

WINNEBAGO COUNTY
Forest City, Iowa

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2015

WINNEBAGO COUNTY
Forest City, Iowa

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WINNEBAGO COUNTY
Forest City, Iowa

OFFICIALS

(Before January 2015)

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

Karla Weiss Auditor January 2017
Julie Swenson Treasurer January 2015
Kristin Colby Recorder January 2015
Dave Peterson Sheriff January 2017
Adam Sauer Attorney January 2015
Sue McColloch Assessor Appointed

(After January 2015)

Terry Durby Board of Supervisors January 2019
Bill Jensvold Board of Supervisors January 2019
Mike Stensrud Board of Supervisors January 2017

Karla Weiss Auditor January 2017
Julie Swenson Treasurer January 2019
Kristin Colby Recorder January 2019
Dave Peterson Sheriff January 2017
Adam Sauer Attorney January 2019
Sue McColloch Assessor Appointed



Gardiner Thomsen
Certified Public Accountants

Independent Auditor's Report

To the Officials of Winnebago County
Forest City, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winnebago County, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Winnebago County, Iowa as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, Winnebago County, Iowa adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 – 12 and 57 – 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winnebago County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 to 5 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2016, on our consideration of Winnebago County, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Winnebago County, Iowa's internal control over financial reporting and compliance.

Gardiner Thomsen, P.C.

Charles City, Iowa

March 21, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Winnebago County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. 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 13.59%, or approximately \$1,550,928, from fiscal 2014 to fiscal 2015. Property tax increased approximately \$262,318, operating grants, capital grants and contributions increased approximately \$453,736 and charges for service increased approximately \$117,512. Tax increment financing revenues increased \$535,846.
- Program expenses were 5.11% or approximately \$612,897 more in fiscal 2015 than in fiscal 2014. Non-Program expenses increased approximately \$478,026.
- The County's net position increased 3.46%, or approximately \$360,013 from June 30, 2014 to June 30, 2015.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, 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 financial information on all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

- 2) A proprietary fund accounts for the County's Internal Service Fund, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Winnebago County's combined net position increased from a year ago, from \$10,419,036 to \$10,779,049. The analysis that follows focuses on the changes in the net position for governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2015	2014 (Not Restated)
Current and Other Assets	\$24,083	\$12,406
Capital Assets	32,355	33,514
Total Assets	56,438	45,920
Deferred Outflows of Resources	475	0
Long-Term Debt Outstanding	37,649	26,337
Other Liabilities	880	633
Total Liabilities	38,529	26,970
Deferred Inflows of Resources	7,605	5,896
Net Position:		
Net Investment in Capital Assets	9,388	10,352
Restricted	3,471	3,453
Unrestricted	(2,080)	(751)
Total Net Position	\$10,779	\$13,054

Net position of Winnebago County’s governmental activities increased by 3.46% (\$10,779,049 compared to \$10,419,036). The largest portion of the County’s net position is invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraint established by debt covenant, enabling legislation or other legal requirements decreased from \$(751,293) at June 30, 2014 to \$(2,080,307) at the end of this year.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by \$2,634,939 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

	Year Ended June 30,	
	2015	2014 (Not Restated)
Program Revenues:		
Charges for Service	\$ 2,523	\$ 2,405
Operating Grants, Contributions and Restricted Interest	2,820	2,532
Capital Grants, Contributions and Restricted Interest	276	110
General Revenues:		
Property Taxes	4,254	3,992
Penalty and Interest on Property Tax	26	25
State Tax Credits	288	221
Local Option Sales Tax	405	375
Tax Increment Financing	1,845	1,309
Unrestricted Investment Earnings	78	59
Other General Revenues	451	387
Total Revenues	12,966	11,415

	Year Ended June 30,	
	2015	2014 (Not Restated)
Public Safety and Legal Services	\$ 1,506	\$ 1,498
Physical Health and Social Services	1,205	1,182
Mental Health	800	658
County Environment and Education	924	653
Roads and Transportation	4,561	4,824
Governmental Services to Residents	491	464
Administration	1,257	1,346
Non-Program	982	504
Interest on Long-Term Debt	880	864
Total Expenses	<u>12,606</u>	<u>11,993</u>
Increase (Decrease) in Net Position	360	(578)
Net Position Beginning of Year, As Restated	<u>10,419</u>	<u>13,632</u>
Net Position End of Year	<u><u>\$10,779</u></u>	<u><u>\$13,054</u></u>

The results of governmental activities for the year resulted in Winnebago County's net position increasing by approximately \$360,013. Revenues for governmental activities increased by approximately \$1,550,928 compared to the prior year.

The cost of all governmental activities this year was \$12,605,610 compared to \$11,992,713 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was \$6,986,682 because of the cost that was paid by those directly benefiting from the programs \$2,522,759 or by other governments and organizations that subsidized certain programs with grants and contributions \$3,096,169. Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased in 2015 from approximately \$5,047,680 to \$5,618,928. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$4,254,172 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUNDS

As Winnebago County completed the year, its governmental funds reported a combined fund balance of \$15,414,068, an increase of \$10,149,771 from last year's total of \$5,264,297. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures increased slightly. The ending fund balance showed a decrease of \$242,423 from the prior year to \$2,830,717.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$814,545, an increase of 12.23% from the prior year. The Mental Health Fund balance at year end increased by approximately \$77,862 over the prior year.

- Rural Service Fund revenues and expenditures increased during the current year. The ending fund balance showed an increase of \$95,060 from the prior year to \$332,784.
- Secondary Roads Fund expenditures decreased by approximately \$157,762 compared to the prior year. The Secondary Roads Fund ending balance increased by approximately \$335,311.
- The Urban Renewal 2 Fund was established to account for the collection of tax increment financing to pay principal and interest on the debt issued to complete the roadway construction and improvement projects.
- The Drainage Fund issued stamped warrants totaling \$812,110 during the current year and had \$1,123,377 in drainage expenditures to end the year with a balance of \$136,254.

BUDGETARY HIGHLIGHTS

Over the course of the year, Winnebago County amended its budget two times. The amendments were made on November 18, 2014 and May 26, 2015, and resulted in increases to budgeted disbursements in the public safety and legal services, the physical health and social services, the county environment and education, roads and transportation, and capital projects functions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, Winnebago County had approximately \$47,113,266 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$725,077 or 1.56% over last year.

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

	June 30,	
	2015	2014
Land	\$ 1,622	\$ 1,622
Buildings and Improvements	4,037	4,037
Equipment	7,233	7,184
Intangibles	42	42
Infrastructure	33,810	33,503
Construction in Progress	369	0
Total	\$47,113	\$46,388

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

Sheriff Equipment and Vehicles	\$ 33
Secondary Road Equipment and Vehicles	56
Infrastructure	307
	\$ 396

The County had depreciation/amortization expense of \$1,943,270 for the year ended June 30, 2015 and total accumulated depreciation/amortization of \$14,758,448 at June 30, 2015.

The County's fiscal year 2015 capital projects budget included \$1,189,736 for capital projects, principally for continued upgrading of secondary roads and bridges. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2015, Winnebago County had approximately \$35,319,664 in general obligation bonds and other debt outstanding compared to approximately \$26,049,288 at June 30, 2014, as shown below.

Outstanding Debt at Year-End of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2015	2014
General Obligation Urban Renewal Bonds	\$34,200	\$25,210
Notes and Contracts	2	6
Installment Purchases	0	196
Drainage Warrants	872	367
Compensated Absences	242	254
Termination Benefits	4	16
	<u>\$35,320</u>	<u>\$26,049</u>

Winnebago County has general obligation bonds outstanding at June 30, 2015 of \$34,200,000. During the fiscal year, the County issued \$10,000,000 in General Obligation Refunding Bonds. This crossover refunding was undertaken to reduce total debt service payments by \$418,952. When netted against the "Resources Held in Escrow for Bond Refunding," the net amount of General Obligation Bonds is \$24,285,424. The bonds will be paid with tax increment financing revenues.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Winnebago County's outstanding general obligation debt is significantly below its constitutional debt limit of \$55.9 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The County's nonagricultural employment, according to Iowa Works (Iowa Workforce Development) once again increased in 2015. The non-agricultural employment has grown slightly more than 8% since 2012. That is significant. This continues to be an ongoing trend since the mid 1980's and likely will continue into the future for some time to come.

The population of Winnebago County also continued to slowly decline by 2.8% from 10,866 counted in the 2010 Census to 10,559 in 2014, according to the U.S. Census. The County's population decline is attributed to the following: aging population, the outmigration of youth entering college and not returning upon receiving educational degrees to live in Winnebago County and raise families.

The County unemployment rate was 4.9% (Jan. 2015) versus 5.4% the year prior (Jan. 2014), and was 3.4% in Dec. 2015, according to Iowa Works (Iowa Workforce Development). This shows a decrease of .5% from January 2014 to January 2015, and 1.5% from just January to December 2015. This decrease is likely due to the area's major manufacturing industries continuing to hire new employees in the last 12 months, and other small businesses starting up in the county. The Winnebago County 2014 average unemployment rate was 4.8% according to Iowa Works (Iowa Workforce Development). The 2014 average state and national unemployment rates were 4.7% compared to the 2013 state rate of 5.8% and 7.4% which stayed the same from 2013, respectively (according to the U.S. Bureau of Labor Statistics).

While the manufacturing sector in Winnebago County has continued adding jobs in the last 12 months, the agricultural sector has continued to see very slow growth as the agricultural market as a whole has seen a downturn in the last 12-24 months. The County housing market has remained relatively steady.

Winnebago County citizens saw very marginal increases for basic living expense in 2015 overall. Electric prices rose by a marginal .65% in 2015. Average natural gas prices literally stayed the same in 2015 from 2014. Additionally, the liquid propane prices (which all of the rural user in Winnebago County utilize as well as over half of the incorporated communities in the county) dropped drastically in 2015 after lower prices in 2014 from the all-time high prices of 2013. Overall, Winnebago County saw a stabilization in the local economy from year's rebound where the industries were hiring more people and some businesses were expanding in 2014. The unemployment rate for the county was down again in 2015 and the housing market remained relatively steady. Resident's living expenses for food, electricity, fuel, and natural gas for heating expenses stayed level.

The current economic conditions in Winnebago County and the Citizens' needs were considered when preparing the 2015 County budget. Amounts available for appropriation in the operating budget are \$13.1 million. The County has added no new major programs or initiatives in the 2015 budget. Nearly all departments kept their budgets unchanged from the prior year. Any increases were minimal and only allowed for primary expenses.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF NET POSITION
 June 30, 2015

	Governmental Activities
ASSETS	
Cash, Cash Equivalents and Pooled Investments	\$ 4,523,343
Receivables:	
Property Tax:	
Delinquent	6,596
Succeeding Year	6,670,414
Accounts	96,944
Accrued Interest	32,692
Special Assessments	7,493
Drainage Assessments	972,956
Due From Other Governments	663,418
Resources Held in Escrow for Bond Refunding	9,914,576
Notes Receivable	175,258
Inventories	965,305
Prepaid Insurance	54,370
Capital Assets (Net of Accumulated Depreciation/Amortization)	32,354,818
	56,438,183
TOTAL ASSETS	
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related Deferred Outflows	475,405
LIABILITIES	
Accounts Payable	546,979
Accrued Interest Payable	136,427
Salaries and Benefits Payable	173,675
Due To Other Governments	23,040
Long-Term Liabilities:	
Portion Due Or Payable Within One Year:	
General Obligation Bonds	1,545,000
Notes and Contracts	1,539
Compensated Absences	242,337
Termination Benefits	3,646
Portion Due Or Payable After One Year:	
General Obligation Bonds	32,655,000
Drainage Warrants/Improvement Certificates	872,142
Net Pension Liability	1,977,343
Net OPEB Liability	352,462
	\$38,529,590
TOTAL LIABILITIES	

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities
DEFERRED INFLOWS OF RESOURCES	
Unavailable Property Tax Revenue	\$ 6,670,414
Pension Related Deferred Inflows	934,535
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>7,604,949</u>
NET POSITION	
Net Investment in Capital Assets	9,388,301
Restricted For:	
Supplemental Levy Purposes	370,262
Mental Health Purposes	366,896
Rural Services Purposes	334,244
Secondary Roads Purposes	1,241,191
Other Purposes	1,158,462
Unrestricted	<u>(2,080,307)</u>
TOTAL NET POSITION	<u><u>\$10,779,049</u></u>

See Note to Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

	Expenses	Program Revenues Charges for Service
FUNCTIONS/PROGRAMS:		
Governmental Activities:		
Public Safety and Legal Services	\$ 1,505,511	\$ 295,764
Physical Health and Social Services	1,205,225	963,941
Mental Health	799,903	0
County Environment and Education	924,126	30,734
Roads and Transportation	4,560,909	31,429
Governmental Services to Residents	490,525	209,108
Administration	1,257,314	77,218
Non-Program	982,472	914,565
Interest on Long-Term Debt	879,625	0
	\$12,605,610	\$2,522,759

GENERAL REVENUES:

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

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

**NET POSITION BEGINNING
OF YEAR, AS RESTATED**

NET POSITION END OF YEAR

See Notes To Financial Statements

Exhibit B

Program Revenues		
Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	Net (Expense) Revenue and Changes in Net Position
\$ 3,421	\$ 0	\$ (1,206,326)
197,994	0	(43,290)
453,457	0	(346,446)
22,277	276,036	(595,079)
2,142,984	0	(2,386,496)
0	0	(281,417)
0	0	(1,180,096)
0	0	(67,907)
0	0	(879,625)
<u>\$2,820,133</u>	<u>\$276,036</u>	<u>(6,986,682)</u>

4,254,172
25,513
288,188
404,684
1,844,679
78,326
438,645
12,488
<u>7,346,695</u>
360,013
<u>10,419,036</u>
<u>\$10,779,049</u>

WINNEBAGO COUNTY
Forest City, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
ASSETS				
Cash, Cash Equivalents and Pooled Investments	\$2,607,097	\$320,136	\$ 341,834	\$ 498,908
Receivables:				
Property Tax:				
Delinquent	4,317	819	1,460	0
Succeeding Year	2,502,292	366,821	1,803,819	0
Accounts	78,177	0	0	2,449
Accrued Interest	32,510	0	0	0
Special Assessments	0	0	0	7,493
Drainage Assessments	0	0	0	0
Due From Other Governments	280,976	72,219	0	236,647
Resources Held in Escrow for Bond Refunding	0	0	0	0
Notes Receivable	0	0	0	0
Inventories	0	0	0	965,305
Prepaid Insurance	34,765	0	157	19,109
TOTAL ASSETS	\$5,540,134	\$759,995	\$2,147,270	\$1,729,911

LIABILITIES, DEFERRED INFLOWS OF RESOURCES
AND FUND BALANCES

Liabilities:				
Accounts Payable	\$ 79,350	\$ 14,981	\$ 3,271	\$ 307,765
Accrued Interest Payable	0	0	0	0
Salaries and Benefits Payable	104,181	11,297	5,936	49,994
Due To Other Governments	19,277	0	0	3,518
Total Liabilities	202,808	26,278	9,207	361,277

See Notes To Financial Statements

Special Revenue			
Urban Renewal 2	Drainage	Nonmajor	Total
\$ 86,001	\$ 196,378	\$429,931	\$ 4,480,285
0	0	0	6,596
1,816,367	0	181,115	6,670,414
0	0	16,318	96,944
0	0	182	32,692
0	0	0	7,493
0	972,956	0	972,956
0	0	73,576	663,418
9,914,576	0	0	9,914,576
0	0	175,258	175,258
0	0	0	965,305
0	0	339	54,370
<u>\$11,816,944</u>	<u>\$1,169,334</u>	<u>\$876,719</u>	<u>\$24,040,307</u>
\$ 1,750	\$ 10,296	\$129,566	\$ 546,979
0	49,828	0	49,828
0	0	2,267	173,675
0	0	245	23,040
<u>1,750</u>	<u>60,124</u>	<u>132,078</u>	<u>793,522</u>

WINNEBAGO COUNTY
Forest City, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Deferred Inflows of Resources:				
Unavailable Revenues:				
Succeeding Year Property Tax	\$2,502,292	\$366,821	\$1,803,819	\$ 0
Other	4,317	819	1,460	7,493
Total Deferred Inflows of Resources	<u>2,506,609</u>	<u>367,640</u>	<u>1,805,279</u>	<u>7,493</u>
Fund Balances				
Nonspendable:				
Inventories	0	0	0	965,305
Notes Receivable	0	0	0	0
Prepaid Insurance	34,765	0	0	19,109
Restricted For:				
Supplemental Levy Purposes	369,318	0	0	0
Mental Health Purposes	0	366,077	0	0
Rural Services Purposes	0	0	332,784	0
Secondary Roads Purposes	0	0	0	376,727
Drainage Warrants	0	0	0	0
Conservation Land Acquisition	164,789	0	0	0
Other Purposes	0	0	0	0
Assigned for Conservation	30,571	0	0	0
Assigned for Sheriff's Department	162,146	0	0	0
Assigned for Public Health	410,618	0	0	0
Assigned for Communications				
Infrastructure	25,150	0	0	0
Unassigned	1,633,360	0	0	0
Total Fund Balances	<u>2,830,717</u>	<u>366,077</u>	<u>332,784</u>	<u>1,361,141</u>
TOTAL LIABILITIES, DEFERRED				
INFLOWS OF RESOURCES				
AND FUND BALANCES				
	<u>\$5,540,134</u>	<u>\$759,995</u>	<u>\$2,147,270</u>	<u>\$1,729,911</u>

See Notes To Financial Statements

Exhibit C (Continued)

Special Revenue			
Urban Renewal 2	Drainage	Nonmajor	Total
\$ 1,816,367	\$ 0	\$ 181,115	\$ 6,670,414
0	972,956	175,258	1,162,303
1,816,367	972,956	356,373	7,832,717
0	0	0	965,305
0	0	175,258	175,258
0	0	339	54,213
0	0	0	369,318
0	0	0	366,077
0	0	0	332,784
0	0	0	376,727
0	136,254	0	136,254
0	0	0	164,789
9,998,827	0	353,049	10,351,876
0	0	0	30,571
0	0	0	162,146
0	0	0	410,618
0	0	0	25,150
0	0	(140,378)	1,492,982
9,998,827	136,254	388,268	15,414,068
\$11,816,944	\$1,169,334	\$ 876,719	\$24,040,307

WINNEBAGO COUNTY
Forest City, Iowa

RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2015

Total Governmental Fund Balances (Page 20) \$ 15,414,068

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is \$47,113,266 and the accumulated depreciation/amortization is \$14,758,448. 32,354,818

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 1,162,303

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 43,058

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred Outflows of Resources	\$ 475,405	
Deferred Inflows of Resources	<u>(934,535)</u>	(459,130)

Long-term liabilities, including bonds payable, compensated absences payable, other postemployment benefits payable, net pension liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (37,736,068)

Net Position of Governmental Activities (Page 14) \$ 10,779,049

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
REVENUES:				
Property and Other County Tax	\$2,146,077	\$407,167	\$1,702,876	\$ 0
Local Option Sales Tax	0	0	0	0
Interest and Penalty on Property Tax	25,513	0	0	0
Intergovernmental	590,201	484,978	90,525	2,419,020
Licenses and Permits	11,596	0	370	6,718
Charges For Service	1,235,126	0	0	16,274
Use of Money and Property	77,321	0	0	3,000
Miscellaneous	208,732	262	1,071	60,153
Total Revenues	4,294,566	892,407	1,794,842	2,505,165
EXPENDITURES:				
Operating:				
Public Safety and Legal Services	1,474,522	0	82,936	0
Physical Health and Social Services	1,205,711	0	1,530	0
Mental Health	0	814,545	0	0
County Environment and Education	289,340	0	208,481	0
Roads and Transportation	0	0	498,548	2,810,738
Governmental Services to Residents	477,393	0	2,101	0
Administration	1,216,802	0	1,500	0
Non-Program	0	0	7,770	0
Debt Service	0	0	0	5,224
Capital Projects	40,596	0	4,623	646,956
Total Expenditures	4,704,364	814,545	807,489	3,462,918
Excess (Deficiency) of Revenues Over (Under) Expenditures	(409,798)	77,862	987,353	(957,753)

See Notes to Financial Statements

Exhibit E

Special Revenue			
Urban Renewal 2	Drainage	Nonmajor	Total
\$1,547,432	\$ 0	\$354,773	\$ 6,158,325
0	0	404,684	404,684
0	0	0	25,513
0	0	50,533	3,635,257
0	0	0	18,684
0	0	54,791	1,306,191
5,663	0	40,641	126,625
0	393,021	493	663,732
1,553,095	393,021	905,915	12,339,011
0	0	4,050	1,561,508
0	0	0	1,207,241
0	0	0	814,545
130,000	0	241,934	869,755
0	0	0	3,309,286
0	0	0	479,494
0	0	0	1,218,302
0	1,123,377	121,413	1,252,560
1,526,389	0	344,878	1,876,491
0	0	0	692,175
1,656,389	1,123,377	712,275	13,281,357
(103,294)	(730,356)	193,640	(942,346)

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Other Financing Sources (Uses):				
Sale of Capital Assets	\$ 0	\$ 0	\$ 0	\$ 23,922
Transfers In	303,535	0	149,775	1,094,228
Transfers Out	(136,160)	0	(1,042,068)	0
General Obligation Bonds Issued	0	0	0	0
Premium on General Obligation Bonds Issued	0	0	0	0
Drainage Warrants	0	0	0	0
Total Other Financing Sources (Uses)	167,375	0	(892,293)	1,118,150
Change in Fund Balances	(242,423)	77,862	95,060	160,397
Fund Balances Beginning of Year	3,073,140	288,215	237,724	1,025,830
Increase in Reserve For Inventories	0	0	0	174,914
Fund Balances End of Year	\$2,830,717	\$366,077	\$ 332,784	\$1,361,141

See Notes to Financial Statements

Exhibit E (Continued)

Special Revenue			
Urban Renewal 2	Drainage	Nonmajor	Total
\$ 0	\$ 0	\$ 0	\$ 23,922
0	0	329,521	1,877,059
0	0	(698,831)	(1,877,059)
10,000,000	0	0	10,000,000
81,171	0	0	81,171
0	812,110	0	812,110
10,081,171	812,110	(369,310)	10,917,203
9,977,877	81,754	(175,670)	9,974,857
20,950	54,500	563,938	5,264,297
0	0	0	174,914
\$ 9,998,827	\$136,254	\$ 388,268	\$15,414,068

WINNEBAGO COUNTY
Forest City, Iowa

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Change in Fund Balance –Total Governmental Funds (Page 25) \$ 9,974,857

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

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

Expenditures for Capital Assets	\$ 795,464	
Depreciation/Amortization Expense	<u>(1,943,270)</u>	(1,147,806)

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (11,434)

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

Property Tax	(549)	
Other	<u>495,552</u>	495,003

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 issuances exceeded repayments as follows:

Issued	(10,812,110)	
Repaid	<u>1,517,890</u>	(9,294,220)

The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 351,432

See Notes to Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

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

Compensated Absences	\$ 11,705	
Other Postemployment Benefits/Termination Benefits	(51,971)	
Pension Expense	(152,966)	
Interest on Long-Term Debt	<u>(18,092)</u>	\$(211,324)

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

174,914

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

28,591

Change in Net Position of Governmental Activities (Page 16)

\$ 360,013

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2015

	<u>Internal Service Employee Group Health</u>
ASSETS	
Cash, Cash Equivalents and Pooled Investments	<u>\$43,058</u>
NET POSITION	
Unrestricted	<u>\$43,058</u>

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2015

	<u>Internal Service Employee Group Health</u>
Operating Revenues:	
Reimbursements From Operating Funds	\$ 898,536
Reimbursements From Employees	168,191
Other Reimbursements	11,841
Total Operating Revenues	<u>1,078,568</u>
Operating Expenses:	
Medical Claims	99,923
Insurance Premiums	921,890
Administrative Fees	28,164
Total Operating Expenses	<u>1,049,977</u>
Net Income	28,591
Net Position Beginning of Year	<u>14,467</u>
Net Position End of Year	<u><u>\$ 43,058</u></u>

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2015

	<u>Internal Service Employee Group Health</u>
Cash Flows From Operating Activities:	
Cash Received From Operating Fund Reimbursements	\$ 898,536
Cash Received From Employees and Others	180,032
Cash Paid to Suppliers for Services	<u>(1,049,977)</u>
Net Cash Provided by Operating Activities	<u>28,591</u>
Cash, Cash Equivalents and Pooled Investments Beginning of Year	<u>14,467</u>
Cash, Cash Equivalents and Pooled Investments End of Year	<u><u>\$ 43,058</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	<u><u>\$ 28,591</u></u>

See Notes To Financial Statements

**WINNEBAGO COUNTY
Forest City, Iowa**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2015**

ASSETS

Cash, Cash Equivalents and Pooled Investments:		
County Treasurer	\$	768,493
Other County Officials		5,502
Receivables:		
Property Tax:		
Succeeding Year		10,363,405
Accounts		15,279
Accrued Interest		22
Assessments		395,166
Due From Other Governments		17,411
Total Assets		<u>11,565,278</u>

LIABILITIES

Accounts Payable		2,096
Salaries and Benefits Payable		6,351
Due To Other Governments		11,536,145
Trusts Payable		17,772
Compensated Absences		2,914
Total Liabilities		<u>11,562,278</u>

NET POSITION	\$	<u>0</u>
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WINNEBAGO COUNTY
Forest City, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

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

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

A. REPORTING ENTITY

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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

B. BASIS OF PRESENTATION

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

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

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

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

The County reports the following major governmental funds:

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

Special Revenue

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

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

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

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

The Drainage Fund is used to account for the charges for services, issuances and redemptions of stamped warrants and other drainage activities of the County.

Additionally, the County reports the followings funds:

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

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

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

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2014.

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, Buildings and Improvements	25,000
Intangibles	25,000
Equipment and Vehicles	5,000

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employers' reporting period.

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health and Secondary Roads Funds.

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year-end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

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

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

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

Unassigned – All amounts not included in other classifications.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, disbursements in certain departments exceeded the amounts appropriated.

Note 2: Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2015 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 or improvement certificates of a drainage district.

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

Note 3: Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
	Special Revenue:	
General	Local Option Sales Tax	\$ 299,324
General	Solid Waste Management	4,211
Special Revenue:	Special Revenue:	
Rural Services	Local Option Sales Tax	99,775
Rural Services	Solid Waste Management	50,000
Secondary Roads	Rural Services	1,008,068
Fair Association	Rural Services	34,000
Urban Renewal 2A	Linden Urban Renewal	245,521
Winnebago/Worth BETCO	General	50,000
Secondary Roads	General	86,160
Total		<u>\$1,877,059</u>

Notes to Financial Statements (Continued)

Note 3: Interfund Transfers (Continued)

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

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated/Amortized:				
Land	\$ 1,621,671	\$ 0	\$ 0	\$ 1,621,671
Construction in Progress	0	368,510	0	368,510
Total Capital Assets Not Being Depreciated/Amortized	1,621,671	368,510	0	1,990,181
Capital Assets Being Depreciated/Amortized:				
Buildings	3,537,918	0	0	3,537,918
Improvements Other Than Buildings	498,795	0	0	498,795
Machinery and Equipment	4,853,683	72,794	48,256	4,878,221
Vehicles	2,330,492	47,408	22,130	2,355,770
Intangibles	42,469	0	0	42,469
Infrastructure, Road Network	33,503,161	306,751	0	33,809,912
Total Capital Assets Being Depreciated/Amortized	44,766,518	426,953	70,386	45,123,085
Less Accumulated Depreciation/Amortization For:				
Buildings	1,053,845	71,359	0	1,125,204
Improvements Other Than Buildings	306,338	13,714	0	320,052
Machinery and Equipment	3,434,548	301,093	48,257	3,687,384
Vehicles	1,592,955	148,311	10,695	1,730,571
Intangibles	29,729	8,493	0	38,222
Infrastructure, Road Network	6,456,715	1,400,300	0	7,857,015
Total Accumulated Depreciation/Amortization	12,874,130	1,943,270	58,952	14,758,448
Total Capital Assets Being Depreciated/Amortized, Net	31,892,388	(1,516,317)	11,434	30,364,637
Governmental Activities Capital Assets, Net	<u>\$33,514,059</u>	<u>\$(1,147,807)</u>	<u>\$11,434</u>	<u>\$32,354,818</u>

Notes to Financial Statements (Continued)

Note 4: Capital Assets (Continued)

Depreciation/Amortization expense was charged to the following functions:

Governmental Activities:

Public Safety and Legal Services	\$ 38,845
Physical Health and Social Services	18,730
Mental Health	857
County Environment and Education	27,608
Roads and Transportation	1,754,029
Governmental Services to Residents	22,097
Administration	81,104

Total Depreciation/Amortization Expense – Governmental Activities	\$1,943,270
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Note 5: Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2015 is as follows:

Fund	Description	Amount
General	Services	\$ 19,277
Special Revenue:		
Secondary Roads	Services	3,518
WinnWorth BETCO	Services	245
Total for Governmental Funds		\$ 23,040

Fund	Description	Amount
Agency:		
Agricultural Extension	Collections	\$ 147,672
Assessor		435,625
Schools		5,928,304
Community Colleges		352,035
Corporations		3,633,474
Auto License and Use Tax		307,437
All Others		731,598
Total for Agency Funds		\$11,536,145

Notes to Financial Statements (Continued)

Note 6: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Installment Purchase	General Obligation Bonds	Secondary Road Loan	Compensated Absences	Termination Benefits	Drainage Warrants	Net Pension Liability	Net OPEC Liability	Total
Balance Beginning of Year, \$ as Restated	\$ 195,901	\$25,210,000	\$ 6,497	\$ 254,042	\$ 15,786	\$ 367,063	\$2,976,096	\$288,352	\$29,313,737
Increases	0	10,000,000	0	242,337	0	812,110	0	64,110	11,118,557
Decreases	(195,901)	(1,010,000)	(4,958)	(254,042)	(12,140)	(307,031)	(998,753)	0	(2,782,825)
Balance End of Year	\$ 0	\$34,200,000	\$ 1,539	\$ 242,337	\$ 3,646	\$ 872,142	\$1,977,343	\$352,462	\$37,649,469
Due Within One Year	\$ 0	\$ 1,545,000	\$ 1,539	\$ 242,337	\$ 3,646	\$ 0	\$ 0	\$ 0	\$ 1,792,522

Installment Purchase

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

General Obligation Bonds

During the fiscal year ended June 30, 2012, the County issued \$6,310,000 in General Obligation Urban Renewal County Road Improvement and Refunding Bonds, Series 2012A. The proceeds were to be used to finance \$5,000,000 in roadway construction and improvement projects and \$1,310,000 was used to crossover refund \$1,100,000 in General Obligation Urban Renewal County Road Improvement Bonds, representing 2015 through 2019 maturities. These maturities were called for redemption on June 1, 2014.

Principal on the General Obligation Urban Renewal County Road Improvement and Refunding Bonds, Series 2012A is due annually, commencing June 1, 2015 through June 1, 2028. Interest rates range from 2.00% to 2.60%.

A summary of the debt outstanding is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2016	2.00%	\$ 420,000	\$130,177	\$ 550,177
2017	2.00%	595,000	121,777	716,777
2018	2.00%	605,000	109,878	714,878
2019	2.00%	615,000	97,778	712,778
2020	2.00%	395,000	85,478	480,478
2021-2025	2.00-2.05%	2,100,000	305,273	2,405,273
2026-2028	2.25-2.60%	1,370,000	79,089	1,449,089
Total		\$6,100,000	\$929,450	\$7,029,450

Notes to Financial Statements (Continued)

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

On May 15, 2010, the County issued \$19,200,000 of General Obligation Urban Renewal County Road Improvement Bonds, Series 2010A. The bonds were issued for the purpose of paying the costs of County Road projects in the expanded Urban Renewal Area. The Bonds are binding general obligations of the County, and are payable from general ad valorem taxes, as well as tax increment financing revenues from the Urban Renewal Area. During the fiscal year ended June 30, 2015, the County issued \$10,000,000 in General Obligation Refunding Bonds, Series 2015A. The proceeds were to be used to crossover refund \$10,000,000 in General Obligation Urban Renewal County Road Improvement Bonds, Series 2010A, representing 2024-2028 maturities. These maturities will be called for redemption on June 1, 2023. Until then, proceeds of the refunding bonds will be depositing in an escrow account at Bankers Trust for the purpose of generating resources for the debt service payments of the refunded debt. This refunding was undertaken to reduce total debt service payments by \$418,952.

A crossover refunding does not changed the County's status as the primary obligor on the refunded debt. Consequently, there is no defeasance of the refunded debt and the County must report both the refunded and refunding debt, as well as the resources held in escrow, in the financial statements.

A summary of the debt outstanding is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2016	2.30%	\$ 1,125,000	\$ 994,893	\$ 2,119,893
2017	2.50%	1,155,000	892,248	2,047,248
2018	3.00%	1,190,000	857,598	2,047,598
2019	3.15%	1,315,000	820,113	2,135,113
2020	3.50%	1,360,000	778,163	2,138,163
2021-2025	3.65-4.00%	16,935,000	2,440,272	19,375,272
2026-2028	2.50-3.00%	5,020,000	296,076	5,316,076
	Total	\$28,100,000	\$7,079,363	\$35,179,363

Secondary Road Loan

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

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

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2016	4.00%	\$1,539	\$58	\$1,597

Notes to Financial Statements (Continued)

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

Retirement Benefits

Secondary Road workers who retire after 20 years of continuous service shall receive the basic single policy of health or supplemental insurance through the County for the first three years from the date of the employee's last day of work. During the year ended June 30, 2015, premiums were paid for two retirees totaling \$12,140.

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

Year Ending June 30,	
2016	<u>\$3,646</u>

Drainage Warrants

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

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

Note 7: Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9147 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefit includes:

Notes to Financial Statements (Continued)

Note 7: Pension Plan (Continued)

- A multiplier (based on years of service).
- The member's highest five-year average salary. (for members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Sheriff and deputy and protection occupation members may retire at normal retirement age which is generally at age 55. Sheriff and deputy and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff and deputy and protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Notes to Financial Statements (Continued)

Note 7: Pension Plan (Continued)

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the County contributed 8.93 percent for a total rate of 14.88 percent. Sheriff and deputy members and the County both contributed 9.88 percent of pay for a total rate of 19.76 percent. Protection occupation members contributed 6.76 percent of pay and the County contributed 10.14 percent for a total rate of 16.690 percent.

The County's contributions to IPERS for the year ended June 30, 2015 were \$351,432.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the County reported a liability of \$1,977,343 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the County's collective proportion was 0.0498585, which was a decrease of 0.001975 from its collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$152,966. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Notes to Financial Statements (Continued)

Note 7: Pension Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,944	\$ 14,675
Changes of assumptions	89,110	14,531
Net difference between projected and actual earnings on pension plan investments	0	905,329
Changes in proportion and differences between County contributions and proportionate share of contributions	12,919	0
County contributions subsequent to the measurement date	351,432	0
Total	<u>\$475,405</u>	<u>\$934,535</u>

\$351,432 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Total
2016	\$(204,190)
2017	(204,190)
2018	(204,190)
2019	(204,190)
2020	6,200
	<u>\$(810,560)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement.

Notes to Financial Statements (Continued)

Note 7: Pension Plan (Continued)

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payment of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Notes to Financial Statements (Continued)

Note 7: Pension Plan (Continued)

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
County's proportionate share of The net pension liability:	\$4,064,140	\$1,977,343	\$219,908

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payable to the Pension Plan – At June 30, 2015, the County reported no payables to the defined benefit pension plan for legally required employer contributions or for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 8: Risk Management

Winnebago County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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.

Notes to Financial Statements (Continued)

Note 8: Risk Management (Continued)

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2015 were \$78,902.

The Pool uses reinsurance and excess risk sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk sharing agreements up to the amount of risk sharing protection provided by the County's risk sharing certificate. Property and automobile physical damage risk are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 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, 2015, no liability has been recorded in the County's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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

Note 9: Employee Health Insurance

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

Monthly payments of plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the agreement with Employee Benefit Systems monthly payments of premiums are paid to Employee Benefit Systems from the Employee

Notes to Financial Statements (Continued)

Note 9: Employee Health Insurance (Continued)

Group Health Fund. The County's contribution for the year ended June 30, 2015 was \$898,536.

No amounts were payable from the Employee Group Health Fund at June 30, 2015. An amount necessary to create a reserve for catastrophic losses has been established. That reserve is reported as a designation of the Internal Service, Employee Group Health Fund net position. Had amounts been payable from the Employee Group Health Fund, a liability would have been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims to be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid Claims Beginning of Year	\$ 0
Incurred Claims	99,923
Payments on Claims During Fiscal Year	<u>99,923</u>
Unpaid Claims End of Year	<u>\$ 0</u>

Note 10: Other Postemployment Benefits (OPEB)

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 70 active and 1 retired members in the plan. Employees must be age 55 or older at retirement.

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

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

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

Notes to Financial Statements (Continued)

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

The following table shows the components of the County's annual OPEB cost for June 30, 2015, the amount actually contributed to the plan and the changes in the County's net OPEB obligation:

Annual Required Contribution	\$ 72,282
Interest on Net OPEB Obligation	7,209
Adjustment to Annual Required Contribution	<u>(15,381)</u>
Annual OPEB Cost	64,110
Contributions Made	<u>0</u>
Increase in Net OPEB Obligation	64,110
Net OPEB Obligation Beginning of Year	<u>288,352</u>
Net OPEB Obligation End of the Year	<u><u>\$352,462</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2015.

For the fiscal year 2015, the County made no contributions to the medical plan. There were no contributions from retirees.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	57,201	0.00	230,141
2014	58,211	0.00	288,352
2015	64,110	0.00	352,462

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$437,469, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$437,469. The covered payroll (annual payroll of active employees covered by the plan) was \$3,223,726, and the ratio of the UAAL to the covered payroll was 13.53%. As of June 30, 2015, there were no trust fund assets.

Notes to Financial Statements (Continued)

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

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

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

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

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

Projected claim costs of the medical plan are \$550 per month for retirees. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized on a level dollar basis over 30 years.

Note 11: Related Party Transaction

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

Notes to Financial Statements (Continued)

Note 12: Winnebago County Financial Information Included in the County Social Services Mental Health Region

County Social Services, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Allamakee County, Black Hawk County, Butler County, Cerro Gordo County, Chickasaw County, Clayton County, Emmet County, Fayette County, Floyd County, Grundy County, Hancock County, Howard County, Humboldt County, Kossuth County, Mitchell County, Pocahontas County, Tama County, Webster County, Winnebago County, Winneshiek County, Worth County and Wright County. The financial activity of Winnebago County's Special Revenue, Mental Health Fund is included in the County Social Services Mental Health region for the year ended June 30, 2015 as follows:

Revenues:		
Property and Other County Tax		\$407,167
Intergovernmental Revenues:		
State Tax Credits	\$ 31,521	
Other Intergovernmental Revenues	453,457	484,978
Miscellaneous		262
Total Revenues		<u>892,407</u>
Expenditures:		
Services to Persons With:		
Mental Illness		14,859
Chronic Mental Illness		63,657
Mental Retardation		302,119
General Administration		
Distribution to Regional Fiscal Agent		<u>433,910</u>
Total Expenditures		<u>814,545</u>
Excess of Revenues Over Expenditures		77,862
Fund Balance, Beginning of Year		<u>288,215</u>
Fund Balance, End of Year		<u><u>\$366,077</u></u>

Notes to Financial Statements (Continued)

Note 13: Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>
Net position June 30, 2014, as previously reported	\$13,053,975
Net Pension liability at June 30, 2014	(2,976,096)
Deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date	<u>341,157</u>
Net position July 1, 2014, as restated	<u><u>\$10,419,036</u></u>

Note 14: Commitments

The County has entered into a contract totaling \$387,239 for construction of a bridge. As of June 30, 2015, costs of \$368,510 on the project have been incurred. The balance remaining on the contract at June 30, 2015 will be paid as work on the project progresses.

The County has also entered into a contract totaling \$685,965 for Courthouse tuckpointing and masonry repair. As of June 30, 2015, no costs on the project have been incurred. Payment on the project will be made as work progresses.

Note 15: Subsequent Event

Management evaluated subsequent events through March 21, 2016, the date the financial statements were available to be issued.

On January 26, 2016, the County approved a resolution for the issuance of \$5,245,000 General Obligation County Refunding Bonds, Series 2016A.

On March 8, 2016, the County approved a resolution for the issuance of \$4,240,000 General Obligation Public Safety Center Bonds, Series 2016B.

WINNEBAGO COUNTY
Forest City, Iowa

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

Year Ended June 30, 2015

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
RECEIPTS:						
Property and Other County Tax	\$ 6,548,998	\$ 0	\$ 6,548,998	\$ 6,400,971	\$ 6,400,971	\$ 148,027
Interest and Penalty on Property Tax	25,513	0	25,513	5,071	5,071	20,442
Intergovernmental	3,467,162	0	3,467,162	3,834,481	3,834,481	(367,319)
Licenses and Permits	18,404	0	18,404	15,296	15,296	3,108
Charges for Service	1,238,879	0	1,238,879	995,518	995,518	243,361
Use of Money and Property	108,000	0	108,000	51,033	99,933	8,067
Miscellaneous	658,478	393,021	265,457	224,360	224,360	41,097
Total Receipts	12,065,434	393,021	11,672,413	11,526,730	11,575,630	96,783
DISBURSEMENTS:						
Public Safety and Legal Services	1,543,078	0	1,543,078	1,726,358	1,730,358	187,280
Physical Health and Social Services	1,209,489	0	1,209,489	1,189,924	1,270,087	60,598
Mental Health	800,530	0	800,530	848,210	848,210	47,680
County Environment and Education	869,030	0	869,030	910,528	1,025,343	156,313
Roads and Transportation	3,231,469	0	3,231,469	3,140,164	3,240,164	8,695
Governmental Services to Residents	478,224	0	478,224	526,465	526,465	48,241
Administration	1,215,986	0	1,215,986	1,601,294	1,601,294	385,308
Non-Program	1,152,253	1,144,483	7,770	120,351	120,351	112,581
Debt Service	1,874,741	0	1,874,741	2,488,619	2,488,619	613,878
Capital Projects	670,686	0	670,686	1,059,736	1,189,736	519,050
Total Disbursements	13,045,486	1,144,483	11,901,003	13,611,649	14,040,627	2,139,624
Excess (Deficiency) of Receipts Over (Under) Disbursements	(980,052)	(751,462)	(228,590)	(2,084,919)	(2,464,997)	2,236,407
Other Financing Sources, Net	10,917,203	812,110	10,105,093	0	0	10,105,093
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	9,937,151	60,648	9,876,503	(2,084,919)	(2,464,997)	12,341,500
Balance Beginning of Year	4,457,710	135,730	4,321,980	2,966,434	2,966,434	1,355,546
Balance End of Year	\$14,394,861	\$ 196,378	\$14,198,483	\$ 881,515	\$ 501,437	\$13,697,046

See Accompanying Independent Auditor's Report.

WINNEBAGO COUNTY
Forest City, Iowa

BUDGET COMPARISON SCHEDULE –
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2015

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$12,065,434	\$ 273,577	\$12,339,011
Expenditures	13,045,486	235,871	13,281,357
Net	(980,052)	37,706	(942,346)
Other Financing Sources, Net	10,917,203	0	10,917,203
Beginning Fund Balances	4,457,710	806,587	5,264,297
Increase in Reserve For: Inventories	0	174,914	174,914
Ending Fund Balances	\$14,394,861	\$1,019,207	\$15,414,068

See Accompanying Independent Auditor's Report

WINNEBAGO COUNTY
Forest City, Iowa

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2015

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$428,978. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2015, disbursements in certain departments exceeded the amounts appropriated.

WINNEBAGO COUNTY
Forest City, Iowa

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Last Fiscal Year*
(In Thousands)

Required Supplementary Information

	2015
County's Collective Proportion of the Net Pension Liability (Asset)	0.0498585%
County's Collective Proportionate Share of the Net Pension Liability (Asset)	\$1,977
County's Covered-Employee Payroll	\$3,805
County's Collective Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	51.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

See Accompanying Independent Auditor's Report.

WINNEBAGO COUNTY
Forest City, Iowa

SCHEDULE OF COUNTY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last 10 Fiscal Years
(In Thousands)

Required Supplementary Information

	2015	2014	2013	2012	2011	2010	2009
Statutorily Required Contribution	\$ 349	\$ 341	\$ 321	\$ 295	\$ 262	\$ 240	\$ 232
Contributions in Relation to the Statutorily Required Contribution	(349)	(341)	(321)	(295)	(262)	(240)	(232)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
County's Covered-Employee Payroll	\$4,450	\$3,805	\$3,675	\$3,615	\$3,689	\$3,590	\$3,391
Contributions as a Percentage of Covered-Employee Payroll	8.62%	8.96%	8.73%	8.16%	7.10%	6.70%	6.84%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

See Accompanying Independent Auditor's Report.

WINNEBAGO COUNTY
Forest City, Iowa

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

Year Ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of each service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

WINNEBAGO COUNTY
Forest City, Iowa

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

Year Ended June 30, 2015

Changes of assumptions:(Continued)

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption form 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

WINNEBAGO COUNTY
Forest City, Iowa

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN (IN THOUSANDS)

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$0	\$425	\$425	0%	\$3,091	13.75%
2011	July 1, 2009	0	425	425	0	3,091	13.75
2012	July 1, 2009	0	425	425	0	3,171	13.41
2013	July 1, 2012	0	473	473	0	2,833	16.69
2014	July 1, 2012	0	437	437	0	3,119	14.03
2015	July 1, 2012	0	437	437	0	3,234	13.53

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

See Accompanying Independent Auditor's Report

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2015

	Special Revenue		
	Resource Enhancement and Protection	County Recorder's Records Management	Local Option Sales Tax
ASSETS			
Cash, Cash Equivalents and Pooled Investments	\$15,139	\$28,390	\$ 0
Receivables:			
Property Tax:			
Succeeding Year	0	0	0
Accounts	0	513	0
Notes Receivable	0	0	0
Accrued Interest	1	3	0
Due From Other Governments	0	0	65,150
Prepaid Insurance	0	0	0
TOTAL ASSETS	\$15,140	\$28,906	\$65,150
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 3,768	\$ 0	\$ 0
Salaries and Benefits Payable	0	0	0
Due to Other Governments	0	0	0
Total Liabilities	3,768	0	0
Deferred Inflows of Resources:			
Unavailable Revenues:			
Succeeding Year Property Tax	0	0	0
Other	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances:			
Nonspendable:			
Notes Receivable	0	0	0
Prepaid Insurance	0	0	0
Restricted For:			
Other Purposes	11,372	28,906	65,150
Unassigned	0	0	0
Total Fund Balances	11,372	28,906	65,150
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$15,140	\$28,906	\$65,150

See Accompanying Independent Auditor's Report

Schedule 1

Special Revenue

Tax Increment Financing	Seizure	Sheriff's Reserve	WinnWorth BETCO	Solid Waste Management
\$121,413	\$6,070	\$683	\$122,514	\$ 0
0	0	0	0	0
0	0	0	0	14,182
0	0	0	0	0
0	0	0	0	0
0	0	0	8,426	0
0	0	0	339	0
<u>\$121,413</u>	<u>\$6,070</u>	<u>\$683</u>	<u>\$131,279</u>	<u>\$14,182</u>
\$121,413	\$ 0	\$ 0	\$ 1,415	\$ 0
0	0	0	2,267	0
0	0	0	245	0
<u>121,413</u>	<u>0</u>	<u>0</u>	<u>3,927</u>	<u>0</u>
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	339	0
0	6,070	683	127,013	14,182
0	0	0	0	0
<u>0</u>	<u>6,070</u>	<u>683</u>	<u>127,352</u>	<u>14,182</u>
<u>\$121,413</u>	<u>\$6,070</u>	<u>\$683</u>	<u>\$131,279</u>	<u>\$14,182</u>

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2015

	Special Revenue		
	RBEG Grant Revolving Loan	EMS Training/ Ambulance	County Home Trust
ASSETS			
Cash, Cash Equivalents and Pooled Investments	\$ 33,091	\$2,970	\$56,564
Receivables:			
Property Tax:			
Succeeding Year	0	0	0
Accounts	1,623	0	0
Notes Receivable	175,258	0	0
Accrued Interest	166	0	12
Due From Other Governments	0	0	0
Prepaid Insurance	0	0	0
TOTAL ASSETS	\$ 210,138	\$2,970	\$56,576
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 0	\$2,970	\$ 0
Salaries and Benefits Payable	0	0	0
Due to Other Governments	0	0	0
Total Liabilities	0	2,970	0
Deferred Inflows of Resources:			
Unavailable Revenues:			
Succeeding Year Property Tax	0	0	0
Other	175,258	0	0
Total Deferred Inflows of Resources	175,258	0	0
Fund Balances:			
Nonspendable:			
Notes Receivable	175,258	0	0
Prepaid Insurance	0	0	0
Restricted For:			
Other Purposes	0	0	56,576
Unassigned	(140,378)	0	0
Total Fund Balances	34,880	0	56,576
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 210,138	\$2,970	\$56,576

See Accompanying Independent Auditor's Report

Schedule 1 (Continued)

Special Revenue											
Linden Urban Renewal	Urban Renewal 2A	Total									
\$ 0	\$43,097	\$ 429,931									
181,115	0	181,115									
0	0	16,318									
0	0	175,258									
0	0	182									
0	0	73,576									
0	0	339									
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">\$181,115</td> <td style="text-align: right;">\$43,097</td> <td style="text-align: right;">\$ 876,719</td> </tr> </table>			\$181,115	\$43,097	\$ 876,719						
\$181,115	\$43,097	\$ 876,719									
\$ 0	\$ 0	\$ 129,566									
0	0	2,267									
0	0	245									
0	0	132,078									
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">181,115</td> <td style="text-align: right;">0</td> <td style="text-align: right;">181,115</td> </tr> <tr> <td style="text-align: right;">0</td> <td style="text-align: right;">0</td> <td style="text-align: right;">175,258</td> </tr> <tr> <td style="text-align: right;">181,115</td> <td style="text-align: right;">0</td> <td style="text-align: right;">356,373</td> </tr> </table>			181,115	0	181,115	0	0	175,258	181,115	0	356,373
181,115	0	181,115									
0	0	175,258									
181,115	0	356,373									
0	0	175,258									
0	0	339									
0	43,097	353,049									
0	0	(140,378)									
0	43,097	388,268									
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">\$181,115</td> <td style="text-align: right;">\$43,097</td> <td style="text-align: right;">\$ 876,719</td> </tr> </table>			\$181,115	\$43,097	\$ 876,719						
\$181,115	\$43,097	\$ 876,719									

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	Special Revenue		
	Resource Enhancement and Protection	County Recorder's Records Management	Local Option Sales Tax
Revenues:			
Property and Other County Tax	\$ 0	\$ 0	\$ 0
Local Option Sales Tax	0	0	404,684
Intergovernmental	13,033	0	0
Charges for Service	0	1,981	0
Use of Money and Property	8	34	0
Miscellaneous	0	0	0
Total Revenues	13,041	2,015	404,684
Expenditures:			
Operating:			
Public Safety and Legal Services	0	0	0
County Environment and Education	12,650	0	0
Non-Program	0	0	0
Debt Service	0	0	0
Total Expenditures	12,650	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	391	2,015	404,684
Other Financing Sources (Uses):			
Transfers In	0	0	0
Transfers Out	0	0	(399,099)
Total Other Financing Sources (Uses)	0	0	(399,099)
Change in Fund Balances	391	2,015	5,585
Fund Balances Beginning of Year	10,981	26,891	59,565
Fund Balances End of Year	\$11,372	\$28,906	\$ 65,150

See Accompanying Independent Auditor's Report

Schedule 2

Special Revenue

Tax Increment Financing	Seizure	Sheriff's Reserve	Fair Association	WinnWorth BETCO
\$121,413	\$ 0	\$ 0	\$ 0	\$ 57,525
0	0	0	0	0
0	0	0	0	37,500
0	0	0	0	0
0	0	1	0	0
0	0	300	0	93
121,413	0	301	0	95,118
0	0	1,080	0	0
0	0	0	46,015	128,269
121,413	0	0	0	0
0	0	0	0	0
121,413	0	1,080	46,015	128,269
0	0	(779)	(46,015)	(33,151)
0	0	0	34,000	50,000
0	0	0	0	0
0	0	0	34,000	50,000
0	0	(779)	(12,015)	16,849
0	6,070	1,462	12,015	110,503
\$ 0	\$6,070	\$ 683	\$ 0	\$127,352

WINNEBAGO COUNTY
Forest City, Iowa

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)**
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	Special Revenue		
	Solid Waste Management	RBEG Grant Revolving Loan	EMS Training/ Ambulance
Revenues:			
Property and Other County Tax	\$ 0	\$ 0	\$ 0
Local Option Sales Tax	0	0	0
Intergovernmental	0	0	0
Charges for Service	52,810	0	0
Use of Money and Property	34	40,178	0
Miscellaneous	0	100	0
Total Revenues	52,844	40,278	0
Expenditures:			
Operating:			
Public Safety and Legal Services	0	0	2,970
County Environment and Education	0	55,000	0
Non-Program	0	0	0
Debt Service	0	0	0
Total Expenditures	0	55,000	2,970
Excess (Deficiency) of Revenues Over (Under) Expenditures	52,844	(14,722)	(2,970)
Other Financing Sources (Uses):			
Transfers In	0	0	0
Transfers Out	(54,211)	0	0
Total Other Financing Sources (Uses)	(54,211)	0	0
Change in Fund Balances	(1,367)	(14,722)	(2,970)
Fund Balances Beginning of Year	15,549	49,602	2,970
Fund Balances End of Year	\$ 14,182	\$ 34,880	\$ 0

See Accompanying Independent Auditor's Report

Schedule 2 (Continued)

Special Revenue			
County Home Trust	Linden Urban Renewal	Urban Renewal2A	Total
\$ 0	\$175,835	\$ 0	\$ 354,773
0	0	0	404,684
0	0	0	50,533
0	0	0	54,791
168	0	218	40,641
0	0	0	493
168	175,835	218	905,915
0	0	0	4,050
0	0	0	241,934
0	0	0	121,413
0	0	344,878	344,878
0	0	344,878	712,275
168	175,835	(344,660)	193,640
0	0	245,521	329,521
0	(245,521)	0	(698,831)
0	(245,521)	245,521	(369,310)
168	(69,686)	(99,139)	(175,670)
56,408	69,686	142,236	563,938
\$56,576	\$ 0	\$ 43,097	\$ 388,268

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING SCHEDULE OF
 FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2015

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
ASSETS					
Cash, Cash Equivalents and Pooled Investments:					
County Treasurer	\$ 0	\$ 1,574	\$188,451	\$ 62,254	\$ 3,360
Other County Officials	5,502	0	0	0	0
Receivables:					
Property Tax:					
Succeeding Year	0	146,098	256,647	5,866,050	348,675
Accounts	198	0	0	0	0
Accrued Interest	0	0	0	0	0
Assessments	0	0	0	0	0
Due From Other Governments	0	0	0	0	0
TOTAL ASSETS	\$5,700	\$147,672	\$445,098	\$5,928,304	\$352,035
LIABILITIES					
Accounts Payable	\$ 0	\$ 0	\$ 208	\$ 0	\$ 0
Salaries and Benefits Payable	0	0	6,351	0	0
Due To Other Governments	519	147,672	435,625	5,928,304	352,035
Trusts Payable	5,181	0	0	0	0
Compensated Absences	0	0	2,914	0	0
TOTAL LIABILITIES	\$5,700	\$147,672	\$445,098	\$5,928,304	\$352,035

See Accompanying Independent Auditor's Report

Schedule 3

Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
\$ 32,503 0	\$ 1,571 0	\$ 4,400 0	\$307,437 0	\$166,943 0	\$ 768,493 5,502
3,600,971 0 0 0 0	143,356 0 0 0 0	0 0 0 395,166 0	0 0 0 0 0	1,608 15,081 22 0 17,411	10,363,405 15,279 22 395,166 17,411
<u>\$3,633,474</u>	<u>\$144,927</u>	<u>\$399,566</u>	<u>\$307,437</u>	<u>\$201,065</u>	<u>\$11,565,278</u>
\$ 0 0	\$ 0 0	\$ 0 0	\$ 0 0	\$ 1,888 0	\$ 2,096 6,351
3,633,474 0 0	144,927 0 0	399,566 0 0	307,437 0 0	186,586 12,591 0	11,536,145 17,772 2,914
<u>\$3,633,474</u>	<u>\$144,927</u>	<u>\$399,566</u>	<u>\$307,437</u>	<u>\$201,065</u>	<u>\$11,565,278</u>

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING SCHEDULE OF CHANGES IN
 FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2015

	County Offices	Agricultural Extension Education	County Assessor
ASSETS AND LIABILITIES			
Balances Beginning of Year	\$ 6,481	\$145,633	\$382,553
Additions:			
Property and Other County Tax	0	146,097	256,645
E911 Surcharge	0	0	0
State Tax Credits	0	11,126	19,816
Office Fees and Collections	264,270	0	0
Auto Licenses, Use Tax and Postage	0	0	0
Assessments	0	0	0
Trusts	0	0	0
Miscellaneous	0	60	13,263
Total Additions	264,270	157,283	289,724
Deductions:			
Agency Remittances:			
To Other Funds	115,496	0	0
To Other Governments	109,495	155,244	227,179
Trusts Paid Out	40,060	0	0
Total Deductions	265,051	155,244	227,179
Balances End of Year	\$ 5,700	\$147,672	\$445,098

See Accompanying Independent Auditor's Report

Schedule 4

Schools	Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
\$5,879,854	\$311,133	\$3,567,579	\$142,255	\$494,707	\$ 272,400	\$137,773	\$11,340,368
5,864,012	348,672	3,502,016	145,435	0	0	1,608	10,264,485
0	0	0	0	0	0	124,480	124,480
454,808	23,758	399,186	7,683	0	0	122	916,499
0	0	0	0	0	0	0	264,270
0	0	0	0	0	3,355,180	0	3,355,180
0	0	0	0	43,253	0	0	43,253
0	0	0	0	0	0	137,142	137,142
2,344	129	0	78	0	0	102,503	118,377
6,321,164	372,559	3,901,202	153,196	43,253	3,355,180	365,855	15,223,686
0	0	0	0	0	101,606	0	217,102
6,272,714	331,657	3,835,307	150,524	138,394	3,218,537	170,662	14,609,713
0	0	0	0	0	0	131,901	171,961
6,272,714	331,657	3,835,307	150,524	138,394	3,320,143	302,563	14,998,776
\$5,928,304	\$352,035	\$3,633,474	\$144,927	\$399,566	\$ 307,437	\$201,065	\$11,565,278

WINNEBAGO COUNTY
Forest City, Iowa

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

	Modified Accrual Basis			
	2015	2014	2013	2012
Revenues:				
Property and Other County Tax	\$ 6,563,009	\$ 5,705,529	\$ 5,514,865	\$ 5,029,103
Interest and Penalty on Property Tax	25,513	24,802	53,501	26,568
Intergovernmental	3,635,257	3,145,972	3,290,151	4,167,837
Licenses and Permits	18,684	18,758	16,333	20,858
Charges for Service	1,306,191	1,193,435	1,025,875	1,055,817
Use of Money and Property	126,625	100,408	137,142	111,940
Miscellaneous	663,732	695,041	390,814	754,596
Total	\$12,339,011	\$10,883,945	\$10,428,681	\$11,166,719
Expenditures:				
Operating:				
Public Safety and Legal Services	\$ 1,561,508	\$ 1,455,213	\$ 1,521,989	\$ 1,512,217
Physical Health and Social Services	1,207,241	1,146,177	1,089,182	1,064,571
Mental Health	814,545	640,016	610,691	1,544,621
County Environment and Education	869,755	665,757	643,654	672,368
Roads and Transportation	3,309,286	3,652,189	3,024,088	3,398,039
Governmental Services to Residents	479,494	439,962	484,852	421,387
Administration	1,218,302	1,309,601	953,436	833,382
Non-Program	1,252,560	892,046	802,862	775,476
Debt Service	1,876,491	2,473,656	1,080,106	996,431
Capital Projects	692,175	2,543,498	3,502,697	5,255,319
Total	\$13,281,357	\$15,218,115	\$13,713,557	\$16,473,811

See Accompanying Independent Auditor's Report

Schedule 5

2011	2010	2009	2008	2007	2006
\$ 5,058,930	\$ 4,531,945	\$ 4,451,084	\$4,020,706	\$ 3,833,937	\$3,442,431
29,575	33,600	36,500	29,296	39,916	29,813
3,915,880	4,286,153	4,181,283	3,336,356	4,233,902	3,291,966
11,999	18,938	21,375	31,094	4,789	1,440
1,016,481	886,666	811,960	1,279,985	746,885	526,760
139,081	123,478	129,207	141,908	153,053	88,420
496,864	836,556	734,401	734,363	866,228	1,230,263
\$10,668,810	\$10,717,336	\$10,365,810	\$9,573,708	\$ 9,878,710	\$8,611,093
\$ 1,718,430	\$ 1,696,032	\$ 1,598,942	\$1,206,878	\$ 1,028,744	\$1,159,504
1,038,799	902,272	817,942	714,991	630,928	921,911
1,475,808	1,395,856	1,477,809	1,446,283	1,376,244	1,230,189
659,019	559,188	601,190	524,126	492,594	577,202
3,906,835	2,923,675	2,689,602	2,792,585	3,147,858	2,789,407
355,943	412,702	399,919	333,528	340,398	443,203
809,783	791,345	863,600	715,120	723,964	737,438
767,519	804,909	925,143	1,032,144	2,388,287	1,896,728
880,262	93,568	26,108	165,447	0	0
8,548,891	6,324,971	1,172,369	1,046,234	239,610	117,327
\$20,161,289	\$15,904,518	\$10,572,624	\$9,977,336	\$10,368,627	\$9,872,909



Gardiner Thomsen
Certified Public Accountants

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

To the Officials of Winnebago County
Forest City, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Winnebago County, Iowa as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Winnebago County, Iowa's basic financial statements and have issued our report thereon dated March 21, 2016.

Internal Control Over Financial Reporting

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

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

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

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany Schedule of Findings as item C to be a significant deficiency.

Compliance and Other Matters.

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Winnebago County, Iowa's Response to Findings

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

Purpose of This Report

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

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

Gardiner Thomsen, P.C.

March 21, 2016

Charles City, Iowa

WINNEBAGO COUNTY
Forest City, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2015

Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

A Segregation of Duties

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

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

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

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

Cause – Limited staff available to segregate duties.

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

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

B Financial Reporting

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

Criteria – A good financial reporting system to properly record receipts, accounts receivable and accounts payable.

Condition – Receipts were incorrectly recorded and classified as miscellaneous revenue. Receipts in July and August following year end were not always coded correctly as a receipt for goods or services provided prior to June 30 to be included in the accounts receivable listing. Disbursements in July and August following year end were not always coded as a disbursement for goods or services received prior to June 30 to be included in the accounts payable listing.

Effect – Proceeds from the sale of capital assets were classified incorrectly and the accounts receivable listing was understated. The accounts payable listing was incorrect.

Cause – Limited staff.

WINNEBAGO COUNTY
Forest City, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2015

Findings Related to the Financial Statements (Continued)

B Financial Reporting (Continued)

Recommendation – The County should implement procedures to ensure all receipts, receivables and payables are properly classified and recorded in the financial statements.

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

C Preparation of Full Disclosure Financial Statements

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

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

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

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

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

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

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

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

WINNEBAGO COUNTY
Forest City, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2015

Other Findings Related to Required Statutory Reporting:

1 **Certified Budget** – Disbursements at, and during the year ended, June 30, 2015 exceeded the amounts appropriated.

Recommendation – Chapter 331.434(6) of the Code of Iowa requires the Board of Supervisors to appropriate, by resolution, the amounts deemed necessary for each of the different county officers and departments before disbursements are made. Chapter 331.434(6) of the Code of Iowa also authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will appropriate amounts to each of the different county officers and departments in accordance with Chapter 331.434(6) of the Code of Iowa in the future.

Conclusion – Response accepted.

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

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

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

<u>Name, Title, and Business Relationship</u>	<u>Description</u>	<u>Amount</u>
Mark Krull – Thompson Shop Maintenance Operator		
Gary E. Kull – Father	Oil, grease, lubricants, etc.	\$7,215
Sandy Sunde – Recorder’s Office		
North Iowa Lawn Care – Owned by Son	Fertilizer and weed control	440

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

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

WINNEBAGO COUNTY
Forest City, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2015

Other Findings Related to Required Statutory Reporting: (Continued)

- 5 **Bond Coverage** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed to ensure that the coverage is adequate for current operations.
- 6 **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 7 **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- 8 **Resource Enhancement and Protection Certification** – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19 (1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- 9 **Economic Development** – During the year ended June 30, 2015, the County paid \$127,293 for economic development which appears to be an appropriate expenditure of public funds since the public benefits have been clearly documented.
- 10 **County Extension Office** – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2015 for the County Extension Office did not exceed the amount budgeted.

WINNEBAGO COUNTY
Forest City, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2015

Other Findings Related to Required Statutory Reporting: (Continued)

- 11 **Sheriff's Office** – During the audit, it was noted that deposits weren't made in a timely manner. The general account and trust account do not balance to monies owed at June 30, 2015. We noted an investigations account that was not included in the County budget process, accounting system and financial reporting. There appears to be no legal reason for these accounts to be separately maintained.

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

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

Conclusion – Response acknowledged.

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

- 13 **Tax Increment Financing** – For the year ended June 30, 2015, the County Auditor prepared reconciliations for each City reconciling TIF receipts with total outstanding TIF debt.

- 14 **E-911 Service Board Budget** – Disbursements during the year ended June 30, 2015 exceeded the amount budgeted.

Recommendation – The budget should have been amended in accordance with Chapter 24 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will monitor this more closely and amend the budget when required in the future.

Conclusion – Response accepted.