$ 10,540	\$ 869,882
			\$ 47
			5,036
-	-	-	5,083
			176,471
-	-	-	181,554
288	6,226	10,540	600,550
			386,884
			(299,106)
288	6,226	10,540	688,328
\$ 288	\$ 6,226	\$ 10,540	\$ 869,882

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WINNESHIEK COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 NONMAJOR PROPRIETARY FUNDS
 For the Year Ended June 30, 2014

	Burr Oak Sewer Fund	Festina Sewer Fund	Burr Oak Sewer Sinking Fund
OPERATING REVENUES			
Charges for services	\$ 21,926	\$ 18,883	
Total operating revenues	21,926	18,883	\$ -
OPERATING EXPENSES			
Depreciation	13,661	11,215	
Other	11,538	1,393	
Total operating expenses	25,199	12,608	-
Operating (loss) income	(3,273)	6,275	-
NONOPERATING REVENUES (EXPENSES)			
Interest income	14	94	
Interest expense	(3,705)	(4,934)	
Net nonoperating revenues (expenses)	(3,691)	(4,840)	-
(Loss) income before contributions and transfers	(6,964)	1,435	-
OPERATING TRANSFERS			
Transfer in	6,226	7,342	5,440
Transfer out	(5,440)	(12,088)	(6,226)
Total operating transfers	786	(4,746)	(786)
Change in net position	(6,178)	(3,311)	(786)
NET POSITION, beginning of year	360,831	318,408	2,310
NET POSITION, end of year	\$ 354,653	\$ 315,097	\$ 1,524

See Independent Auditor's Report.

SCHEDULE 6

Festina Sewer Sinking Fund	Burr Oak Sewer Reserve Fund	Festina Sewer Reserve Fund	Total Nonmajor Enterprise Funds
			\$ 40,809
\$ -	\$ -	\$ -	40,809
			24,876
3,879			16,810
3,879	-	-	41,686
(3,879)	-	-	(877)
			108
			(8,639)
-	-	-	(8,531)
(3,879)	-	-	(9,408)
11,344 (7,342)		744	31,096 (31,096)
4,002	-	744	-
123	-	744	(9,408)
165	6,226	9,796	697,736
<u>\$ 288</u>	<u>\$ 6,226</u>	<u>\$ 10,540</u>	<u>\$ 688,328</u>

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

	County Offices	Agricultural Extension Education	Assessor
ASSETS			
Cash and pooled investments			
County Treasurer		\$ 1,777	\$ 482,883
Other County officials	\$ 49,747		
Receivables			
Property tax			
Delinquent		14	31
Succeeding year		216,327	439,081
Accounts	2,865		
Accrued interest			
Due from other governments			2
Prepaid insurance			2,402
	<u>\$ 52,612</u>	<u>\$ 218,118</u>	<u>\$ 924,399</u>
LIABILITIES			
Accounts payable			\$ 10,461
Salaries and benefits payable			5,309
Due to other funds	\$ 26,419		41
Due to other governments	11,860	\$ 218,118	908,588
Trusts payable	14,333		
Unearned revenue			
	<u>\$ 52,612</u>	<u>\$ 218,118</u>	<u>\$ 924,399</u>

See Independent Auditor's Report.

Schools	Area Schools	Corporations	Townships	Auto License and Use Tax	E-911 Surcharge	Other	Total
\$ 121,113	\$ 7,762	\$ 24,080	\$ 4,132	\$ 467,218	\$ 239,592	\$ 83,010	\$ 1,431,567 49,747
975	70	152	42			34	1,318
15,406,036	990,920	4,984,612	404,607			481,629	22,923,212
					146		2,865
					17,352	21,995	146
							39,349
							2,402
<u>\$ 15,528,124</u>	<u>\$ 998,752</u>	<u>\$ 5,008,844</u>	<u>\$ 408,781</u>	<u>\$ 467,218</u>	<u>\$ 257,090</u>	<u>\$ 586,668</u>	<u>\$ 24,450,606</u>
					\$ 44	\$ 596	\$ 11,101
						929	6,238
\$ 15,528,124	\$ 998,752	\$ 5,008,844	\$ 408,781	\$ 467,218	257,046	99	26,559
						574,885	24,382,216
							14,333
						10,159	10,159
<u>\$ 15,528,124</u>	<u>\$ 998,752</u>	<u>\$ 5,008,844</u>	<u>\$ 408,781</u>	<u>\$ 467,218</u>	<u>\$ 257,090</u>	<u>\$ 586,668</u>	<u>\$ 24,450,606</u>

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WINNESHIEK COUNTY
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended June 30, 2014

	County Offices	Agricultural Extension Education	Assessor
ASSETS AND LIABILITIES			
BALANCE, beginning of year	\$ 69,768	\$ 218,260	\$ 801,247
ADDITIONS			
Property and other County tax		203,232	453,335
State tax credits		10,065	22,442
Office fees and collections	372,795		
Auto license, use tax and postage			
E-911 telephone surcharges			
Miscellaneous	92,517		70
Assessments			
Trusts	140,035		
Total additions	605,347	213,297	475,847
DEDUCTIONS			
Agency remittances			
To other funds	262,260		
To other governments	187,834	213,439	
Trusts paid out	139,405		
Miscellaneous	33,004		352,695
Total deductions	622,503	213,439	352,695
BALANCE, end of year	\$ 52,612	\$ 218,118	\$ 924,399

See Independent Auditor's Report.

Schools	Area Schools	Corporations	Townships	Auto License and Use Tax	E-911 Surcharge	Other	Total
\$ 15,539,043	\$ 999,968	\$ 5,008,628	\$ 409,015	\$ 444,528	\$ 271,717	\$ 570,303	\$ 24,332,477
14,342,407	890,689	4,648,244	356,529			436,473	21,330,909
696,635	43,974	166,947	20,183			21,618	981,864
				6,054,845		3,606	376,401
					92,787		6,054,845
					148,038		92,787
						87,374	327,999
						71,380	71,380
							140,035
15,039,042	934,663	4,815,191	376,712	6,054,845	240,825	620,451	29,376,220
15,049,961	935,879	4,814,975	376,946	5,846,228	255,452	604,086	28,284,800
				185,927			448,187
							139,405
							385,699
15,049,961	935,879	4,814,975	376,946	6,032,155	255,452	604,086	29,258,091
\$ 15,528,124	\$ 998,752	\$ 5,008,844	\$ 408,781	\$ 467,218	\$ 257,090	\$ 586,668	\$ 24,450,606

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

	Modified Accrual			
	2014	2013	2012	2011
REVENUES				
Property and other County tax	\$ 7,633,942	\$ 7,707,204	\$ 7,422,935	\$ 7,129,466
Local option sales tax	1,305,241	1,443,421	1,220,456	1,289,539
Interest and penalty on property tax	52,312	52,188	55,167	57,100
Intergovernmental	6,139,781	5,536,014	8,008,604	7,121,719
Licenses and permits	25,417	19,607	19,342	12,770
Charges for service	711,954	709,823	645,513	610,437
Use of money and property	146,314	152,366	172,689	190,454
Miscellaneous	1,000,809	862,591	872,123	774,961
Total revenues	\$ 17,015,770	\$ 16,483,214	\$ 18,416,829	\$ 17,186,446
EXPENDITURES				
Current				
Public safety and legal services	\$ 2,486,450	\$ 2,260,166	\$ 2,292,597	\$ 2,217,149
Physical health and social services	1,321,137	1,328,106	1,419,929	1,411,514
Mental health	1,768,935	1,049,783	2,526,694	2,702,757
County environment and education	1,589,247	1,522,418	1,520,347	1,695,435
Roads and transportation	6,508,015	5,827,296	5,494,568	4,734,265
Governmental services to residents	524,512	611,866	445,980	403,366
Administration	2,019,642	1,952,183	1,733,409	1,652,185
Non-program	3,398	3,390	14,004	2,720
Debt service				492,026
Capital projects	1,229,020	1,505,347	1,605,035	1,683,341
Total expenditures	\$ 17,450,356	\$ 16,060,555	\$ 17,052,563	\$ 16,994,758

See Independent Auditor's Report.

Modified Accrual					
2010	2009	2008	2007	2006	2005
\$ 6,682,837	\$ 5,763,349	\$ 5,521,664	\$ 5,506,728	\$ 5,379,392	\$ 5,462,955
1,234,237	1,276,001	1,151,833	1,296,816	1,090,902	1,144,299
61,083	57,740	51,023	46,990	49,037	51,129
6,555,969	7,590,448	7,014,918	6,214,640	6,234,227	5,996,378
12,943	13,112	17,422	14,210	13,040	14,969
574,453	570,256	567,022	533,809	524,258	554,535
189,438	241,727	343,464	406,426	355,300	252,964
539,518	387,281	176,988	397,847	131,274	104,590
<u>\$ 15,850,478</u>	<u>\$ 15,899,914</u>	<u>\$ 14,844,334</u>	<u>\$ 14,417,466</u>	<u>\$ 13,777,430</u>	<u>\$ 13,581,819</u>
\$ 2,044,387	\$ 1,974,433	\$ 1,924,780	\$ 1,769,761	\$ 1,673,671	\$ 1,568,370
1,707,517	1,622,070	1,510,110	1,424,742	1,372,241	1,350,847
2,065,220	2,225,989	2,426,900	2,198,888	2,081,849	1,973,584
3,448,510	1,310,048	1,226,245	1,079,757	1,002,931	969,412
6,737,583	5,227,666	5,435,764	5,063,759	4,320,893	4,464,945
328,933	346,924	299,885	285,872	449,990	275,852
1,358,709	1,425,958	1,335,264	1,125,199	1,090,546	1,213,439
39,217	2,657	29,808	16,382	5,251	3,317
487,723	487,682	563,841	551,322	2,781,219	569,658
587,285	1,535,195	1,106,536	704,588	2,002,286	1,479,367
<u>\$ 18,805,084</u>	<u>\$ 16,158,622</u>	<u>\$ 15,859,133</u>	<u>\$ 14,220,270</u>	<u>\$ 16,780,877</u>	<u>\$ 13,868,791</u>

WINNESHIEK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

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

- (a) An unmodified opinion was issued on the financial statements.
- (b) One significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is required to be reported in accordance with *Government Auditing Standards*.
- (d) One significant deficiency in internal control over the major programs was disclosed by the audit of the financial statements. No material weaknesses are reported.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 20.205 Highway Planning and Construction
 - CFDA Number 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Winneshiek County did not qualify as a low-risk auditee.

WINNESHIEK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

Part II: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

Finding 2014-001 Overlapping Duties

Criteria: Proper controls over financial reporting include adequate segregation of duties.

Condition: The County's offices are not large enough to permit an adequate segregation of duties for effective internal controls. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Cause: The concentration of closely related duties and responsibilities such as the recording and processing of cash receipts, preparing grant expenditure reports, preparing financial information for posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records.

Effect: This deficiency results in a reasonable possibility that the County would not be able to detect misstatements that would be material in relation to the financial statement in a timely period by employees in the normal course of performing their assigned functions.

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

Response and Corrective Action Planned:

Management is cognizant of this limitation and will implement additional controls where possible.

Conclusion: Response acknowledged.

WINNESHIEK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 20.205 Highway Planning and Construction
Federal Award Year: 2014
U.S. Department of Transportation
Passed through Iowa Department of Transportation

CFDA Number 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Award Year: 2014
U.S. Department of Homeland Security
Passed through Iowa Department of Public Defense

See 2014-001 above.

Part IV: Other Findings Related to Required Statutory Reporting:

See management letter dated February 18, 2015

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

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>Explanation</u>
2012-001	Overlapping duties	Not corrected	The County has limited staff and segregates duties to the best of their abilities.

WINNESHIEK COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2014

Grantor/Program	CFDA Number	Grant Number/Description	Program Expenditures
Indirect			
U.S. Department of Agriculture Passed through Iowa Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	LAE Reimbursement	\$ 9,106
U.S. Department of Justice Passed through Iowa Department of Justice Crime Victim Assistance	16.575	VA-12-19	21,634
U.S. Department of Transportation Passed through Iowa Department of Transportation Highway Planning and Construction	20.205	BROS-CO96(110)--8J-96	84,468
	20.205	BROS-CO96(117)--8J-96	25,137
	20.205	BROS-CO96(115)--8J-96	301,237
	20.205	FHWA IA-13-02	5,962
			<u>416,804</u>
Passed through Iowa Department of Public Safety Highway Safety Cluster State and Community Highway Safety	20.600	PAP 14-402, Task 37-20-00	4,200
Subtotal U.S. Department of Transportation			<u>421,004</u>
U.S. Department of Health and Human Services Passed through Iowa Department of Public Health Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	MOU-2014-TB08	765
Immunization Cooperative Agreements	93.268	5881I482	5,186
	93.268	5882I482/146	2,884
			<u>8,070</u>
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance	93.539	5883I482 5884I482/146	5,000 6,183
			<u>11,183</u>
Public Health Emergency Preparedness	93.069	5883BT96	6,489
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	5884BT96	34,037
Passed through Iowa Department of Human Services Social Services Block Grant	93.667	LAE Reimbursement	2,862

See Independent Auditor's Report.

WINNESHIEK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Grantor/Program	CFDA Number	Grant Number/Description	Program Expenditures
Indirect (Continued)			
U.S. Department of Health and Human Services (Continued)			
Other Federal Financial Assistance			
Human Services Administrative Reimbursements			
Refugee and Entrant Assistance - State Administered Programs	93.566	LAE Reimbursement	\$ 20
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	LAE Reimbursement	2,663
Foster Care - Title IV-E	93.658	LAE Reimbursement	3,485
Adoption Assistance	93.659	LAE Reimbursement	1,173
State Children's Insurance Program	93.767	LAE Reimbursement	38
Medical Assistance Program	93.778	LAE Reimbursement	14,863
			<u>22,242</u>
Subtotal U.S. Department of Health and Human Services			<u>85,648</u>
U.S. Department of Homeland Security			
Passed through Iowa Department of Public Defense			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA DR-4135-IA	347,237
Hazard Mitigation Grant	97.039	DR-4016-0006-01	8,964
Emergency Management Performance Grants	97.042	EMPG-13-PT-96 EMPG-14-PT-96	5,494 11,835
			<u>17,329</u>
Subtotal U.S. Department of Homeland Security			<u>373,530</u>
Total Federal Financial Assistance			<u>\$ 910,922</u>

See Independent Auditor's Report.

WINNESHIEK COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Winneshiek County under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Winneshiek County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Winneshiek County.

Note 2. Summary of Significant Accounting Policies

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

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

To the Board of Supervisors
Winneshiek County
Decorah, Iowa

We have audited, in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Winneshiek County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Winneshiek County's basic financial statements and have issued our report thereon dated February 18, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Winneshiek County'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 Winneshiek County's internal control. Accordingly, we do not express an opinion on the effectiveness of Winneshiek County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Winneshiek County's Response to Finding

Winneshiek County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Winneshiek County'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 18, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Supervisors
Winneshiek County
Decorah, Iowa

Report on Compliance for Each Major Federal Program

We have audited Winneshiek County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Winneshiek County's major federal programs for the year ended June 30, 2014. Winneshiek County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Winneshiek County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winneshiek County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Winneshiek County's compliance.

Opinion on Each Major Federal Program

In our opinion, Winneshiek County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

Winneshiek County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Winneshiek County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 18, 2015

MANAGEMENT LETTER

To the Board of Supervisors
Winneshiek County
Decorah, Iowa

In planning and performing our audit of the basic financial statements of Winneshiek County for the year ended June 30, 2014, we considered the County's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the County's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 10 below are compliance comments required by the Iowa Auditor of State. A separate report dated February 18, 2015, contains our report on the County's internal control over financial reporting. This letter does not affect our report dated February 18, 2015 on the basic financial statements of Winneshiek County. Comment 1 and 11 are unresolved comments from the prior year. All other prior year statutory comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the County's responses and, accordingly, we express no opinion on them.

1. Certified Budget

Disbursements for the year ended June 30, 2014 did not exceed the amounts budgeted for any function. Disbursements in the data processing department exceeded the budget prior to the amendment.

Recommendation

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

Department appropriations will be monitored closer in the future.

Conclusion

Response accepted.

2. Questionable Expenditures

We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

3. Travel Expense
No expenditures of County money for travel expenses of spouses of County officials and/or employees were noted.
4. Business Transactions
We noted no business transactions between the County and County officials and/or employees for the year ended June 30, 2014.
5. Bond Coverage
Surety bond coverage of County officials and employees is in accordance with statutory provisions.
6. Board Minutes
No transactions were found that we believe should have been approved in the Board minutes but were not. The minutes were published as required by Chapter 349.18 of the Code of Iowa and Attorney General's opinions dated December 10, 1985, December 31, 1986, and May 2, 1989.
7. Resource Enhancement and Protection Certification
The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with Subsections (b)(2) and (b)(3).
8. County Extension Office
The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A through G.

Disbursements during the year ended June 30, 2014 for the County Extension Office did not exceed the amount budgeted.

The surety bond covering the Treasurer of the County Extension Council was in compliance with statutory provisions.
9. Deposits and Investments
A resolution naming official depository banks has been approved by the Board. The maximum deposit amount stated in the resolution was not exceeded during the year ended June 30, 2014.
10. Tax Increment Financing (TIF)
For the year ended June 30, 2014, the County Auditor's office performed their duties in accordance with Chapter 403.19(6)(a)(1) of the Code of Iowa and completed reconciliations of each City's TIF receipts and TIF debt certified.

11. Property and Equipment Records

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

Recommendation

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

Response

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

Conclusion

Response accepted.

12. Solid Waste Fees Retainage

During the year ended June 30, 2014, the solid waste fees established by Chapter 455E.11 (2), (11), (13) and (15) of the Code of Iowa, were administered by Winneshiek County Area Solid Waste Agency. The agency is a 28E organization of which Winneshiek County is a member.

13. Financial Assurance

The Winneshiek County Area Solid Waste Agency (agency) has demonstrated financial assurance for closure and postclosure care costs by establishing a closure and postclosure account as provided in Chapter 567-113.14 of the Iowa Administrative Code. As of June 30, 2014, the estimated closure and postclosure care costs were fully funded by a dedicated investment account.

The calculation is made as follows:

	<u>Closure</u>	<u>Postclosure</u>
Total estimated costs for closure and postclosure care	\$ 3,415,003	\$ 3,394,050
Less balance of funds held in local dedicated fund at June 30, 2014	<u>(3,705,486)</u>	<u>(3,682,751)</u>
Dedicated funds in excess of estimated costs for closure and postclosure care	<u>\$ (290,483)</u>	<u>\$ (288,701)</u>

14. Transfers

The County exceeded the maximum amount allowed to be transferred from rural service fund and general fund to secondary roads fund as per allowed by Chapter 331.429 of the Code of Iowa. The cause of the limit being exceeded was due to a sale of a vehicle between funds.

Recommendation

The County should take extra care in calculating the maximum amount allowed to be transferred from rural service fund and general fund to secondary roads fund.

Response

We did not take into consideration the sale of the vehicle between departments/funds when calculating the maximum transfer. We will endeavor to monitor such interdepartmental transactions in the future to prevent exceeding statutory limits.

Conclusion

Response accepted.

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

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

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

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 18, 2015