

**WINNESHIEK COUNTY
DECORAH, IOWA**

FINANCIAL REPORT

JUNE 30, 2017

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WINNESHIEK COUNTY

OFFICIALS
JUNE 30, 2017

Name	Title	Term Expires
John Logsdon	Board of Supervisors, Chairperson	December 2020
Dean Thompson	Board of Supervisors, Vice-Chairperson	December 2020
John Beard	Board of Supervisors	December 2018
Floyd Ashbacher	Board of Supervisors	December 2018
Mark Kuhn	Board of Supervisors	December 2020
Benjamin Steines	County Auditor	December 2020
Wayne Walter	County Treasurer	December 2018
Teresa Bockman	County Recorder	December 2018
Dan Marx	County Sheriff	December 2020
Andrew Van Der Maaten	County Attorney	December 2018
James Alstad	County Assessor	Appointed
Lee Bjerke	County Engineer	Appointed

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

To the Board of Supervisors
Winneshiek County
Decorah, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Winneshiek County, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County'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 County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Winneshiek County, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, the budgetary comparison information, the schedule of the county's proportionate share of the net pension liability, the schedule of the county contributions and the schedule of funding progress for the retiree health plan on pages 5 through 5g and pages 45 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winneshiek County's June 30, 2017 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, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements.

The supplementary information included in Schedules 1 through 11, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information shown on Schedules 1 through 11, including the schedule of expenditures of federal awards 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 the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information including the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the years ended June 30, 2008 through 2017 basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2018, on our consideration of Winneshiek County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of Winneshiek County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Winneshiek County's internal control over financial reporting and compliance.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
March 6, 2018

WINNESHIEK COUNTY
DECORAH, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2017

Winneshiek 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, 2017. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 1.11% or approximately \$300,000 from fiscal year 2016 to fiscal year 2017. Capital grants decreased approximately \$4,305,000 and operating grants increased approximately \$2,888,000 while property taxes increased approximately \$763,000.
- Program expenses of the County's governmental activities were 11.55% or approximately \$2,317,000 more in fiscal year 2017 than in fiscal year 2016. Public safety and roads and transportation had the most significant increases at approximately \$1,204,000 and \$1,125,000, respectively.
- Net position of the County's governmental activities increased 8.3% or approximately \$4,490,000 from June 30, 2016 to June 30, 2017.

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 Winneshiek 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 Winneshiek County's operations in more detail than the government-wide financial statements by providing information about the most significant funds with all other nonmajor funds presented in total in a single column. For Winneshiek County, the general fund, the mental health-special revenue fund, the rural services-special revenue fund, and the secondary roads-special revenue fund are the most significant funds. The remaining financial statements provide information about the enterprise activities and other activities for which Winneshiek County acts solely as an agent or custodian for the benefit of those outside of 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 governmental funds, the special revenue funds, and the individual agency funds. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the County.

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 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.

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

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

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, and 3) the capital projects fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund 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.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES (Continued)

Fund Financial Statements (Continued)

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

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in 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 emergency management services, the County Assessor and E911 Service Board, to name a few.

The required financial statement for fiduciary funds is 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.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position of governmental activities and business-type activities:

Condensed Statement of Net Position (Expressed in Thousands)			
Governmental Activities			
	2017	2016	Percent Change
Current and other assets	\$ 21,382	\$ 18,063	18.37%
Capital assets	53,286	50,023	6.52%
Total assets	74,668	68,086	9.67%
Deferred outflows of resources	1,536	693	121.65%
Current liabilities	887	719	23.37%
Noncurrent liabilities	7,027	3,778	86.00%
Total liabilities	7,914	4,497	75.98%
Deferred inflows of resources	9,710	10,191	-4.72%
Net position:			
Net investment in capital assets	53,286	50,023	6.52%
Restricted	4,206	3,879	8.43%
Unrestricted	1,088	189	475.66%
Total net position	\$ 58,580	\$ 54,091	8.30%

Condensed Statement of Net Position (Expressed in Thousands)			
Business-type Activities			
	2017	2016	Percent Change
Current and other assets	\$ 92	\$ 110	-16.36%
Capital assets	1,887	1,742	8.32%
Total assets	1,979	1,852	6.86%
Long-term debt outstanding	947	738	28.32%
Other liabilities	41	32	28.13%
Total liabilities	988	770	28.31%
Net position:			
Net investment in capital assets	983	854	15.11%
Restricted	299	578	-48.27%
Unrestricted (deficit)	(291)	(350)	16.86%
Total net position	\$ 991	\$ 1,082	-8.41%

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 resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Unrestricted net position-the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased for the governmental activities approximately \$899,000 or 475.85% and increased for the business-type activities approximately \$59,000 or 16.74%.

The increase in net position for the governmental activities was down slightly after a large increase in net position in 2016. A significant decrease in capital grants was offset by an increase in operating grants and property tax revenue while expenses increased slightly. Of the expenditures, public safety and roads and transportation increased the most. The increase in net position for the business-type activities is due to a transfer of capital assets into the Frankville Water District fund.

The following analysis shows the changes in net position for the governmental activities and business-type activities for the years ending June 30, 2017 and 2016:

	Changes in Net Position (Expressed in Thousands)		
	Governmental Activities		
	2017	2016	Percent Change
Revenues:			
Program revenue:			
Charges for service	\$ 2,229	\$ 1,968	13.26%
Operating grants	8,847	5,959	48.46%
Capital grants	4,582	8,887	-48.44%
General revenue:			
Property taxes	8,712	7,950	9.58%
Local option sales tax	1,464	1,433	2.16%
Penalty and interest on property taxes	50	49	2.04%
State tax credits	745	700	6.43%
Rents	122	124	-1.61%
Unrestricted investment earnings	47	38	23.68%
Other	10		100.00%
Total revenues	26,808	27,108	-1.11%
Program expenses:			
Public safety and legal services	3,903	2,699	44.61%
Physical health and social services	1,253	1,296	-3.32%
Mental health	966	832	16.11%
County environment and education	1,324	1,725	-23.25%
Roads and transportation	11,689	10,564	10.65%
Governmental services to residents	559	528	5.87%
Administration	2,137	2,067	3.39%
Non-program	552	355	55.49%
Total expenses	22,383	20,066	11.55%
Increase in net position before transfers	4,425	7,042	-37.16%
Transfers	64	(156)	141.03%
Increase in net position	4,489	6,886	-34.81%
Net position, beginning of year	54,091	47,205	14.59%
Net position, end of year	\$ 58,580	\$ 54,091	8.30%

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Changes in Net Position Business-type Activities		
	2017	2016	Percent Change
Revenues:			
Program revenue:			
Charges for service	\$ 350	\$ 294	19.05%
Program expenses:			
Operating expenses	377	313	20.45%
Operating loss	(27)	(19)	-42.11%
Nonoperating revenues:			
Interest income	-	1	0.00%
Change in net position before transfers	(27)	(18)	44.44%
Transfers	(64)	156	0.00%
(Decrease) increase in net position	(91)	138	-165.94%
Net position, beginning of year	1,082	944	14.62%
Net position, end of year	\$ 991	\$ 1,082	-8.41%

INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$7,321,347, a decrease of \$28,320 from the 2016 fiscal year end balance of \$7,349,667.

- The general fund revenues increased \$2,645,101 or 30.1% from the prior year and the expenditures increased \$3,311,511 or 39.48%. The large increase of revenues and expenditures was due to the receipt of \$2,000,000 of bond proceeds for the Winneshiek County Area Solid Waste Agency (Agency) which was received by the County and then disbursed by the County to the Agency. The ending fund balance showed a decrease of 11.49% from the prior year of \$3,542,894 to \$3,135,764.
- The County participates in a 28E agreement with 21 other counties to provide mental health services at a regional level. For the year, expenditures totaled approximately \$968,000, an increase of 15.99% from the prior year. The mental health fund balance at year-end decreased by \$149,706 from the prior year.
- The ending fund balance for the rural services fund increased by \$152,936 or 10.31% over the prior year. Overall revenues increased 1.85% and the expenditures increased 3.19%.
- Secondary roads fund revenues increased \$1,267,686 or 21.07% over the prior year. For the year, expenditures totaled \$9,530,424, an increase of \$980,006 or 11.46%. The secondary roads fund balance increased \$367,157 over the prior year.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County’s budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget twice. The amendments were made in November 2016 and May 2017. However, this did not require an increase in property taxes.

The amendments made during the 2017 fiscal year should have no impact on the 2018 fiscal year’s budget.

Even with the budget amendments, the County exceeded the budgeted amounts in the roads and transportation function for the year ended June 30, 2017.

The following chart shows the original and final amended budget for fiscal year 2017 as well as the actual receipts and disbursements for the year:

Budgetary Comparison Schedule (Expressed in Thousands)					
	Budget Basis	Budget Amounts		Variance	
		Original	Final		
RECEIPTS					
Property and other County taxes	\$ 10,294	\$ 10,152	\$ 10,152	\$ 142	
Interest and penalty on property taxes	50	25	25	25	
Intergovernmental	9,310	9,560	11,968	(2,658)	
Licenses and permits	30	23	23	7	
Charges for service	855	681	682	173	
Use of money and property	167	135	135	32	
Miscellaneous	1,196	1,902	2,351	(1,155)	
Total receipts	\$ 21,902	\$ 22,478	\$ 25,336	\$ (3,434)	
DISBURSEMENTS					
Public safety and legal services	\$ 3,959	\$ 2,988	\$ 4,589	\$ 630	
Physical health and social services	1,242	1,408	1,432	190	
Mental health	968	970	1,045	77	
County environment and education	2,022	1,971	2,256	234	
Roads and transportation	7,959	7,059	7,854	(105)	
Governmental services to residents	566	628	629	63	
Administration	2,376	2,695	3,057	681	
Non-program	2,003	6	2,006	3	
Capital projects	2,800	5,293	5,758	2,958	
Total disbursements	\$ 23,895	\$ 23,018	\$ 28,626	\$ 4,731	

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2017, Winneshiek County had \$53,285,871 invested in a broad range of capital assets, including large road equipment, infrastructure, and construction in progress for the governmental activities. For the enterprise funds, the County had \$1,886,750 invested in land, landfill, and sewer systems.

The County had depreciation expense of \$2,775,262 for fiscal year 2017 and total accumulated depreciation of \$41,956,400 as of June 30, 2017 for the governmental activities. The County had depreciation/depletion expense of \$41,587 for fiscal year 2017 and total accumulated depreciation/depletion of \$1,890,820 as of June 30, 2017 for the business-type activities. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Debt

At year-end, the County had \$3,386,725 in bonds and other debt compared to \$1,108,888 last year. More detail is presented in Note 8 to the financial statements.

The County's general obligation bond rating continues to carry the fourth highest rating possible, a rating that has been assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this \$112,727,204 limit.

Other obligations include accrued vacation pay. More detailed information about the County's long-term liabilities is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Winneshiek County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2018 budget, tax rates and the fee that will be charged for various County activities. One of those factors is the economy.

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

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

WINNESHIEK COUNTY
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 7,292,867	\$ 69,335	\$ 7,362,202
Receivables:			
Property tax:			
Delinquent	1,973		1,973
Succeeding year	9,452,308		9,452,308
Accounts	82,851		82,851
Accrued interest	3,883		3,883
Due from other governments	2,058,191	22,777	2,080,968
Due from WCASWA	2,000,000		2,000,000
Inventories	401,868		401,868
Prepaid expenses	88,018		88,018
Nondepreciable assets	1,994,165	417,442	2,411,607
Capital assets, net of accumulated depreciation/depletion	51,291,706	1,469,308	52,761,014
Total assets	<u>74,667,830</u>	<u>1,978,862</u>	<u>76,646,692</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	1,536,313		1,536,313
Total assets and deferred outflows of resources	<u>\$ 76,204,143</u>	<u>\$ 1,978,862</u>	<u>\$ 78,183,005</u>
LIABILITIES			
Accounts payable	\$ 644,702		\$ 644,702
Salaries and benefits payable	262,716		262,716
Accrued interest payable		\$ 2,186	2,186
Due to (from) other funds	(22,777)	22,777	-
Due to other governments	2,336		2,336
Long-term liabilities:			
Portion due within one year:			
Notes payable	273,118	29,789	302,907
Compensated absences	423,627	16,174	439,801
Portion due after one year:			
Net pension liability	4,436,702		4,436,702
Net OPEB liability	166,185		166,185
Notes payable	1,726,882	917,135	2,644,017
Total liabilities	<u>7,913,491</u>	<u>988,061</u>	<u>8,901,552</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	153,249		153,249
Succeeding year property tax	9,452,308		9,452,308
Other	104,605		104,605
Total deferred inflows of resources	<u>9,710,162</u>	<u>-</u>	<u>9,710,162</u>
NET POSITION			
Net investment in capital assets	53,285,871	982,596	54,268,467
Restricted for:			
Mental health	219,532		219,532
Rural services	1,635,896		1,635,896
Secondary roads	1,679,917		1,679,917
Capital projects	29,392		29,392
Other special revenue	554,178		554,178
Other purposes	87,900	299,354	387,254
Unrestricted (deficit)	1,087,804	(291,149)	796,655
Total net position	<u>58,580,490</u>	<u>990,801</u>	<u>59,571,291</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 76,204,143</u>	<u>\$ 1,978,862</u>	<u>\$ 78,183,005</u>

See Notes to Financial Statements.

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WINNESHIEK COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
Governmental activities:				
Public safety and legal services	\$ 3,902,696	\$ 97,980	\$ 915,141	
Physical health and social services	1,253,451	529,798	597,615	\$ 1,311
Mental health	965,497		75,069	
County environment and education	1,323,797	198,536	903,403	10,240
Roads and transportation	11,688,975	97,149	6,347,359	4,556,701
Governmental services to residents	558,540	1,091,832	8,183	13,274
Administration	2,137,314			
Non-program	552,220	214,062		
Total governmental activities	22,382,490	2,229,357	8,846,770	4,581,526
Business-type activities:				
Landfill	272,457	269,695		
Burr Oak Sewer fund	37,199	27,006		
Festina Sewer fund	23,746	18,394		
Frankville Water District fund	43,641	35,254		
Total business-type activities	377,043	350,349	-	-
Total	\$ 22,759,533	\$ 2,579,706	\$ 8,846,770	\$ 4,581,526
General revenues:				
Property taxes levied for:				
General purposes				
Local option sales tax				
Penalty and interest on property taxes				
State tax credits				
Rents				
Unrestricted investment earnings				
Gain on sale of capital assets				
Transfers				
Total general revenues				
Change in net position				
Net position, beginning of year				
Net position, end of year				

See Notes to Financial Statements.

EXHIBIT B

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (2,889,575)		\$ (2,889,575)
(124,727)		(124,727)
(890,428)		(890,428)
(211,618)		(211,618)
(687,766)		(687,766)
554,749		554,749
(2,137,314)		(2,137,314)
(338,158)		(338,158)
(6,724,837)	\$ -	(6,724,837)
	(2,762)	(2,762)
	(10,193)	(10,193)
	(5,352)	(5,352)
	(8,387)	(8,387)
-	(26,694)	(26,694)
(6,724,837)	(26,694)	(6,751,531)
8,712,326		8,712,326
1,464,256		1,464,256
50,410		50,410
744,821		744,821
121,529		121,529
46,954	172	47,126
10,032		10,032
64,421	(64,421)	-
11,214,749	(64,249)	11,150,500
4,489,912	(90,943)	4,398,969
54,090,578	1,081,744	55,172,322
\$ 58,580,490	\$ 990,801	\$ 59,571,291

WINNESHIEK COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General	Special Revenue Funds			Nonmajor Governmental Funds	Total Governmental Funds
		Mental Health	Rural Services	Secondary Roads		
ASSETS						
Cash and pooled investments	\$ 3,279,926	\$ 211,916	\$ 1,504,148	\$ 1,165,236	\$ 475,573	\$ 6,636,799
Receivables:						
Property tax:						
Delinquent	1,721	64	188			1,973
Succeeding year	7,184,378	679,202	1,588,728			9,452,308
Accounts	41,809	8,548	1,880	30,614		82,851
Accrued interest	3,435				148	3,583
Due from other funds			22,777			22,777
Due from other governments	1,167,331		122,156	660,169	108,535	2,058,191
Prepaid expenditures	49,782	800	5,942	31,494		88,018
Inventories				401,868		401,868
Total assets	\$ 11,728,382	\$ 900,530	\$ 3,245,819	\$ 2,289,381	\$ 584,256	\$ 18,748,368
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 218,081	\$ 10	\$ 6,260	\$ 384,492	\$ 686	\$ 609,529
Salaries and benefits payable	154,646	1,682	14,935	91,453		262,716
Due to other governments	1,156			1,180		2,336
Total liabilities	373,883	1,692	21,195	477,125	686	874,581
Deferred inflows of resources:						
Succeeding year property tax	7,184,378	679,202	1,588,728			9,452,308
Other	1,034,357	61	188	48,185	17,341	1,100,132
Total deferred inflows of resources	8,218,735	679,263	1,588,916	48,185	17,341	10,552,440
Fund balances:						
Nonspendable:						
Inventories				401,868		401,868
Prepaid expenditures	49,782	800	5,942	31,494		88,018
Restricted for:						
Other purposes	38,118					38,118
Mental health purposes		218,775				218,775
Rural services purposes			1,629,766			1,629,766
Secondary roads purposes				1,330,709		1,330,709
Other special revenue purposes					536,837	536,837
Capital projects					29,392	29,392
Unassigned	3,047,864					3,047,864
Total fund balances	3,135,764	219,575	1,635,708	1,764,071	566,229	7,321,347
Total liabilities, deferred inflows of resources and fund balances	\$ 11,728,382	\$ 900,530	\$ 3,245,819	\$ 2,289,381	\$ 584,256	\$ 18,748,368

See Notes to Financial Statements.

WINNESHIEK COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

Reconciliation of governmental fund balances to net position:	
Total governmental fund balances	\$ 7,321,347
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 as assets in the governmental funds, net of accumulated depreciation of \$ 41,956,400	53,285,871
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	1,536,313
Deferred inflows of resources	(153,249)
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.	1,100,132
The internal service fund is used by management to charge the costs of self-funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net position.	516,590
Long-term liabilities, including bonds payable, compensated absences, 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 as liabilities in the governmental funds:	
Net OPEB liability	(166,185)
Net pension liability	(4,436,702)
Compensated absences	(423,627)
Net position of governmental activities per Exhibit A	<u>\$ 58,580,490</u>
Cash and pooled investments of governmental activities include the following reclassifications:	
Internal service fund cash at June 30, 2017	<u>\$ 656,068</u>

WINNESHIEK COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General	Special Revenue Funds			Nonmajor Governmental Funds	Total Governmental Funds
		Mental Health	Rural Services	Secondary Roads		
REVENUES						
Property and other County taxes	\$ 6,569,920	\$ 682,567	\$ 1,459,671			\$ 8,712,158
Local option sales tax			1,464,256			1,464,256
Interest and penalty on property taxes	50,410					50,410
Intergovernmental	973,607	135,421	373,794	\$ 7,143,517	\$ 937,343	9,563,682
Licenses and permits	1,433		10,240	18,399		30,072
Charges for service	817,715		14,131	475	8,315	840,636
Use of money and property	164,970				2,210	167,180
Miscellaneous	855,262		454	121,221	7,179	984,116
Total revenues	9,433,317	817,988	3,322,546	7,283,612	955,047	21,812,510
EXPENDITURES						
Current:						
Public safety and legal services	3,981,797					3,981,797
Physical health and social services	1,166,019		68,307		17,333	1,251,659
Mental health		967,694				967,694
County environment and education	1,455,921		695,655			2,151,576
Roads and transportation				8,079,231		8,079,231
Governmental services to residents	553,355		13,455		3,033	569,843
Administration	2,170,750		533			2,171,283
Non-program	2,002,804					2,002,804
Capital projects	369,263			1,451,193	926,558	2,747,014
Total expenditures	11,699,909	967,694	777,950	9,530,424	946,924	23,922,901
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(2,266,592)	(149,706)	2,544,596	(2,246,812)	8,123	(2,110,391)
OTHER FINANCING SOURCES (USES)						
Transfers in	181,611			2,596,619		2,778,230
Proceeds from disposal of capital assets				17,350	300	17,650
General obligation note issued	2,000,000					2,000,000
Transfers out	(322,149)		(2,391,660)			(2,713,809)
	1,859,462	-	(2,391,660)	2,613,969	300	2,082,071
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) OVER EXPENDITURES AND OTHER FINANCING USES	(407,130)	(149,706)	152,936	367,157	8,423	(28,320)
FUND BALANCES, beginning of year	3,542,894	369,281	1,482,772	1,396,914	557,806	7,349,667
FUND BALANCES, end of year	\$ 3,135,764	\$ 219,575	\$ 1,635,708	\$ 1,764,071	\$ 566,229	\$ 7,321,347

See Notes to Financial Statements.

WINNESHIEK COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities:		
Net change in fund balances - total governmental funds	\$	(28,320)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital additions exceed depreciation in the current year, as follows:		
Depreciation	\$ (2,775,262)	
Capital assets contributed by the Iowa Department of Transportation	3,669,946	
Capital outlays	<u>2,375,664</u>	3,270,348
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 of resources in the governmental funds, as follows:		
Property tax	168	
Other	<u>1,098,210</u>	1,098,378
The net effect of disposal of capital assets		(7,618)
The current year County IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the statement of net position.		551,819
The internal service fund is used by management to charge the costs of self-funding of the County's health insurance benefit plan to individual funds. The change in net position of the internal service fund is reported with governmental activities.		255,949
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 the governmental funds, as follows:		
Pension expense		(580,661)
Net OPEB liability		(6,258)
Compensated absences		<u>(63,725)</u>
Change in net position of governmental activities per Exhibit B	\$	<u><u>4,489,912</u></u>

WINNESHIEK COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Business-type Activities				Governmental
	Landfill	Frankville	Nonmajor	Total	Internal Service
		Water District Fund	Enterprise Funds		
ASSETS					
Cash and pooled investments		\$ 5,465	\$ 63,870	\$ 69,335	\$ 656,068
Accrued interest receivable					300
Due from other governments	\$ 22,777			22,777	
Total current assets	22,777	5,465	63,870	92,112	656,368
Noncurrent assets:					
Land	282,252		135,190	417,442	
Net capital assets		758,020	711,288	1,469,308	
Total noncurrent assets	282,252	758,020	846,478	1,886,750	-
Total assets	\$ 305,029	\$ 763,485	\$ 910,348	\$ 1,978,862	\$ 656,368
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
Liabilities:					
Salaries and benefits payable					\$ 35,173
Accrued interest payable		\$ 1,272	\$ 914	\$ 2,186	
Due to other funds	\$ 22,777			22,777	
Notes payable		24,000	5,789	29,789	
Total current liabilities	22,777	25,272	6,703	54,752	35,173
Noncurrent liabilities:					
Long-term debt		776,790	140,345	917,135	
Compensated absences	16,174			16,174	
Total noncurrent liabilities	16,174	776,790	140,345	933,309	-
Total liabilities	38,951	802,062	147,048	988,061	35,173
Deferred inflows of resources:					
Other	-	-	-	-	104,605
Net position:					
Net investment in capital assets	282,252		700,344	982,596	
Restricted			299,354	299,354	
Unrestricted (deficit)	(16,174)	(38,577)	(236,398)	(291,149)	516,590
Total net position	266,078	(38,577)	763,300	990,801	516,590
Total liabilities, deferred inflows of resources and net position	\$ 305,029	\$ 763,485	\$ 910,348	\$ 1,978,862	\$ 656,368

See Notes to Financial Statements.

WINNESHIEK COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Business-type Activities				Governmental
	Landfill	Frankville	Nonmajor	Total	Internal
		Water	Enterprise		
	District Fund	Funds		Service	
OPERATING REVENUES					
Charges for service		\$ 35,254	\$ 45,400	\$ 80,654	\$ 1,232,822
Contract services	\$ 269,695			269,695	
Total operating revenues	269,695	35,254	45,400	350,349	1,232,822
OPERATING EXPENSES					
Wages and benefits	272,457			272,457	
Depreciation		14,568	27,019	41,587	
Other		13,599	26,499	40,098	
Insurance claims paid				-	979,985
Total operating expenses	272,457	28,167	53,518	354,142	979,985
Operating (loss) income	(2,762)	7,087	(8,118)	(3,793)	252,837
NONOPERATING REVENUES (EXPENSES)					
Interest income			172	172	3,112
Interest expense		(15,474)	(7,427)	(22,901)	
Net nonoperating revenues (expenses)	-	(15,474)	(7,255)	(22,729)	3,112
(Loss) income before contributions and transfers	(2,762)	(8,387)	(15,373)	(26,522)	255,949
TRANSFERS					
Transfer in		77,198	153,232	230,430	
Transfer out		(258,809)	(36,042)	(294,851)	
	-	(181,611)	117,190	(64,421)	-
Change in net position	(2,762)	(189,998)	101,817	(90,943)	255,949
NET POSITION, beginning of year	268,840	151,421	661,483	1,081,744	260,641
NET POSITION, end of year	\$ 266,078	\$ (38,577)	\$ 763,300	\$ 990,801	\$ 516,590

See Notes to Financial Statements.

WINNESHIEK COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Business-type Activities				Governmental
	Landfill	Frankville	Nonmajor	Total	Internal Service
		Water District Fund	Enterprise Funds		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from contract labor	\$ 271,849			\$ 271,849	
Cash received from charges for services		\$ 35,254	\$ 45,400	80,654	\$ 1,236,227
Cash payments to employees for services	(269,849)			(269,849)	
Cash payments to suppliers for services		(13,599)	(26,499)	(40,098)	(957,925)
Net cash provided by operating activities	2,000	21,655	18,901	42,556	278,302
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfers in		77,198	153,232	230,430	
Operating transfers (out)		(258,809)	(36,042)	(294,851)	
Net cash (used in) provided by noncapital financing activities	-	(181,611)	117,190	(64,421)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from notes payable		239,318		239,318	
Principal payments on notes payable		(11,000)	(18,968)	(29,968)	
Purchase of capital assets	(2,000)	(49,521)	(134,649)	(186,170)	
Interest paid on long-term borrowing		(14,202)	(7,602)	(21,804)	
Net cash (used in) provided by capital and related financing activities	(2,000)	164,595	(161,219)	1,376	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	-	-	172	172	3,032
Net increase (decrease) in cash and cash equivalents	-	4,639	(24,956)	(20,317)	281,334
CASH and CASH EQUIVALENTS, beginning of year	-	826	88,826	89,652	374,734
CASH and CASH EQUIVALENTS, end of year	\$ -	\$ 5,465	\$ 63,870	\$ 69,335	\$ 656,068
Reconciliation of operating (loss) income to net cash provided by operating activities:					
Operating (loss) income	\$ (2,762)	\$ 7,087	\$ (8,118)	\$ (3,793)	\$ 252,837
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:					
Depreciation and depletion		14,568	27,019	41,587	
Increase in deferred revenue					3,406
Increase in accounts payable					22,059
Increase in due from other governments	(2,608)			(2,608)	
Increase in salaries and benefits payable	2,608			2,608	
Increase in accrued compensated absences	4,762			4,762	
Net cash provided by operating activities	\$ 2,000	\$ 21,655	\$ 18,901	\$ 42,556	\$ 278,302

See Notes to Financial Statements.

WINNESHIEK COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2017

ASSETS

Cash and pooled investments:		
County Treasurer	\$	1,445,717
Other County officials		54,240
Receivables:		
Property tax:		
Delinquent		1,862
Succeeding year		24,842,856
Accounts		43,699
Accrued interest		189
Due from other governments		40,777
Prepaid insurance		3,771
		<hr/>
Total assets		26,433,111

LIABILITIES

Accounts payable		12,083
Salaries and benefits payable		12,175
Due to other funds		29,047
Due to other governments		1,496,548
Unavailable property tax revenue		24,842,856
Unearned revenue		26,759
Trusts payable		13,643
		<hr/>
Total liabilities		26,433,111

NET POSITION

	\$	None
		<hr/> <hr/>

WINNESHIEK COUNTY

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

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

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

b. Significant Accounting Policies

Scope of Reporting Entity

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

Joint Ventures

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

Jointly Governed Organizations

The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Winneshiek County Assessor's Conference Board, Northeast Iowa Behavioral Health, Inc., Winneshiek County Emergency Management Commission and Winneshiek County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the agency funds of the County.

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

b. Significant Accounting Policies (Continued)

Government-wide Financial Statements

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

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

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

Governmental

General Fund

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

Special Revenue Funds

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

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.

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

b. Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Governmental (Continued)

Special Revenue Funds (Continued)

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

Proprietary Funds

Enterprise Fund

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

Internal Service Fund

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

Fiduciary Funds

Agency Funds

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

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.

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

b. Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

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 and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash Management, Cash Equivalents and Pooled Investments

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

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

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

b. Significant Accounting Policies (Continued)

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

Cash Management, Cash Equivalents and Pooled Investments (Continued)

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

Property Tax Receivable

Property 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 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 become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2016.

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.

Grants

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

Due from and Due to Other Funds

During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2017, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the government-wide statements.

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

b. Significant Accounting Policies (Continued)

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

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. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve, which indicates that they are not available to liquidate current obligations.

Prepaid Expenditures

Payments made for insurance for a future period beyond June 30, 2017 are recorded as prepaid insurance. The fund balances in the governmental fund types have been reserved for the prepaid expenditures recorded in those funds. This reflects the amount of net position not currently available for expenditure.

Capital Assets

Capital assets, which include property, equipment and vehicles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Capital assets in the proprietary fund are capitalized in the fund in which they are utilized. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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 an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

b. Significant Accounting Policies (Continued)

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

Capital Assets (Continued)

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

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

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

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which 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 County after the measurement date but before the end of the County's 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.

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.

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

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

b. Significant Accounting Policies (Continued)

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

Compensated Absences

County employees receive vacation leave at the following rates:

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

Employees may accumulate up to two times their annual allotment of vacation days. Sick leave accrues at the rate of two days per month and employees may accumulate up to 120 days sick leave. These accumulations are not recognized as expenditures by the County until used. The County's policy prohibits payoff of accumulated sick leave at termination of employment. Consequently, no liability for accumulated sick leave at June 30, 2017 has been determined or presented. 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 who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2017. The compensated absences liability attributable to the governmental activities will be paid primarily by the general fund, mental health, rural services and secondary roads special revenue funds. The County's approximate maximum liability for accrued vacation pay at June 30, 2017 is \$439,801.

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions 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. The net pension liability attributable to the governmental activities will be paid primarily by the general fund and the mental health, rural services and secondary roads special revenue funds.

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

b. Significant Accounting Policies (Continued)

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

Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent 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 the succeeding year property tax receivable as well as delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the statement of net position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on IPERS' 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.

Unassigned - all amounts not included in the preceding classifications.

Net Position

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

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

b. Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the roads and transportation function.

Management Estimates

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

2. Cash Management, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2017 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 ensure 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.

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

In addition, the County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$530,245 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to credit risk categorization.

The County had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

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.

Credit Risk

The investment in the Iowa Public Agency Investment Trust is unrated.

NOTES TO FINANCIAL STATEMENTS

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2017:

Governmental:	
General fund:	
Medicare	\$ 3,653
Miscellaneous state grants and reimbursements	1,152,388
DHS administration reimbursements	6,456
Other	4,834
	1,167,331
Special revenue funds:	
Rural services fund:	
Local option sales tax	121,952
Other	204
	122,156
Secondary roads fund:	
Road use tax	466,636
Grants	192,382
Other	1,151
	660,169
Conservation land acquisition fund:	
Miscellaneous state grants and reimbursements	104,574
Other	3,595
	108,169
Recorder's records management:	
Other	366
	366
Total governmental funds	2,058,191
Business-type activities:	
Proprietary:	
Finance agreement landfill	22,777
	22,777
	\$ 2,080,968

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 601,605	\$ 955,707	\$ None	\$ 1,557,312
Construction in progress	105,469	3,588,217	3,256,833	436,853
	707,074	4,543,924	3,256,833	1,994,165
Capital assets being depreciated:				
Buildings	8,105,416	55,397	None	8,160,813
Equipment	8,704,834	953,066	354,840	9,303,060
Vehicles	1,342,112	129,743	50,342	1,421,513
Infrastructure	70,702,923	3,659,797	None	74,362,720
Total capital assets being depreciated	88,855,285	4,798,003	405,182	93,248,106
Less accumulated depreciation:				
Buildings	4,392,119	194,213	None	4,586,332
Equipment	5,306,139	443,213	309,380	5,439,972
Vehicles	916,508	112,673	48,700	980,481
Infrastructure	28,924,452	2,025,163	None	30,949,615
Total accumulated depreciation	39,539,218	2,775,262	358,080	41,956,400
Total capital assets being depreciated, net	49,316,067	2,022,741	47,102	51,291,706
Governmental activities, capital assets, net	\$ 50,023,141	\$ 6,566,665	\$ 3,303,935	\$ 53,285,871
Business-type activities:				
Land	\$ 298,252	\$ 119,190	\$ None	\$ 417,442
Capital assets being depreciated or depleted:				
Equipment	1,919,700	66,980	None	1,986,680
Landfill	1,373,448	None	None	1,373,448
Total capital assets being depreciated or depleted	3,293,148	66,980	None	3,360,128
Less accumulated depreciation or depletion:				
Equipment	475,785	41,587	None	517,372
Landfill	1,373,448	None	None	1,373,448
Total accumulated depreciation or depletion	1,849,233	41,587	None	1,890,820
Total capital assets being depreciated or depleted, net	1,443,915	25,393	None	1,469,308
Business-type activities, capital assets, net	\$ 1,742,167	\$ 144,583	\$ None	\$ 1,886,750

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets (Continued)

For the year ended June 30, 2017, depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
Public safety and legal services	\$ 62,053
Physical health and social services	15,017
County environment and education	211,285
Roads and transportation	2,393,149
Governmental services to residents	16,298
Administration	77,460
	\$ 2,775,262
Business-type activities:	
Burr Oak Sewer fund	\$ 15,802
Festina Sewer fund	11,217
Frankville Water District fund	14,568
	\$ 41,587

5. Due to/from Other Funds

As of June 30, 2017, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
Special revenue funds:		
Rural services	\$ 22,777	
Proprietary fund:		
Landfill		\$ 22,777
	\$ 22,777	\$ 22,777

NOTES TO FINANCIAL STATEMENTS

6. 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. The tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments for the year ended June 30, 2017 is as follows:

Fund	Description	Amount
Governmental:		
General fund	Services	\$ 1,156
Special revenue funds:		
Secondary roads		1,180
Total governmental funds		\$ 2,336
Fiduciary:		
Agency:		
County offices		\$ 16,655
Agricultural Extension Education		1,969
County Assessor collections		180,996
Schools		130,686
Community Colleges		9,477
Corporations		14,404
Townships		5,323
Auto license and use tax		560,616
E911 surcharge		413,295
Other		163,127
Total agency funds		\$ 1,496,548

7. Leases

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

The City of Decorah has leased space to Winneshiek County within the City's Police Department for \$187,851 from July 1, 2017 through June 30, 2018.

The County has agreed to lease land to Winneshiek County Area Solid Waste Agency until December 2023.

The County has agreed to lease office space to Northeast Iowa Community Action Corporation for \$6,381 per month on a month-to-month basis.

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

Future lease payments under these agreements are as follows:

Year Ending June 30, 2018	\$ 187,851
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NOTES TO FINANCIAL STATEMENTS

8. **Long-term Debt Obligations**

Long-term liability activity for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Issued	(Paid)	Balance June 30, 2017	Amounts Due Within One Year
Governmental activities:					
General Obligation Bonds:					
Solid Waste Disposal	\$ None	\$ 2,000,000	\$ None	\$ 2,000,000	\$ 273,118
Total bonds	None	2,000,000	None	2,000,000	273,118
Other liabilities:					
Compensated absences	359,902	441,627	(377,902)	423,627	423,627
Governmental activities:					
Long-term liabilities	\$ 359,902	\$ 2,441,627	\$ (377,902)	\$ 2,423,627	\$ 696,745
Business-type activities:					
Other liabilities:					
Notes payable	\$ 737,574	\$ 239,318	\$ (29,968)	\$ 946,924	\$ 29,789
Compensated absences	11,412	16,174	(11,412)	16,174	16,174
Total other liabilities	748,986	255,492	(41,380)	963,098	45,963
Business-type activities:					
Long-term liabilities	\$ 748,986	\$ 255,492	\$ (41,380)	\$ 963,098	\$ 45,963

General Obligation Bond

On November 1, 2016, the County issued General Obligation Bonds worth \$2,000,000. The proceeds from this issue were for cell expansion and increasing capacity at the landfill. This issue of bonds bears interest ranging from 1.5% to 1.8% and matures November 1, 2023. These payments will be made by the Winneshiek County Area Solid Waste Agency.

Notes Payable

USDA Rural Development

In April 1993, the County issued revenue notes totaling \$105,000 at 5% interest due in annual payments of \$6,226 starting July 1995 through 2032. These notes were used to partially finance the Burr Oak Sewer Project and are recorded in the enterprise fund. Interest expense of \$3,358 is reported in the Burr Oak Sewer enterprise fund.

Department of Natural Resources

In April 2000, the County issued revenue notes totaling \$132,500 at 4.5% interest due in annual payments of \$7,342 starting July 2003 through 2039. These notes were issued to partially finance the Festina Wastewater Collection & Treatment System Project. Interest expense of \$4,069 is reported in the Festina Sewer enterprise fund.

NOTES TO FINANCIAL STATEMENTS

8. Long-term Debt Obligations (Continued)

Notes Payable (Continued)

Iowa Finance Authority

In December 2015, the County issued Water Revenue Notes totaling \$910,000 at 1.75% interest due in annual payments starting June 2016 through 2045. Proceeds of \$239,318 were advanced during fiscal year 2017 for total proceeds of \$812,790. These notes were used to partially finance the Frankville Water Project and are recorded in the enterprise fund. Following completion of the project, an amount equal to 50% of the aggregate disbursements will be forgiven by the issuer. Interest expense of \$15,474 is reported in the Frankville Water District enterprise fund. A summary of the principal and interest maturities by type of debt is as follows:

Year Ending June 30,	Business-type Activities		Year Ending June 30,	Governmental Activities	
	Notes/Leases Payable			Solid Waste Disposal Note	
	Principal	Interest		Principal	Interest
2018	\$ 29,789	\$ 21,793	2018	\$ 273,118	\$ 31,865
2019	30,065	21,097	2019	277,215	27,768
2020	31,353	20,389	2020	281,373	23,610
2021	31,656	19,648	2021	284,305	20,678
2022	32,973	18,894	2022	289,422	15,561
2023-2027	177,174	82,213	2023-2024	594,567	15,399
2028-2032	202,393	60,620			
2033-2037	185,387	35,345			
2038-2042	191,344	15,247			
2043-2045	34,790	819			
Total	\$ 946,924	\$ 296,065	Total	\$ 2,000,000	\$ 134,881

Debt Limit

At June 30, 2017, the debt issued by the County did not exceed its legal debt margin compiled as follows:

Total assessed valuation	<u>\$2,254,544,078</u>
Debt limit - 5% of total assessed valuation	\$ 112,727,204
Debt applicable to debt limit:	
Other debt	<u>(2,986,157)</u>
Legal debt margin	<u>\$ 109,741,047</u>

9. 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 the 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 50306-9117 or at www.ipers.org.

9. Pension Plan (Continued)

Plan Description (Continued)

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:

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

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally age 55. Sheriffs, deputies 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's, deputy's or protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.50% of average salary for more than 22 years of service 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% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month 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 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.

9. Pension Plan (Continued)

Contributions

Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires 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 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll, for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.63% of covered payroll, for a total rate of 19.26%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2017 totaled \$553,155.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the County reported a liability of \$4,436,702 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the County's collective proportion was 0.070499%, which was an increase of 0.004545% from its collective proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$580,663. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Total of all Groups	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 37,016	\$ 84,250
Changes of assumptions	63,899	14,793
Net difference between projected and actual earnings on IPERS' investments	778,825	
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	103,418	54,206
County contributions subsequent to the measurement date	553,155	
Total	\$ 1,536,313	\$ 153,249

NOTES TO FINANCIAL STATEMENTS

9. Pension Plan (Continued)

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$553,155 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 91,717
2019	91,717
2020	404,426
2021	241,093
2022	<u>956</u>
Total	<u>\$ 829,909</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 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 IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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.

NOTES TO FINANCIAL STATEMENTS

9. **Pension Plan (Continued)**

Actuarial Assumptions (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-term Expected Real Rate of Return
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 7.50%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	\$ 7,723,779	\$ 4,436,702	\$ 1,664,611

IPERS' Fiduciary Net Position

Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS

At June 30, 2017, the County had no payables to report for the defined benefit pension plan for legally required County contributions and legally required employee contributions, which had been withheld from employee wages but not yet remitted to IPERS.

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

Plan Description

The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 129 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$	28,636
Interest on net OPEB obligation		6,897
Adjustment to annual required contribution		(9,818)
Annual OPEB cost		25,715
Contributions made		(19,457)
Increase in net OPEB obligation		6,258
Net OPEB obligation beginning of year		159,927
Net OPEB obligation end of year	\$	166,185

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2017.

For the year ended June 30, 2017, the County contributed \$19,457 to the medical plan. Plan members eligible for benefits contributed \$161,590 or 89% of the premium costs.

10. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 30,643	62.5%	\$ 153,260
June 30, 2016	\$ 26,124	74.5%	\$ 159,927
June 30, 2017	\$ 25,715	75.7%	\$ 166,185

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$224,716, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$224,716. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,811,713 and the ratio of the UAAL to covered payroll was 3.87%. As of June 30, 2017, there were no trust fund assets.

Actuarial Methods and Assumptions

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

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

As of July 1, 2015, actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from RP-2014 Mortality Tables.

Projected claim costs of the medical plan are \$969 per month for retirees less than age 65 who are on the \$100 deductible plan and projected claim costs of the medical plan are \$672 per month for retirees less than age 65 who are on the \$4,000 deductible plan. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

11. Risk Management

Winneshiek County is a member of 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 753 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.

The County's property and casualty contributions to the pool are recorded as expenditures from its operating funds at the time of payment to the pool. The County's contributions to the pool for the year ended June 30, 2017 were \$190,052.

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 \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the pool up to \$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, 2017, no liability has been recorded in the County's financial statements. As of June 30, 2017, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

11. Risk Management (Continued)

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

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

12. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

	Transfers In	Transfers Out
General fund:		
Secondary roads		\$ 204,959
Burr Oak Sewer		117,190
Frankville Water District	\$ 181,611	
Special revenue funds:		
Rural services		2,391,660
Secondary roads	2,596,619	
Proprietary funds:		
Burr Oak Sewer	117,190	
Frankville Water District		181,611
Total	\$ 2,895,420	\$ 2,895,420

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

13. Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

County Tax Abatements

The County provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the County enters into agreements with developers which require the County, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the County as part of these agreements.

13. Tax Abatements (Continued)

County Tax Abatements (Continued)

For the year ended June 30, 2017, the County abated no property tax under the urban renewal and economic development projects.

14. Construction, Purchase and Other Commitments

The total outstanding construction and purchase commitments of the County at June 30, 2017 amounted to \$2,567,499 and commitments to be reimbursed is \$1,127,827.

The County has entered into a loan commitment of \$1,600,000 for the E911 construction project.

15. Contingent Liabilities

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited by granting authorities but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

The County has guaranteed a line of credit debt up to \$214,000 for the Winneshiek County Agricultural Association dated January 10, 2007. The Winneshiek County Agricultural Association is an independent nonprofit organization whose services benefit the citizens of Winneshiek County. The line of credit is set to mature November 30, 2022 and has a balance of \$39,233 as of June 30, 2017.

The County is currently contingently liable to perform environmental cleanup at two locations due to the Iowa Department of Natural Resources (DNR) classifying them as high-risk sites. Proposals have been submitted to the Iowa DNR outlining the County's plans for cleanup. As of June 30, 2017, no ruling has been made by the Iowa DNR. As a result, no estimate can be made of future cleanup costs. Funds may be available from the Iowa Comprehensive Petroleum Underground Storage Tank fund to offset some of these potential costs.

16. Joint Ventures

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

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

NOTES TO FINANCIAL STATEMENTS

17. **Fund Equity**

The government-wide statement of net position reports \$4,206,815 of restricted net position, of which \$4,118,915 is restricted by enabling legislation. The amounts restricted at June 30, 2017 are as follows:

Restricted net position:	
Mental health	\$ 219,532
Rural services	1,635,896
Secondary roads	1,679,917
Capital projects fund	29,392
Other special revenue	554,178
Other	87,900
	\$ 4,206,815
Restricted net position:	
Proprietary funds:	
Burr Oak Sewer	\$ 111,174
Festina Sewer	157,338
Burr Oak Sewer reserve	6,226
Festina Sewer reserve	13,428
Other purpose	11,188
	\$ 299,354

The governmental fund balances as of June 30, 2017 are as follows:

Nonspendable:	
General fund	\$ 49,782
Special revenue funds:	
Mental health	800
Rural services	5,942
Secondary roads	433,362
	\$ 489,886
Restricted:	
General fund	\$ 38,118
Special revenue funds:	
Mental health	218,775
Rural services	1,629,766
Secondary roads	1,330,709
REAP	290,248
Water Testing Grant	98,105
Conservation land acquisition	138,586
Recorder's records management	9,898
Capital projects fund:	
Freeport Trail	10,750
Prairie Farmer Trail	18,642
	\$ 3,783,597

18. Accrued Closure and Postclosure Care Costs

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

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

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

The estimate of these costs for the Agency have been estimated at \$3,939,827 and \$1,255,112 for closure and postclosure, respectively, for a total of \$5,194,939 as of June 30, 2017 and the portion of the liability that has been recognized is \$2,426,481. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2017. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 31 years. The capacity used at June 30, 2017 was 47 percent. The estimated remaining life increased during the year ended June 30, 2017 due to the construction project including some closure costs for existing cells and increasing capacity of the landfill. The estimated useful life as of June 30, 2016 was seven years. The total closure and postclosure estimate as of June 30, 2016 was \$6,420,223 and the portion of the liability that had been recognized was \$5,092,374.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has accumulated resources to fund these costs and, at June 30, 2017, assets of \$7,823,237 are restricted for these purposes, of which \$5,933,119 is for closure and \$1,890,118 is for postclosure care. They are reported as restricted investments in the statements of net position.

Also, pursuant to Chapter 567-113.14(6) of the Iowa Administrative Code (IAC), the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund as an additional funding mechanism. Chapter 567-113.14(8) of the IAC requires a dedicated fund that is restricted to pay for closure, postclosure or corrective action costs. The amount of funds restricted as of June 30, 2017 is \$7,823,237.

NOTES TO FINANCIAL STATEMENTS

19. **Winneshiek County Financial Information Included in the County Social Services Mental Health Region**

County Social Services Mental Health Region, 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, Black Hawk, Butler, Cerro Gordo, Chickasaw, Clayton, Emmet, Fayette, Floyd, Grundy, Hancock, Howard, Humboldt, Kossuth, Mitchell, Pocahontas, Tama, Webster, Winnebago, Winneshiek, Worth and Wright. The financial activity of Winneshiek County's special revenue, mental health fund is included in the County Social Services Mental Health Region for the year ended June 30, 2017, as follows:

Revenues:		
Property and other County taxes		\$ 682,567
Intergovernmental revenues:		
State tax credits	\$ 60,352	
Other intergovernmental revenues	75,069	135,421
Total revenues		817,988
Expenditures:		
General administration:		
Direct administration	59,901	
Distribution to regional fiscal agent	907,793	967,694
Total expenditures		967,694
(Deficiency) of revenues over expenditures		(149,706)
Fund balance, beginning of the year		369,281
Fund balance, end of the year		\$ 219,575

20. **New Accounting Pronouncement**

The County adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The notes to financial statements include information about the County's tax abatements and tax abatements of other entities which impact the County.

21. **New Governmental Accounting Standards Board (GASB) Standards**

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015, will be effective for the fiscal year ended June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the statement of net position is expected to include a significant liability for the government's other postemployment benefits.

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

GASB Statement No. 84, *Fiduciary Activities*, issued January 2017, will be effective for the fiscal year ended June 30, 2020. The Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by information reported in financial statements for assessing government accountability and stewardship.

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the fiscal year ended June 30, 2020. The Statement increases the usefulness of governments' financial statement by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

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

22. Subsequent Events

Management has evaluated subsequent events through March 6, 2018, the date on which the financial statements were available to be issued.

Required Supplementary Information

WINNESHIEK COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
June 30, 2017

	Actual	Less Amounts not Budgeted	Budget Basis	Budget Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
RECEIPTS						
Property and other County taxes	\$ 10,294,200		\$ 10,294,200	\$ 10,152,461	\$ 10,152,461	\$ 141,739
Interest and penalty on property taxes	50,407		50,407	25,250	25,250	25,157
Intergovernmental	9,309,998		9,309,998	9,559,586	11,967,914	(2,657,916)
Licenses and permits	29,847		29,847	22,750	22,750	7,097
Charges for service	855,293		855,293	680,550	681,550	173,743
Use of money and property	167,141		167,141	134,680	134,680	32,461
Miscellaneous	1,195,416		1,195,416	1,902,441	2,350,922	(1,155,506)
Total receipts	21,902,302	\$ -	21,902,302	22,477,718	25,335,527	(3,433,225)
DISBURSEMENTS						
Public safety and legal services	3,958,949		3,958,949	2,988,035	4,589,256	630,307
Physical health and social services	1,241,964		1,241,964	1,407,576	1,431,576	189,612
Mental health	967,481		967,481	970,129	1,044,882	77,401
County environment and education	2,022,243		2,022,243	1,971,366	2,256,686	234,443
Roads and transportation	7,959,011		7,959,011	7,059,400	7,854,157	(104,854)
Governmental services to residents	566,340		566,340	627,956	629,579	63,239
Administration	2,376,381		2,376,381	2,694,641	3,056,641	680,260
Non-program	2,002,804		2,002,804	6,000	2,006,000	3,196
Capital projects	2,799,589		2,799,589	5,293,000	5,757,500	2,957,911
Total disbursements	23,894,762	-	23,894,762	23,018,103	28,626,277	4,731,515
(DEFICIENCY) EXCESS OF RECEIPTS (UNDER) OVER DISBURSEMENTS	(1,992,460)	-	(1,992,460)	(540,385)	(3,290,750)	1,298,290
OTHER FINANCING SOURCES, NET	2,017,650		2,017,650	1,030,000	3,030,000	(1,012,350)
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	25,190	-	25,190	489,615	(260,750)	285,940
BALANCE, beginning of year	6,611,609		6,611,609	5,494,806	5,494,806	1,116,803
BALANCE, end of year	\$ 6,636,799	\$ -	\$ 6,636,799	\$ 5,984,421	\$ 5,234,056	\$ 1,402,743

See Notes to Required Budgetary Information and Independent Auditor's Report.

WINNESHIEK COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 BUDGET TO GAAP RECONCILIATION
 For the Year Ended June 30, 2017

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 21,902,302	\$ (89,792)	\$ 21,812,510
Expenditures	23,894,762	28,139	23,922,901
Net	(1,992,460)	(117,931)	(2,110,391)
Other financing sources, net	2,017,650	64,421	2,082,071
Beginning fund balance	6,611,609	738,058	7,349,667
Ending fund balance	<u>\$ 6,636,799</u>	<u>\$ 684,548</u>	<u>\$ 7,321,347</u>

See Notes to Required Budgetary Information and Independent Auditor's Report.

WINNESHIEK COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

Year Ended June 30, 2017

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 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:

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

Function disbursements required to be budgeted include disbursements for the general fund, the special revenue funds, the capital projects fund and the debt service fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted revenues by \$4,857,809 and increased budgeted disbursements by \$5,608,174. 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, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

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

During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the roads and transportation function.

See Independent Auditor's Report.

WINNESHIEK COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 For the Last Three Years*
 (In Thousands)

	2017	2016	2015
County's collective proportion of the net pension liability (asset)	0.070499%	0.065954%	0.064759%
County's collective proportionate share of the net pension liability (asset)	\$ 4,437	\$ 3,258	\$ 2,568
County's covered-employee payroll	\$ 5,838	\$ 5,550	\$ 5,450
County's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll	76.00%	58.70%	47.12%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See Notes to Required Pension Liability Information and Independent Auditor's Report.

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WINNESHIEK COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COUNTY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
For the Last Ten Years
(In Thousands)

	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 552	\$ 531	\$ 507	\$ 497	\$ 469
Contributions in relation to the statutorily required contribution	(552)	(531)	(507)	(497)	(469)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 6,083	\$ 5,838	\$ 5,550	\$ 5,450	\$ 5,250
Contributions as a percentage of covered-employee payroll	9.07%	9.10%	9.14%	9.12%	8.93%

See Notes to Required Pension Liability Information and Independent Auditor's Report.

2012	2011	2010	2009	2008
\$ 445	\$ 376	\$ 342	\$ 320	\$ 282
(445)	(376)	(342)	(320)	(282)
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 5,286	\$ 5,056	\$ 4,932	\$ 4,826	\$ 4,515
8.42%	7.44%	6.93%	6.63%	6.25%

WINNESHIEK COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
Year Ended June 30, 2017

Changes of Benefit Terms

Legislation enacted in 2010 modified benefit terms for 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% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 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.

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% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% 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 (unfunded actuarial liability) 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.

WINNESHIEK COUNTY
 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	-	\$ 319	\$ 319	0.00%	\$ 4,486	7.1110%
2011	July 1, 2009	-	\$ 319	\$ 319	0.00%	\$ 4,923	6.4798%
2012	July 1, 2009	-	\$ 319	\$ 319	0.00%	\$ 5,117	6.2341%
2013	July 1, 2012	-	\$ 263	\$ 263	0.00%	\$ 4,832	5.4429%
2014	July 1, 2012	-	\$ 263	\$ 263	0.00%	\$ 5,131	5.1257%
2015	July 1, 2012	-	\$ 263	\$ 263	0.00%	\$ 5,298	4.9641%
2016	July 1, 2015	-	\$ 225	\$ 225	0.00%	\$ 5,353	4.2033%
2017	July 1, 2015	-	\$ 225	\$ 225	0.00%	\$ 5,812	3.8713%

See Note 10 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See Independent Auditor's Report.

Other Supplementary Information

WINNESHIEK COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and pooled investments	\$ 446,181	\$ 29,392	\$ 475,573
Receivables:			
Accrued interest	148		148
Due from other governments	108,535		108,535
Total assets	<u>\$ 554,864</u>	<u>\$ 29,392</u>	<u>\$ 584,256</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 686		\$ 686
Total liabilities	<u>686</u>	<u>\$ -</u>	<u>686</u>
Deferred inflows of resources:			
Other	17,341	-	17,341
Total deferred inflows of resources	<u>17,341</u>	<u>-</u>	<u>17,341</u>
Fund balances:			
Restricted for:			
Other special revenue funds	536,837		536,837
Capital projects		29,392	29,392
Total fund balances	<u>536,837</u>	<u>29,392</u>	<u>566,229</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 554,864</u>	<u>\$ 29,392</u>	<u>\$ 584,256</u>

WINNESHIEK COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2017

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 937,343		\$ 937,343
Charges for service	8,315		8,315
Use of money and property	2,210		2,210
Miscellaneous	7,179		7,179
Total revenues	955,047	\$ -	955,047
EXPENDITURES			
Current:			
Physical health and social services	17,333		17,333
Governmental services to residents	3,033		3,033
Capital projects	926,558		926,558
Total expenditures	946,924	-	946,924
EXCESS OF REVENUES OVER EXPENDITURES	8,123	-	8,123
OTHER FINANCING SOURCES			
Sale of capital assets	300		300
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	8,423	-	8,423
FUND BALANCES, beginning of year	528,414	29,392	557,806
FUND BALANCES, end of year	\$ 536,837	\$ 29,392	\$ 566,229

WINNESHIEK COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2017

	REAP Grant	Water Testing Grant	Conservation Land Acquisition Fund	Recorder's Records Management	Total Nonmajor Special Revenue Funds
ASSETS					
Cash and pooled investments	\$ 290,105	\$ 98,791	\$ 47,758	\$ 9,527	\$ 446,181
Receivables:					
Accrued interest	143			5	148
Due from other governments			108,169	366	108,535
Total assets	\$ 290,248	\$ 98,791	\$ 155,927	\$ 9,898	\$ 554,864
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable		\$ 686			\$ 686
Total liabilities	\$ -	686	\$ -	\$ -	686
Deferred inflows of resources:					
Other			17,341		17,341
Total deferred inflows of resources	-	-	17,341	-	17,341
Fund balances:					
Reserved	290,248	98,105	138,586	9,898	536,837
Total fund balances	290,248	98,105	138,586	9,898	536,837
Total liabilities, deferred inflows of resources and fund balances	\$ 290,248	\$ 98,791	\$ 155,927	\$ 9,898	\$ 554,864

See Independent Auditor's Report.

WINNESHIEK COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2017

	REAP Grant	Water Testing Grant	Conservation Land Acquisition Fund	Recorder's Records Management	Total Nonmajor Special Revenue Funds
REVENUES					
Intergovernmental	\$ 503,511	\$ 26,013	\$ 407,819		\$ 937,343
Charges for service			4,230	\$ 4,085	8,315
Use of money and property	2,155			55	2,210
Miscellaneous			7,179		7,179
Total revenues	505,666	26,013	419,228	4,140	955,047
EXPENDITURES					
Current:					
Physical health and social services		17,333			17,333
Governmental services to residents				3,033	3,033
Capital projects	549,057		377,501		926,558
Total expenditures	549,057	17,333	377,501	3,033	946,924
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(43,391)	8,680	41,727	1,107	8,123
OTHER FINANCING SOURCES					
Sale of capital assets			300		300
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) OVER EXPENDITURES	(43,391)	8,680	42,027	1,107	8,423
FUND BALANCES, beginning of year	333,639	89,425	96,559	8,791	528,414
FUND BALANCES, end of year	\$ 290,248	\$ 98,105	\$ 138,586	\$ 9,898	\$ 536,837

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WINNESHIEK COUNTY
 COMBINING SCHEDULE OF NET POSITION
 NONMAJOR PROPRIETARY FUNDS
 June 30, 2017

	Burr Oak Sewer Fund	Festina Sewer Fund	Burr Oak Sewer Sinking Fund
ASSETS			
Cash and pooled investments	\$ 24,371	\$ 8,657	\$ 1,070
Total current assets	24,371	8,657	1,070
Noncurrent assets:			
Land	131,690	3,500	
Net capital assets	354,940	356,348	
Total noncurrent assets	486,630	359,848	-
Total assets	\$ 511,001	\$ 368,505	\$ 1,070
LIABILITIES AND NET POSITION			
Liabilities:			
Accrued interest payable	\$ 17	\$ 897	
Notes payable	2,999	2,790	
Total current liabilities	3,016	3,687	\$ -
Noncurrent liabilities:			
Long-term debt	61,512	78,833	
Total liabilities	64,528	82,520	-
Net position:			
Net investment in capital assets	422,119	278,225	
Restricted	111,174	157,338	1,070
Unrestricted (deficit)	(86,820)	(149,578)	
Total net position	446,473	285,985	1,070
Total liabilities and net position	\$ 511,001	\$ 368,505	\$ 1,070

See Independent Auditor's Report.

SCHEDULE 5

Festina Sewer Sinking Fund	Burr Oak Sewer Reserve Fund	Festina Sewer Reserve Fund	Total Nonmajor Enterprise Funds
\$ 10,118	\$ 6,226	\$ 13,428	\$ 63,870
10,118	6,226	13,428	63,870
			135,190
			711,288
-	-	-	846,478
\$ 10,118	\$ 6,226	\$ 13,428	\$ 910,348
			\$ 914
			5,789
\$ -	\$ -	\$ -	6,703
			140,345
-	-	-	147,048
10,118	6,226	13,428	700,344
			299,354
			(236,398)
10,118	6,226	13,428	763,300
\$ 10,118	\$ 6,226	\$ 13,428	\$ 910,348

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WINNESHIEK COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 NONMAJOR PROPRIETARY FUNDS
 For the Year Ended June 30, 2017

	Burr Oak Sewer Fund	Festina Sewer Fund	Burr Oak Sewer Sinking Fund
OPERATING REVENUES			
Charges for services	\$ 27,006	\$ 18,394	
Total operating revenues	<u>27,006</u>	<u>18,394</u>	\$ -
OPERATING EXPENSES			
Depreciation	15,802	11,217	
Other	18,039	3,493	
Total operating expenses	<u>33,841</u>	<u>14,710</u>	-
Operating (loss) income	<u>(6,835)</u>	<u>3,684</u>	-
NONOPERATING REVENUES (EXPENSES)			
Interest income	39	133	
Interest expense	(3,358)	(4,069)	
Net nonoperating revenues (expenses)	<u>(3,319)</u>	<u>(3,936)</u>	-
(Loss) before contributions and transfers	<u>(10,154)</u>	<u>(252)</u>	-
OPERATING TRANSFERS			
Transfer in	123,416	9,344	6,228
Transfer out	(6,228)	(14,244)	(6,226)
Total operating transfers	<u>117,188</u>	<u>(4,900)</u>	<u>2</u>
Change in net position	107,034	(5,152)	2
NET POSITION, beginning of year	<u>339,439</u>	<u>291,137</u>	<u>1,068</u>
NET POSITION, end of year	<u>\$ 446,473</u>	<u>\$ 285,985</u>	<u>\$ 1,070</u>

See Independent Auditor's Report.

SCHEDULE 6

Festina Sewer Sinking Fund	Burr Oak Sewer Reserve Fund	Festina Sewer Reserve Fund	Total Nonmajor Enterprise Funds
			\$ 45,400
\$ -	\$ -	\$ -	45,400
4,967			27,019
			26,499
4,967	-	-	53,518
(4,967)	-	-	(8,118)
			172
			(7,427)
-	-	-	(7,255)
(4,967)	-	-	(15,373)
13,544		700	153,232
(9,344)			(36,042)
4,200	-	700	117,190
(767)	-	700	101,817
10,885	6,226	12,728	661,483
\$ 10,118	\$ 6,226	\$ 13,428	\$ 763,300

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WINNESHIEK COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash and pooled investments:				
County Treasurer		\$ 1,946	\$ 190,064	\$ 129,314
Other County officials	\$ 54,240			
Receivables:				
Property tax:				
Delinquent		23	49	1,372
Succeeding year		240,201	533,375	16,033,042
Accounts	4,995			
Accrued interest				
Due from other governments			11	
Prepaid insurance			3,200	
Total assets	<u>\$ 59,235</u>	<u>\$ 242,170</u>	<u>\$ 726,699</u>	<u>\$ 16,163,728</u>
LIABILITIES				
Accounts payable			\$ 2,751	
Salaries and benefits payable			9,467	
Due to other funds	\$ 28,937		110	
Due to other governments	16,655	\$ 1,969	180,996	\$ 130,686
Unavailable property tax revenue		240,201	533,375	16,033,042
Trusts payable	13,643			
Unearned revenue				
Total liabilities	<u>\$ 59,235</u>	<u>\$ 242,170</u>	<u>\$ 726,699</u>	<u>\$ 16,163,728</u>

See Independent Auditor's Report.

<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>E911 Surcharge</u>	<u>Other</u>	<u>Total</u>
\$ 9,351	\$ 14,196	\$ 5,290	\$ 560,616	\$ 369,186	\$ 165,754	\$ 1,445,717 54,240
126	208	33			51	1,862
1,360,123	5,621,528	508,822			545,765	24,842,856
				38,704		43,699
				189		189
				13,866	26,900	40,777
					571	3,771
<u>\$ 1,369,600</u>	<u>\$ 5,635,932</u>	<u>\$ 514,145</u>	<u>\$ 560,616</u>	<u>\$ 421,945</u>	<u>\$ 739,041</u>	<u>\$ 26,433,111</u>
				\$ 8,650	\$ 682	\$ 12,083
					2,708	12,175
						29,047
\$ 9,477	\$ 14,404	\$ 5,323	\$ 560,616	413,295	163,127	1,496,548
1,360,123	5,621,528	508,822			545,765	24,842,856
						13,643
					26,759	26,759
<u>\$ 1,369,600</u>	<u>\$ 5,635,932</u>	<u>\$ 514,145</u>	<u>\$ 560,616</u>	<u>\$ 421,945</u>	<u>\$ 739,041</u>	<u>\$ 26,433,111</u>

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WINNESHIEK COUNTY
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended June 30, 2017

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>	<u>Schools</u>
ASSETS AND LIABILITIES				
BALANCE, beginning of year	\$ 59,113	\$ 236,088	\$ 998,470	\$ 16,381,412
ADDITIONS				
Property and other County taxes		227,487	512,315	15,144,137
State tax credits		19,577	32,902	1,372,312
Office fees and collections	431,335			
Auto license, use tax and postage				
E911 telephone surcharges				
Miscellaneous	125,240			
Assessments				
Trusts	43,461			
Total additions	<u>600,036</u>	<u>247,064</u>	<u>545,217</u>	<u>16,516,449</u>
DEDUCTIONS				
Agency remittances:				
To other funds	286,122			
To other governments	229,769	240,982		16,734,133
Trusts paid out	38,189			
Miscellaneous	45,834		816,988	
Total deductions	<u>599,914</u>	<u>240,982</u>	<u>816,988</u>	<u>16,734,133</u>
BALANCE, end of year	<u>\$ 59,235</u>	<u>\$ 242,170</u>	<u>\$ 726,699</u>	<u>\$ 16,163,728</u>

See Independent Auditor's Report.

<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>E911 Surcharge</u>	<u>Other</u>	<u>Total</u>
\$ 1,133,920	\$ 5,473,617	\$ 486,854	\$ 509,539	\$ 619,848	\$ 722,218	\$ 26,621,079
1,298,222	5,290,223	484,634			520,747	23,477,765
94,065	632,162	31,914			44,612	2,227,544
			6,604,718		3,719	435,054
				80,221		6,604,718
				210,701		80,221
					191,344	527,285
					45,121	45,121
						43,461
<u>1,392,287</u>	<u>5,922,385</u>	<u>516,548</u>	<u>6,604,718</u>	<u>290,922</u>	<u>805,543</u>	<u>33,441,169</u>
1,156,607	5,760,070	489,257	203,208	488,825	788,720	489,330
			6,350,433			32,238,796
						38,189
						862,822
<u>1,156,607</u>	<u>5,760,070</u>	<u>489,257</u>	<u>6,553,641</u>	<u>488,825</u>	<u>788,720</u>	<u>33,629,137</u>
\$ 1,369,600	\$ 5,635,932	\$ 514,145	\$ 560,616	\$ 421,945	\$ 739,041	\$ 26,433,111

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

	Modified Accrual			
	2017	2016	2015	2014
REVENUES				
Property and other County taxes	\$ 8,712,158	\$ 8,231,786	\$ 8,107,755	\$ 7,633,942
Local option sales tax	1,464,256	1,432,705	1,490,067	1,305,241
Interest and penalty on property taxes	50,410	49,382	49,277	52,312
Intergovernmental	9,563,682	7,616,214	6,093,748	6,139,781
Licenses and permits	30,072	23,929	20,989	25,417
Charges for service	840,636	725,481	707,793	711,954
Use of money and property	167,180	159,766	151,327	146,314
Miscellaneous	984,116	888,330	722,092	1,000,809
Total revenues	\$ 21,812,510	\$ 19,127,593	\$ 17,343,048	\$ 17,015,770
EXPENDITURES				
Current:				
Public safety and legal services	\$ 3,981,797	\$ 2,781,637	\$ 2,609,552	\$ 2,486,450
Physical health and social services	1,251,659	1,324,333	1,303,254	1,321,137
Mental health	967,694	834,286	1,401,148	1,768,935
County environment and education	2,151,576	1,817,801	1,685,897	1,589,247
Roads and transportation	8,079,231	7,662,578	5,237,297	6,508,015
Governmental services to residents	569,843	544,433	549,902	524,512
Administration	2,171,283	2,139,199	2,020,823	2,019,642
Non-program	2,002,804	4,087	3,712	3,398
Debt service				
Capital projects	2,747,014	1,657,479	1,665,783	1,229,020
Total expenditures	\$ 23,922,901	\$ 18,765,833	\$ 16,477,368	\$ 17,450,356

See Independent Auditor's Report.

SCHEDULE 9

Modified Accrual						
2013	2012	2011	2010	2009	2008	
\$ 7,707,204	\$ 7,422,935	\$ 7,129,466	\$ 6,682,837	\$ 5,763,349	\$ 5,521,664	
1,443,421	1,220,456	1,289,539	1,234,237	1,276,001	1,151,833	
52,188	55,167	57,100	61,083	57,740	51,023	
5,536,014	8,008,604	7,121,719	6,555,969	7,590,448	7,014,918	
19,607	19,342	12,770	12,943	13,112	17,422	
709,823	645,513	610,437	574,453	570,256	567,022	
152,366	172,689	190,454	189,438	241,727	343,464	
862,591	872,123	774,961	539,518	387,281	176,988	
<u>\$ 16,483,214</u>	<u>\$ 18,416,829</u>	<u>\$ 17,186,446</u>	<u>\$ 15,850,478</u>	<u>\$ 15,899,914</u>	<u>\$ 14,844,334</u>	
\$ 2,260,166	\$ 2,292,597	\$ 2,217,149	\$ 2,044,387	\$ 1,974,433	\$ 1,924,780	
1,328,106	1,419,929	1,411,514	1,707,517	1,622,070	1,510,110	
1,049,783	2,526,694	2,702,757	2,065,220	2,225,989	2,426,900	
1,522,418	1,520,347	1,695,435	3,448,510	1,310,048	1,226,245	
5,827,296	5,494,568	4,734,265	6,737,583	5,227,666	5,435,764	
611,866	445,980	403,366	328,933	346,924	299,885	
1,952,183	1,733,409	1,652,185	1,358,709	1,425,958	1,335,264	
3,390	14,004	2,720	39,217	2,657	29,808	
		492,026	487,723	487,682	563,841	
1,505,347	1,605,035	1,683,341	587,285	1,535,195	1,106,536	
<u>\$ 16,060,555</u>	<u>\$ 17,052,563</u>	<u>\$ 16,994,758</u>	<u>\$ 18,805,084</u>	<u>\$ 16,158,622</u>	<u>\$ 15,859,133</u>	

WINNESHIEK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements. No material weaknesses noted.
- (c) No instances of noncompliance material to the financial statements of Winneshiek County, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- (d) Significant deficiencies in internal control over the major programs were disclosed by the audit of the financial statements. No material weaknesses noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (g) Major programs were as follows:
 - CFDA Number 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
 - CFDA Number 97.039 Hazard Mitigation Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Winneshiek County did qualify as a low-risk auditee.

WINNESHIEK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Part II: Findings Related to the Financial Statements:

Instances of noncompliance: no matters were noted.

Internal control deficiencies:

Finding 2017-001 Overlapping Duties

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

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County's financial statements.

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

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

Recommendation: The County should review the operating procedures of the County offices to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. While we do recognize that the County is not large enough to permit a segregation of duties for an effective internal control, we believe it is important the Board be aware that this condition does exist.

Views of Responsible
Officials and Planned

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

WINNESHIEK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Part III: Findings and Questioned Costs for Federal Awards:

Instances of noncompliance: no matters were noted.

Internal control deficiencies:

CFDA Number 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Award Year: 2017
U.S. Department of Homeland Security
Passed through Iowa Homeland Security and Emergency Management Department
See 2017-001 above.

CFDA Number 97.039 Hazard Mitigation Grant
Federal Award Year: 2017
U.S. Department of Homeland Security
Passed through Iowa Homeland Security and Emergency Management Department
See 2017-001 above.

Part IV: Other Findings Related to Required Statutory Reporting:

See management letter dated March 6, 2018

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

Comment Reference	Comment Title	Status	Explanation
2016-001	Overlapping duties	Not corrected	The County has limited staff and segregates duties to the best of their abilities.

WINNESHIEK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Grantor/Program	CFDA Number	Grant Number/Description	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Passed through Iowa Department of Human Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	LAE Reimbursement	\$ 11,161
U.S. Department of Housing and Urban Development:			
Passed through Iowa Department of Economic Development Authority:			
National Disaster Resilience Competition	14.272	13-NDRI-009	159,029
U.S. Department of Justice:			
Passed through Iowa Department of Justice:			
Crime Victim Assistance	16.575	VA-17-25	25,750
U.S. Department of Transportation:			
Passed through Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO96(130)--8J-96	209,822
	20.205	BROS-CO96(134)--8J-96	24,090
	20.205	BROS-CO96(131)--8J-96	271,101
	20.205	BROS-CO96(133)--8J-96	217,522
	20.205	13-STP-ES-115	16,059
			<u>738,594</u>
Passed through Iowa Department of Public Safety:			
Highway Safety Cluster:			
National Priority Safety Programs	20.616	PAP 17-405d M6OT, Task 59-00-00	13,063
Subtotal U.S. Department of Transportation			<u>751,657</u>
U.S. Department of Health and Human Services:			
Passed through Iowa Department of Public Health:			
Project Grants and Cooperative Agreements for Immunization Cooperative Agreements			
	93.268	58861482	968
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance			
	93.539	58861482	7,388
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements			
	93.074	5887BT96	48,918
Passed through Iowa Department of Human Services:			
Social Services Block Grant	93.667	LAE Reimbursement	3,292
Other Federal Financial Assistance:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State Administered Programs			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.566	LAE Reimbursement	33
Foster Care - Title IV-E	93.596	LAE Reimbursement	3,170
Adoption Assistance	93.658	LAE Reimbursement	4,142
State Children's Insurance Program	93.659	LAE Reimbursement	1,284
Medical Assistance Program	93.767	LAE Reimbursement	89
	93.778	LAE Reimbursement	19,481
			<u>28,199</u>
Subtotal U.S. Department of Health and Human Services			<u>88,765</u>

See Independent Auditor's Report.

WINNESHIEK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Grantor/Program	CFDA Number	Grant Number/Description	Program Expenditures
Indirect (Continued):			
U.S. Department of Homeland Security:			
Passed through Iowa Homeland Security and Emergency Management Department:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA DR-4234-IA	\$ 7,218
		FEMA DR-4289-IA	127,788
		FEMA DR-4281-IA	791,731
			<u>926,737</u>
Hazard Mitigation Grant	97.039	DR-4289-0002-01	<u>796,785</u>
Emergency Management Performance Grants	97.042	EMPG-17-PT-96	<u>26,759</u>
Subtotal U.S. Department of Homeland Security			<u>1,750,281</u>
Total Federal Financial Assistance			<u>\$ 2,786,643</u>

WINNESHIEK COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Winneshiek County under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Winneshiek County, it is not intended to and does not present the financial position, changes in net position or cash flows of Winneshiek County.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

Winneshiek County has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Subrecipients

There were no awards passed through to subrecipients.

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

To the Board of Supervisors
Winneshiek County
Decorah, Iowa

We have audited, in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Winneshiek County, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Winneshiek County's basic financial statements, and have issued our report thereon dated March 6, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Winneshiek County's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
March 6, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Supervisors
Winneshiek County
Decorah, Iowa

Report on Compliance for Each Major Federal Program

We have audited Winneshiek County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Winneshiek County's major federal programs for the year ended June 30, 2017. Winneshiek County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Winneshiek County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winneshiek County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Winneshiek County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

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

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

Hacker, Nelson & Co., P.C.

Decorah, Iowa
March 6, 2018

MANAGEMENT LETTER

To the Board of Supervisors
Winneshiek County
Decorah, Iowa

In planning and performing our audit of the basic financial statements of Winneshiek County for the year ended June 30, 2017, we considered the County's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the County's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 10 below are compliance comments required by the Iowa Auditor of State. A separate report dated March 6, 2018, contains our report on the County's internal control over financial reporting. This letter does not affect our report dated March 6, 2018, on the basic financial statements of Winneshiek County. Comments 1 and 12 are unresolved comments from the prior year. All other prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the County's responses and, accordingly, we express no opinion on them.

1. Certified Budget

Disbursements during the year ended June 30, 2017 exceeded the amounts budgeted in the roads and transportation function.

Recommendation

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

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

Response

The County Engineer's office entered claims and paid expenses in excess of their budgeted funds too late in the fiscal year to be able to process a budget amendment. Management did not notice until after the fact. The Engineer will monitor expenditures more diligently in the future to avoid this. Management will monitor expenditures before payments are approved.

Conclusion

Response accepted.

2. **Questionable Expenditures**
We noted no expenditures that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979.
3. **Travel Expense**
No expenditures of County money for travel expenses of spouses of County officials and/or employees were noted.
4. **Business Transactions**
We noted no business transactions between the County and County officials and/or employees for the year ended June 30, 2017.
5. **Bond Coverage**
Surety bond coverage of County officials and employees is in accordance with statutory provisions.
6. **Board Minutes**
No transactions were found that we believe should have been approved in the Board minutes but were not. The minutes were published as required by Chapter 349.18 of the Code of Iowa and Attorney General's opinions dated December 10, 1985, December 31, 1986, and May 2, 1989.
7. **Deposits and Investments**
A resolution naming official depository banks has been approved by the Board of Supervisors. The maximum deposit amount stated in the resolution was not exceeded during the year ended June 30, 2017.
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. **County Extension Office**
The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A through G.

Disbursements during the year ended June 30, 2017 for the County Extension Office did not exceed the amount budgeted.

The surety bond covering the Treasurer of the County Extension Council was in compliance with statutory provisions.
10. **Tax Increment Financing (TIF)**
For the year ended June 30, 2017, the County Auditor's office performed their duties in accordance with Chapter 403.19(6)(a)(1) of the Code of Iowa and completed reconciliations of each City's TIF receipts and TIF debt certified.

11. Disbursements

During our audit, we noted one invoice that was paid to an employee for a reimbursement of mileage without any documentation showing miles traveled, where the employee traveled to or why. We also noted credit card payments were made without receipts showing a detail of the charges to demonstrate public purpose.

Recommendation

We recommend the County enhance documentation of reimbursements and credit card payments to demonstrate allowability and public purpose of expenses.

Response

The County Auditor's office will require detailed information when claims are submitted, and the County Supervisors will review the detailed documentation before approving payment.

Conclusion

Response accepted.

12. Capital Asset Records

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

Recommendation

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

Response

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

Conclusion

Response accepted.

13. Solid Waste Fees Retainage

During the year ended June 30, 2017, the solid waste fees established by Chapter 455E.11 (2), (11), (13) and (15) of the Code of Iowa, were administered by Winneshiek County Area Solid Waste Agency. The Agency is a 28E organization of which Winneshiek County is a member.

14. Financial Assurance

The Winneshiek County Area Solid Waste Agency (Agency) has demonstrated financial assurance for closure and postclosure care costs by establishing a closure and postclosure account as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. As of June 30, 2017, the estimated closure and postclosure care costs were fully funded by a dedicated investment account. The calculation is made as follows:

	<u>Closure</u>	<u>Postclosure</u>
Total estimated costs for closure and postclosure care	\$ 3,939,827	\$ 1,255,112
Less balance of funds held in local dedicated fund at June 30, 2017	<u>(5,933,119)</u>	<u>(1,890,118)</u>
Dedicated funds in excess of estimated costs for closure and postclosure care	<u>\$ (1,993,292)</u>	<u>\$ (635,006)</u>

This report, a public record by law, is intended solely for the information and use of the Board of Supervisors, management and citizens of Winneshiek County, and federal awarding agencies and pass-through entities to whom the County may report. The report is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Winneshiek County during the course of our audit. If you have any questions concerning these or other matters, we would be happy to discuss them with you at your convenience.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
March 6, 2018