

**WINNESHIEK COUNTY
DECORAH, IOWA**

FINANCIAL REPORT

JUNE 30, 2018

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WINNESHIEK COUNTY

Officials
June 30, 2018

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, 2018, 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, 2018, 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.

Emphasis of a Matter

As discussed in Note 21 to the financial statements, Winneshiek County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

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 County contributions and the schedule of changes in the County's total OPEB liability, related ratios and notes on pages 5 through 5g and pages 46 through 52 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, 2018 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, 2017 (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), are presented for purposes of additional analysis and are 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information shown on Schedules 1 through 11, including the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the years ended June 30, 2009 through 2018 basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2019, 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
February 21, 2019

WINNESHIEK COUNTY
DECORAH, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2018

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, 2018. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during fiscal year 2018. The beginning net position for governmental activities was restated by \$36,571 to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.
- Revenues of the County's governmental activities decreased 13.64% or approximately \$3,650,000 from fiscal year 2017 to fiscal year 2018. Operating grants decreased approximately \$3,170,000 and capital grants decreased approximately \$1,175,000 while charges for services and property taxes increased approximately \$388,000 and \$216,000, respectively.
- Program expenses of the County's governmental activities were 6.71% or approximately \$1,501,000 less in fiscal year 2018 than in fiscal year 2017. Public safety and roads and transportation had the most significant decreases at approximately \$700,000 and \$1,994,000, respectively, while county environment and education had the most significant increase of approximately \$1,132,000.
- Net position of the County's governmental activities increased 3.93% or approximately \$2,300,000, over the restated June 30, 2017 balance.

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, the rural services, and the secondary roads special revenue funds 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.

USING THIS ANNUAL REPORT (Continued)

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 changes in the County's total OPEB liability, related ratios and notes.

Supplementary information provides detailed information about the nonmajor governmental funds, the special revenue funds, the proprietary funds, the individual agency funds, and compares governmental fund activity to prior years. 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.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES (Continued)

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.

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

The 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.

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			
	2018	2017 (Not Restated)	Percent Change
Current and other assets	\$ 22,831	\$ 21,382	6.78%
Capital assets	54,229	53,286	1.77%
Total assets	77,060	74,668	3.20%
Deferred outflows of resources	1,699	1,536	10.61%
Current liabilities	842	887	-5.07%
Noncurrent liabilities	7,114	7,027	1.24%
Total liabilities	7,956	7,914	0.53%
Deferred inflows of resources	9,958	9,710	2.55%
Net position:			
Net investment in capital assets	54,229	53,286	1.77%
Restricted	4,988	4,206	18.59%
Unrestricted	1,628	1,088	49.63%
Total net position	\$ 60,845	\$ 58,580	3.87%

Condensed Statement of Net Position (Expressed in Thousands)			
Business-type Activities			
	2018	2017	Percent Change
Current and other assets	\$ 74	\$ 92	-19.57%
Capital assets	1,886	1,887	-0.05%
Total assets	1,960	1,979	-0.96%
Long-term debt outstanding	555	947	-41.39%
Other liabilities	16	41	-60.98%
Total liabilities	571	988	-42.21%
Net position:			
Net investment in capital assets	1,006	983	2.34%
Restricted	273	299	-8.70%
Unrestricted (deficit)	110	(291)	137.80%
Total net position	\$ 1,389	\$ 991	40.16%

Prior to restatement, Winneshiek County's net position for the governmental activities decreased .06% or approximately \$37,000 from the prior year. 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 \$540,000 or 49.63% and increased for the business-type activities approximately \$401,000 or 137.80%.

The increase in net position for the governmental activities was down slightly after a large increase in net position in 2017. A significant decrease in operating and capital grants was offset by a slightly smaller decrease in expenses. Of the expenditures, public safety and roads and transportation decreased the most. The increase in net position for the business-type activities is due to loan proceeds of \$442,482 in the Frankville Water District Fund that were forgiven in 2018.

The following analysis shows the changes in net position for the governmental activities and business-type activities for the years ended June 30, 2018 and 2017:

	Changes in Net Position (Expressed in Thousands)		
	Governmental Activities		
	2018	2017 (Not Restated)	Percent Change
Revenues:			
Program revenue:			
Charges for service	\$ 2,617	\$ 2,229	17.41%
Operating grants	5,677	8,847	-35.83%
Capital grants	3,406	4,582	-25.67%
General revenue:			
Property taxes	8,929	8,712	2.49%
Local option sales tax	1,479	1,464	1.02%
Penalty and interest on property taxes	50	50	0.00%
State tax credits	747	745	0.27%
Rents	121	122	-0.82%
Unrestricted investment earnings	96	47	104.26%
Other	29	10	100.00%
Total revenues	23,151	26,808	-13.64%
Program expenses:			
Public safety and legal services	3,202	3,903	-17.96%
Physical health and social services	1,217	1,253	-2.87%
Mental health	893	966	-7.56%
County environment and education	2,455	1,324	85.42%
Roads and transportation	9,695	11,689	-17.06%
Governmental services to residents	591	559	5.72%
Administration	2,557	2,137	19.65%
Non-program	271	552	-50.91%
Total expenses	20,881	22,383	-6.71%
 Increase in net position before transfers	 2,270	 4,425	 -48.70%
Transfers	31	64	-51.56%
 Increase in net position	 2,301	 4,489	 -48.74%
Net position, beginning of year, as restated	58,544	54,091	8.23%
Net position, end of year	\$ 60,845	\$ 58,580	3.87%

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Changes in Net Position Business-type Activities		
	2018	2017	Percent Change
Revenues:			
Program revenue:			
Charges for service	\$ 377	\$ 350	7.71%
Capital grants	442	-	0.00%
Total revenues	819	350	134.00%
Program expenses:			
Operating expenses	390	377	3.45%
Operating income (loss)	429	(27)	1688.89%
Change in net position before transfers	429	(27)	1688.89%
Transfers	(31)	(64)	0.00%
Increase (decrease) in net position	398	(91)	537.36%
Net position, beginning of year	991	1,082	-8.41%
Net position, end of year	\$ 1,389	\$ 991	40.16%

INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$9,749,795, an increase of \$2,428,448 from the 2017 fiscal year end balance of \$7,321,347.

- The general fund revenues decreased \$264,659 or 2.31% from the prior year and the expenditures decreased \$2,307,028 or 19.72%. The large decrease 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 in fiscal year 2017. The County's general fund also had an increase in intergovernmental revenues of \$1,473,925. Approximately \$1,000,000 of this increase was from FEMA money and another approximately \$360,000 was from the Upper Iowa Watershed Project. The ending fund balance showed an increase of 50.90% from the prior year of \$3,135,764 to \$4,731,724.
- 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 \$893,000, a decrease of 7.68% from the prior year. The mental health fund balance at year-end decreased by \$140,534 from the prior year.
- The ending fund balance for the rural services fund increased by \$121,301 or 7.42% over the prior year. Overall revenues increased 2.49% and the expenditures increased 4.84%.
- Secondary roads fund revenues decreased \$1,767,316 or 24.21% over the prior year. For the year, expenditures totaled \$7,498,205, a decrease of \$2,032,219 or 21.32%. The secondary roads fund balance increased \$714,930 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 the internal service fund and 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 once. The amendment was made in May 2018. However, this did not require an increase in property taxes.

The amendment made during the 2018 fiscal year should have no impact on the 2019 fiscal year’s budget.

The following chart shows the original and final budget for fiscal year 2018 as well as the actual receipts and disbursements for the year:

	Budgetary Comparison Schedule			
	(Expressed in Thousands)			
	Budget Basis	Budgeted Amounts		Variance
	Original	Final		
RECEIPTS				
Property and other County taxes	\$ 10,264	\$ 10,425	\$ 10,425	\$ (161)
Interest and penalty on property taxes	50	45	45	5
Intergovernmental	8,597	11,410	11,138	(2,541)
Licenses and permits	27	25	25	2
Charges for service	840	804	866	(26)
Use of money and property	210	203	203	7
Miscellaneous	1,132	1,124	1,363	(231)
Total receipts	\$ 21,120	\$ 24,036	\$ 24,065	\$ (2,945)
DISBURSEMENTS				
Public safety and legal services	\$ 3,077	\$ 4,581	\$ 3,432	\$ 355
Physical health and social services	1,223	1,391	1,391	168
Mental health	893	934	934	41
County environment and education	2,411	2,543	2,591	180
Roads and transportation	6,763	7,652	7,128	365
Governmental services to residents	578	642	650	72
Administration	2,441	2,508	2,903	462
Non-program	2	6	7	5
Capital projects	1,378	3,770	3,940	2,562
Total disbursements	\$ 18,766	\$ 24,027	\$ 22,976	\$ 4,210

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018, Winneshiek County had \$54,228,548 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 \$1,886,398 invested in land, landfill and sewer systems.

The County had depreciation expense of \$2,823,557 for fiscal year 2018 and total accumulated depreciation of \$44,609,584 as of June 30, 2018 for the governmental activities. The County had depreciation/depletion expense of \$42,932 for fiscal year 2018 and total accumulated depreciation/depletion of \$1,933,752 as of June 30, 2018 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 \$2,730,525 in bonds and other debt compared to \$3,386,725 last year. More detail is presented in Note 7 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 \$113,783,854 limit.

Other obligations include accrued vacation pay. More detailed information about the County's long-term liabilities is presented in Note 7 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 2019 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 any questions about this report or need additional financial information, contact the County Auditor's Office, Winneshiek County, 201 West Main Street, Decorah, IA 52101.

WINNESHIK COUNTY
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash, cash equivalents and pooled investments	\$ 9,753,961	\$ 73,184	\$ 9,827,145
Receivables:			
Property tax:			
Delinquent	492		492
Succeeding year	9,680,690		9,680,690
Accounts	79,520		79,520
Accrued interest	9,691		9,691
Due from other governments	1,154,718		1,154,718
Due from Winneshiek County Area Solid Waste Agency	1,726,215		1,726,215
Inventories	335,819		335,819
Prepaid expenses	90,448		90,448
Non-depreciable assets	2,001,998	460,022	2,462,020
Capital assets, net of accumulated depreciation/depletion	52,226,550	1,426,376	53,652,926
Total assets	<u>77,060,102</u>	<u>1,959,582</u>	<u>79,019,684</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	1,685,954		1,685,954
OPEB related deferred outflows	13,533		13,533
Total deferred outflows of resources	<u>1,699,487</u>	<u>-</u>	<u>1,699,487</u>
Total assets and deferred outflows of resources	<u>\$ 78,759,589</u>	<u>\$ 1,959,582</u>	<u>\$ 80,719,171</u>
LIABILITIES			
Accounts payable	\$ 531,153		\$ 531,153
Salaries and benefits payable	295,305		295,305
Accrued interest payable		\$ 1,432	1,432
Due to other governments	15,902		15,902
Long-term liabilities:			
Portion due within one year:			
Bonds payable	277,215		277,215
Notes payable		21,181	21,181
Compensated absences	435,109	13,835	448,944
Portion due after one year:			
Net pension liability	4,722,142		4,722,142
Total OPEB liability	230,591		230,591
Bonds payable	1,449,000		1,449,000
Notes payable		534,185	534,185
Total liabilities	<u>7,956,417</u>	<u>570,633</u>	<u>8,527,050</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	169,327		169,327
Unavailable property tax revenue	9,680,690		9,680,690
Other	107,871		107,871
Total deferred inflows of resources	<u>9,957,888</u>	<u>-</u>	<u>9,957,888</u>
NET POSITION			
Net investment in capital assets	54,228,548	1,331,032	55,559,580
Restricted for:			
Mental health purposes	78,080		78,080
Rural services purposes	1,757,019		1,757,019
Secondary roads purposes	2,332,450		2,332,450
Capital projects	29,392		29,392
Other special revenue purposes	696,874		696,874
Other purposes	94,514	272,954	367,468
Unrestricted (deficit)	1,628,407	(215,037)	1,413,370
Total net position	<u>60,845,284</u>	<u>1,388,949</u>	<u>62,234,233</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 78,759,589</u>	<u>\$ 1,959,582</u>	<u>\$ 80,719,171</u>

See Notes to Financial Statements.

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WINNESHIEK COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
Governmental activities:				
Public safety and legal services	\$ 3,202,146	\$ 146,941	\$ 18,130	
Physical health and social services	1,216,827	596,598	343,874	\$ 660
Mental health	893,283		56,208	
County environment and education	2,455,404	178,767	302,450	105,267
Roads and transportation	9,694,888	98,775	4,948,155	3,285,691
Governmental services to residents	590,687	1,402,253	7,576	14,729
Administration	2,556,930			
Non-program	271,125	193,994	536	
Total governmental activities	20,881,290	2,617,328	5,676,929	3,406,347
Business-type activities:				
Landfill	287,128	289,467		
Burr Oak Sewer fund	37,297	27,707		
Festina Sewer fund	23,660	18,141		
Frankville Water District fund	42,176	41,814		442,482
Total business-type activities	390,261	377,129	-	442,482
Total	\$ 21,271,551	\$ 2,994,457	\$ 5,676,929	\$ 3,848,829
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, as restated				
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
\$ (3,037,075)		\$ (3,037,075)
(275,695)		(275,695)
(837,075)		(837,075)
(1,868,920)		(1,868,920)
(1,362,267)		(1,362,267)
833,871		833,871
(2,556,930)		(2,556,930)
(76,595)		(76,595)
<u>(9,180,686)</u>	<u>\$ -</u>	<u>(9,180,686)</u>
	2,339	2,339
	(9,590)	(9,590)
	(5,519)	(5,519)
	<u>442,120</u>	<u>442,120</u>
<u>-</u>	<u>429,350</u>	<u>429,350</u>
<u>(9,180,686)</u>	<u>429,350</u>	<u>(8,751,336)</u>
8,928,594		8,928,594
1,478,524		1,478,524
49,606		49,606
747,422		747,422
121,277		121,277
96,374	83	96,457
28,969		28,969
31,285	(31,285)	-
<u>11,482,051</u>	<u>(31,202)</u>	<u>11,450,849</u>
2,301,365	398,148	2,699,513
<u>58,543,919</u>	<u>990,801</u>	<u>59,534,720</u>
<u>\$ 60,845,284</u>	<u>\$ 1,388,949</u>	<u>\$ 62,234,233</u>

WINNESHIEK COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General	Special Revenue Funds			Nonmajor Governmental Funds	Total Governmental Funds
		Mental Health	Rural Services	Secondary Roads		
ASSETS						
Cash, cash equivalents and pooled investments	\$ 4,823,594	\$ 71,357	\$ 1,504,176	\$ 1,920,001	\$ 704,027	\$ 9,023,155
Receivables:						
Property tax:						
Delinquent	412	28	52			492
Succeeding year	7,340,568	715,680	1,624,442			9,680,690
Accounts	64,389	8,610	2,460	4,061		79,520
Accrued interest	8,850				214	9,064
Due from other governments	221,519		266,575	634,870	31,754	1,154,718
Prepaid expenditures	51,652	810	5,468	32,518		90,448
Inventories				335,819		335,819
Total assets	\$ 12,510,984	\$ 796,485	\$ 3,403,173	\$ 2,927,269	\$ 735,995	\$ 20,373,906
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 211,170		\$ 5,963	\$ 293,214	\$ 9,729	\$ 520,076
Salaries and benefits payable	178,740	\$ 1,749	15,749	99,067		295,305
Due to other governments	2,209			13,693		15,902
Total liabilities	392,119	1,749	21,712	405,974	9,729	831,283
Deferred inflows of resources:						
Succeeding year property tax	7,340,568	715,680	1,624,442			9,680,690
Other	46,573	15	10	42,294	23,246	112,138
Total deferred inflows of resources	7,387,141	715,695	1,624,452	42,294	23,246	9,792,828
Fund balances:						
Nonspendable:						
Inventories				335,819		335,819
Prepaid expenditures	51,652	810	5,468	32,518		90,448
Restricted for:						
Other purposes	42,862					42,862
Mental health purposes		78,231				78,231
Rural services purposes			1,751,541			1,751,541
Secondary roads purposes				2,110,664		2,110,664
Other special revenue purposes					673,628	673,628
Capital projects					29,392	29,392
Unassigned	4,637,210					4,637,210
Total fund balances	4,731,724	79,041	1,757,009	2,479,001	703,020	9,749,795
Total liabilities, deferred inflows of resources and fund balances	\$ 12,510,984	\$ 796,485	\$ 3,403,173	\$ 2,927,269	\$ 735,995	\$ 20,373,906

See Notes to Financial Statements.

WINNESHIEK COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

Reconciliation of governmental fund balances to net position:	
Total governmental fund balances	\$ 9,749,795
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: \$ 44,609,584	54,228,548
Pension and OPEB 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	1,699,487
Deferred inflows of resources	(169,327)
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.	112,138
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.	612,485
Long-term liabilities, including bonds payable, compensated absences payable, accrued interest payable, net pension liability, total OPEB liability, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds:	
Total OPEB liability	(230,591)
Net pension liability	(4,722,142)
Compensated absences	(435,109)
Net position of governmental activities per Exhibit A	<u>\$ 60,845,284</u>
Cash, cash equivalents and pooled investments of governmental activities include the following reclassifications:	
Internal service fund cash at June 30, 2018	<u>\$ 730,806</u>

WINNESHIEK COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General	Special Revenue Funds			Nonmajor Governmental Funds	Total Governmental Funds
		Mental Health	Rural Services	Secondary Roads		
REVENUES						
Property and other County taxes	\$ 6,780,161	\$ 640,986	\$ 1,509,117			\$ 8,930,264
Local option sales tax			1,478,524			1,478,524
Interest and penalty on property taxes	49,606					49,606
Intergovernmental	2,447,532	111,859	393,757	\$ 5,382,742	\$ 187,333	8,523,223
Licenses and permits	1,259		8,500	17,143		26,902
Charges for service	827,665		15,230	120	21,996	865,011
Use of money and property	213,297				2,166	215,463
Miscellaneous	838,954		159	111,356	44,254	994,723
Total revenues	11,158,474	752,845	3,405,287	5,511,361	255,749	21,083,716
EXPENDITURES						
Current:						
Public safety and legal services	3,101,880					3,101,880
Physical health and social services	1,127,656		68,986		18,597	1,215,239
Mental health		893,379				893,379
County environment and education	1,592,182		735,021			2,327,203
Roads and transportation				6,757,855		6,757,855
Governmental services to residents	560,497		11,190		5,000	576,687
Administration	2,468,149		402			2,468,551
Non-program	1,574					1,574
Capital projects	540,943			740,350	95,361	1,376,654
Total expenditures	9,392,881	893,379	815,599	7,498,205	118,958	18,719,022
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,765,593	(140,534)	2,589,688	(1,986,844)	136,791	2,364,694
OTHER FINANCING SOURCES (USES)						
Transfers in	73,865			2,679,489		2,753,354
Proceeds from disposal of capital assets	10,184			22,285		32,469
Transfers out	(253,682)		(2,468,387)			(2,722,069)
	(169,633)	-	(2,468,387)	2,701,774	-	63,754
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,595,960	(140,534)	121,301	714,930	136,791	2,428,448
FUND BALANCES, beginning of year	3,135,764	219,575	1,635,708	1,764,071	566,229	7,321,347
FUND BALANCES, end of year	\$ 4,731,724	\$ 79,041	\$ 1,757,009	\$ 2,479,001	\$ 703,020	\$ 9,749,795

See Notes to Financial Statements.

WINNESHIEK COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

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	\$	2,428,448
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	\$ (2,823,557)	
Capital assets contributed by the Iowa Department of Transportation	2,827,271	
Capital outlays	<u>942,463</u>	946,177
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	(1,670)	
Other	<u>(986,324)</u>	(987,994)
The net effect of disposal of capital assets.		(3,500)
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.		575,734
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.		95,895
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		(727,611)
OPEB expense		(14,302)
Compensated absences		<u>(11,482)</u>
Change in net position of governmental activities per Exhibit B	\$	<u><u>2,301,365</u></u>

WINNESHIEK COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Business-type Activities			Governmental Activities
	Landfill	Nonmajor Enterprise Funds	Total	Internal Service Fund
ASSETS				
Cash, cash equivalents and pooled investments		\$ 73,184	\$ 73,184	\$ 730,806
Accrued interest receivable			-	627
Total current assets	\$ -	73,184	73,184	731,433
Noncurrent assets:				
Non-depreciable assets	282,252	177,770	460,022	
Net capital assets		1,426,376	1,426,376	
Total noncurrent assets	282,252	1,604,146	1,886,398	-
Total assets	\$ 282,252	\$ 1,677,330	\$ 1,959,582	\$ 731,433
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Liabilities:				
Salaries and benefits payable			\$ -	\$ 11,077
Accrued interest payable		\$ 1,432	1,432	
Notes payable		21,181	21,181	
Total current liabilities	\$ -	22,613	22,613	11,077
Noncurrent liabilities:				
Long-term debt		534,185	534,185	
Compensated absences	13,835		13,835	
Total noncurrent liabilities	13,835	534,185	548,020	-
Total liabilities	13,835	556,798	570,633	11,077
Deferred inflows of resources:				
Other	-	-	-	107,871
Net position:				
Net investment in capital assets	282,252	1,048,780	1,331,032	
Restricted		272,954	272,954	
Unrestricted (deficit)	(13,835)	(201,202)	(215,037)	612,485
Total net position	268,417	1,120,532	1,388,949	612,485
Total liabilities, deferred inflows of resources and net position	\$ 282,252	\$ 1,677,330	\$ 1,959,582	\$ 731,433

WINNESHIEK COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Business-type Activities			Governmental Activities
	Nonmajor Enterprise			Internal Service
	Landfill	Funds	Total	Fund
OPERATING REVENUES				
Charges for service		\$ 87,662	\$ 87,662	\$ 1,254,209
Contract services	\$ 289,467		289,467	
Total operating revenues	289,467	87,662	377,129	1,254,209
OPERATING EXPENSES				
Wages and benefits	287,128		287,128	
Depreciation		42,932	42,932	
Other		41,688	41,688	
Insurance claims paid			-	1,163,728
Total operating expenses	287,128	84,620	371,748	1,163,728
Operating income	2,339	3,042	5,381	90,481
NONOPERATING REVENUES (EXPENSES)				
Grant income		442,482	442,482	
Interest income		83	83	5,414
Interest expense		(18,513)	(18,513)	
Net nonoperating revenues (expenses)	-	424,052	424,052	5,414
Income before contributions and transfers	2,339	427,094	429,433	95,895
TRANSFERS				
Transfer in		76,661	76,661	
Transfer out		(107,946)	(107,946)	
	-	(31,285)	(31,285)	-
Change in net position	2,339	395,809	398,148	95,895
NET POSITION, beginning of year	266,078	724,723	990,801	516,590
NET POSITION, end of year	\$ 268,417	\$ 1,120,532	\$ 1,388,949	\$ 612,485

See Notes to Financial Statements.

WINNESHIEK COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Business-type Activities			Governmental Activities
	Nonmajor Enterprise			Internal Service Fund
	Landfill	Funds	Total	Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from contract labor	\$ 309,905		\$ 309,905	
Cash received from charges for services		\$ 87,662	87,662	\$ 1,257,475
Cash paid to employees for services	(309,905)		(309,905)	
Cash paid to suppliers for services		(41,688)	(41,688)	(1,187,823)
Net cash provided by operating activities	-	45,974	45,974	69,652
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating transfers in		76,661	76,661	
Operating transfers (out)		(107,946)	(107,946)	
Net cash used in noncapital financing activities	-	(31,285)	(31,285)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from notes payable		72,175	72,175	
Principal payments on notes payable		(21,251)	(21,251)	
Purchase of capital assets		(42,580)	(42,580)	
Interest paid on long-term borrowing		(19,267)	(19,267)	
Net cash used in capital and related financing activities	-	(10,923)	(10,923)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	-	83	83	5,086
Net increase in cash and cash equivalents	-	3,849	3,849	74,738
CASH and CASH EQUIVALENTS, beginning of year	-	69,335	69,335	656,068
CASH and CASH EQUIVALENTS, end of year	\$ -	\$ 73,184	\$ 73,184	\$ 730,806
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 2,339	\$ 3,042	\$ 5,381	\$ 90,481
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and depletion		42,932	42,932	
Increase in deferred revenue				3,266
Decrease in accounts payable				(24,095)
Decrease in due from other governments	22,777		22,777	
Decrease in salaries and benefits payable	(22,777)		(22,777)	
Decrease in accrued compensated absences	(2,339)		(2,339)	
Net cash provided by operating activities	\$ -	\$ 45,974	\$ 45,974	\$ 69,652

See Notes to Financial Statements.

WINNESHIEK COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2018

ASSETS

Cash, cash equivalents and pooled investments		
County Treasurer	\$	2,327,668
Other County officials		55,672
Receivables:		
Property tax:		
Delinquent		998
Succeeding year		25,561,394
Accounts		44,413
Accrued interest		993
Due from other governments		94,469
Prepaid insurance		3,848
		28,089,455
Total assets		28,089,455

LIABILITIES

Accounts payable		20,323
Salaries and benefits payable		12,462
Due to other funds		26,933
Due to other governments		2,432,463
Unavailable property tax revenue		25,561,394
Unearned revenues		20,398
Trusts payable		15,482
		28,089,455
Total liabilities		28,089,455

NET POSITION

	\$	None
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WINNESHIEK COUNTY

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

Winneshiek County (the 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 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 Decorah MetroNet (MetroNet) and Winneshiek County Area Solid Waste Agency (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 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 proprietary funds are aggregated and reported as nonmajor governmental and nonmajor proprietary funds. The internal service fund is presented in a single column on the face of the proprietary funds' 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, 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 Funds

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 major enterprise fund of the County is used to account for the lease of the landfill to the Winneshiek County Area Solid Waste Agency and contract labor provided to the Agency by the County.

Internal Service Fund

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 Fund

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 funds 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 Balance/Net Position

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

Cash, 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 and non-negotiable certificates of deposit which are stated at amortized 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 Balance/Net Position (Continued)

Cash, 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 reported as a deferred inflow of resources 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, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2017.

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 certain transactions between funds had not been paid or received as of June 30, 2018, 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.

NOTES TO FINANCIAL 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 Balance/Net Position (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, 2018 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, intangibles 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 funds 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 Balance/Net Position (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 and OPEB 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 funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary funds 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 Balance/Net Position (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, 2018 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, 2018. 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, 2018 is \$448,944.

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.

Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the County's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB 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 Balance/Net Position (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 in the fund financial statements consist of delinquent property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

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, unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

Fund Balance

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.

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 positions.

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, 2018, disbursements did not exceed the amounts budgeted in any 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, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2018 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 \$3,855,591 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, 2018:

Governmental:

General fund:

Medicare	\$ 5,107
Miscellaneous state grants and reimbursements	202,358
DHS administration reimbursements	6,930
Other	7,124
	<hr/>
	221,519
	<hr/>

Special revenue funds:

Rural services fund:

Local option sales tax	266,370
Other	205
	<hr/>
	266,575
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Secondary roads fund:

Road use tax	350,243
Grants	283,556
Other	1,071
	<hr/>
	634,870
	<hr/>

Nonmajor governmental

	<hr/>
	31,754
	<hr/>
Total governmental funds	\$ 1,154,718
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NOTES TO FINANCIAL STATEMENTS

4. Capital Assets

Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Land	\$ 1,557,312	\$ 58,993	\$ 3,500	\$ 1,612,805
Construction in progress	436,853	2,750,173	2,797,833	389,193
Total capital assets not being depreciated	1,994,165	2,809,166	2,801,333	2,001,998
Capital assets being depreciated:				
Buildings	8,160,813	153,196	None	8,314,009
Equipment	9,303,060	396,401	146,850	9,552,611
Vehicles	1,421,513	71,443	61,888	1,431,068
Infrastructure	74,362,720	3,175,726	None	77,538,446
Total capital assets being depreciated	93,248,106	3,796,766	208,738	96,836,134
Less accumulated depreciation:				
Buildings	4,586,332	203,796	None	4,790,128
Equipment	5,439,972	461,015	108,485	5,792,502
Vehicles	980,481	112,916	61,888	1,031,509
Infrastructure	30,949,615	2,045,830	None	32,995,445
Total accumulated depreciation	41,956,400	2,823,557	170,373	44,609,584
Total capital assets being depreciated, net	51,291,706	973,209	38,365	52,226,550
Governmental activities, capital assets, net	\$ 53,285,871	\$ 3,782,375	\$ 2,839,698	\$ 54,228,548
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated:				
Land	\$ 417,442	\$ None	\$ None	\$ 417,442
Construction in progress	None	42,580	None	42,580
Total capital assets not being depreciated	417,442	42,580	None	460,022
Capital assets being depreciated or depleted:				
Equipment	1,986,680	None	None	1,986,680
Landfill	1,373,448	None	None	1,373,448
Total capital assets being depreciated or depleted	3,360,128	None	None	3,360,128
Less accumulated depreciation or depletion:				
Equipment	517,372	42,932	None	560,304
Landfill	1,373,448	None	None	1,373,448
Total accumulated depreciation or depletion	1,890,820	42,932	None	1,933,752
Total capital assets being depreciated or depleted, net	1,469,308	(42,932)	None	1,426,376
Business-type activities, capital assets, net	\$ 1,886,750	\$ (352)	\$ None	\$ 1,886,398

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets (Continued)

For the year ended June 30, 2018, depreciation expense was charged to functions of the primary government as follows:

Governmental activities:		
Public safety and legal services	\$	71,518
Physical health and social services		10,355
County environment and education		229,754
Roads and transportation		2,416,291
Governmental services to residents		16,298
Administration		79,341
		79,341
	\$	2,823,557
Business-type activities:		
Burr Oak Sewer fund	\$	16,242
Festina Sewer fund		11,215
Frankville Water District fund		15,475
		15,475
	\$	42,932

5. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The agency fund collections also include accruals of property tax for the succeeding year. 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, 2018 is as follows:

Fund	Description	Amount
Governmental:		
General fund	Services	\$ 2,209
Special revenue fund:		
Secondary roads	Services	13,693
Total governmental funds		\$ 15,902
Fiduciary fund:		
Agency funds:		
County offices	Collections	\$ 18,559
Agricultural extension education		581
County Assessor		327,889
Schools		38,637
Community colleges		3,293
Corporations		20,436
Townships		915
Auto license and use tax		595,227
E911 surcharge		1,224,655
Other		202,271
Total agency funds		\$ 2,432,463

NOTES TO FINANCIAL STATEMENTS

6. Leases

The City of Decorah leases 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 agreed to lease space to the Winneshiek County Sheriff's Office within the City's Police Department for \$205,414 from July 1, 2018 through June 30, 2019.

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 \$6,295 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, 2019 \$ 205,414

7. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Issued	(Paid)	Balance June 30, 2018	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds:					
Solid Waste Disposal	\$ 2,000,000	\$ None	\$ (273,785)	\$ 1,726,215	\$ 277,215
Other liabilities:					
Compensated absences	423,627	435,109	(423,627)	435,109	435,109
Governmental activities:					
Long-term liabilities	\$ 2,423,627	\$ 435,109	\$ (697,412)	\$ 2,161,324	\$ 712,324
BUSINESS-TYPE ACTIVITIES					
Other liabilities:					
Notes payable	\$ 946,924	\$ 72,175	\$ (463,733)	\$ 555,366	\$ 21,181
Compensated absences	16,174	13,835	(16,174)	13,835	13,835
Total other liabilities	963,098	86,010	(479,907)	569,201	35,016
Business-type activities:					
Long-term liabilities	\$ 963,098	\$ 86,010	\$ (479,907)	\$ 569,201	\$ 35,016

NOTES TO FINANCIAL STATEMENTS

7. Long-term Debt Obligations (Continued)

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 \$3,226 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 \$3,513 is reported in the Festina Sewer enterprise fund.

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 \$72,175 were advanced during fiscal year 2018 for total proceeds of \$884,965. 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. The project was completed in fiscal year 2018 and \$442,482 of proceeds were forgiven. Interest expense of \$11,774 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
2019	\$ 21,181	\$ 13,704	2019	\$ 277,215	\$ 27,768
2020	21,616	13,059	2020	281,373	23,610
2021	22,070	12,395	2021	284,305	20,678
2022	23,544	11,711	2022	289,422	15,561
2023	24,044	10,984	2023	294,632	10,351
2024-2028	113,613	44,614	2024	299,268	5,715
2029-2033	116,298	27,343			
2034-2038	82,000	15,822			
2039-2043	92,000	8,295			
2044-2045	39,000	1,032			
Total	\$ 555,366	\$ 158,959	Total	\$ 1,726,215	\$ 103,683

7. Long-term Debt Obligations (Continued)

General Obligation Emergency Communication Services Note:

In 2018, the County participated in General Obligation Emergency Communication Services Note issued for the purpose of constructing towers to enhance emergency communication throughout Winneshiek County. The bonds are payable solely from revenues generated by surcharges generated by the E911 board. The County or any political subdivision thereof, is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2018, the balance outstanding was \$1,600,000.

Debt Limit:

At June 30, 2018, the debt issued by the County did not exceed its legal debt margin compiled as follows:

Total assessed valuation	\$ 2,275,677,075
Debt limit - 5% of total assessed valuation	\$ 113,783,854
Debt applicable to debt limit:	
Other debt	(3,907,636)
Legal debt margin	\$ 109,876,218

8. 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 P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

Pension Benefits

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

- 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.

8. Pension Plan (Continued)

Pension Benefits (Continued)

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 the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits

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

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 2018, 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 9.38% of covered payroll, for a total rate of 18.76%. 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, 2018 totaled \$575,734.

NOTES TO FINANCIAL STATEMENTS

8. Pension Plan (Continued)

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

At June 30, 2018, the County reported a liability of \$4,722,142 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the County's collective proportion was 0.070890%, which was an increase of 0.000391% from its collective proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$727,611. At June 30, 2018, 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	\$ 59,142	\$ 61,511
Changes of assumptions	966,388	8,539
Net difference between projected and actual earnings on IPERS' investments	None	61,062
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	84,690	38,215
County contributions subsequent to the measurement date	575,734	None
Total	\$ 1,685,954	\$ 169,327

\$575,734 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	\$ 124,786
2020	439,037
2021	275,087
2022	34,006
2023	67,977
Total	\$ 940,893

There were no non-employer contributing entities to IPERS.

NOTES TO FINANCIAL STATEMENTS

8. Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

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.

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
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	100.0%	

8. **Pension Plan (Continued)**

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$ 8,401,650	\$ 4,722,142	\$ 1,633,293

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, 2018, 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.

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

Plan Description

The County administers a single-employer health benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits

Individuals who are employed by the County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

OPEB Benefits (Continued)

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	<u>122</u>
 Total	 <u>124</u>

Total OPEB Liability

The County's total OPEB liability of \$230,591 was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2018)	3.00% per annum.
Rates of salary increase (effective June 30, 2018)	3.00% per annum, including inflation.
Discount rate (effective June 30, 2018)	3.58% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	5.00% per annum.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.58% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RP 2014 annuitant distinct mortality table adjusted to 2016 with MP 2016 generational projection of future mortality improvement. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

NOTES TO FINANCIAL STATEMENTS

9. Other Postemployment Benefits (OPEB) (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year, as restated	\$ 202,756
Changes for the year:	
Service cost	17,539
Interest	8,188
Differences between expected and actual experiences	4,278
Changes in assumptions	10,432
Benefit payments	(12,602)
Net changes	27,835
Total OPEB liability end of year	\$ 230,591

Changes of assumptions reflect a change in the discount rate from 4.50% in fiscal year 2017 to 3.58% in fiscal year 2018.

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.58%) or 1% higher (4.58%) than the current discount rate.

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB liability	\$ 244,499	\$ 230,591	\$ 217,279

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

	1% Decrease (4.00%)	Healthcare Cost Trend Rate (5.00%)	1% Increase (6.00%)
Total OPEB liability	\$ 208,304	\$ 230,591	\$ 256,667

NOTES TO FINANCIAL STATEMENTS

9. Other Postemployment Benefits (OPEB) (Continued)

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2018, the County recognized OPEB expense of \$26,904. At June 30, 2018, the County reported deferred outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 3,936
Changes in assumptions	9,597
Total	\$ 13,533

The amount reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2019	\$ 1,177
2020	1,177
2021	1,177
2022	1,177
2023	1,177
Thereafter	7,648
	\$ 13,533

10. 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 775 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.

10. Risk Management (Continued)

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, 2018 were \$182,002.

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, 2018, no liability has been recorded in the County's financial statements. As of June 30, 2018, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

The County is partially self-insured for health care insurance of employees. The County purchases insurance with various deductibles based on the plan selected by employees and self-insures to provide employees with lower deductibles per year. The County's maximum annual cost per employee of this coverage varies depending on the option selected with different plans for secondary road department employees. The County has incurred costs totaling \$1,163,728 for the 2018 fiscal year. At June 30, 2018, the maximum potential additional County liability because of these plans was \$515,000.

NOTES TO FINANCIAL STATEMENTS

11. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

	Transfers In	Transfers Out
General fund:		
Secondary roads		\$ 211,102
Burr Oak Sewer		42,580
Frankville Water District	\$ 73,865	
Special revenue funds:		
Rural services		2,468,387
Secondary roads	2,679,489	
Proprietary funds:		
Frankville Water District		73,865
Burr Oak Sewer	48,806	6,828
Festina Sewer	9,344	11,683
Burr Oak Sewer Sinking	6,828	6,226
Festina Sewer Sinking	11,158	9,344
Festina Sewer Reserve	525	
Total	\$ 2,830,015	\$ 2,830,015

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

12. 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.

For the year ended June 30, 2018, the County abated no property tax under the urban renewal and economic development projects.

NOTES TO FINANCIAL STATEMENTS

12. Tax Abatements (Continued)

Tax Abatements of Other Entities

Property tax revenues of the County were reduced by the following amount for the year ended June 30, 2018 under agreements entered into by the following entity:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Ossian	Urban renewal and economic development projects	\$ 2,385

13. Construction, Purchase and Other Commitments

The total outstanding construction and purchase commitments of the County at June 30, 2018 amounted to \$2,715,032 and commitments to be reimbursed is \$1,193,578.

14. 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, 2018, 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 \$26,055 as of June 30, 2018.

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, 2018, 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.

15. 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

16. **Fund Balance**

The government-wide statement of net position reports \$4,988,329 of restricted net position, of which \$4,893,815 is restricted by enabling legislation. The amounts restricted at June 30, 2018 are as follows:

Restricted net position:	
Mental health	\$ 78,080
Rural services	1,757,019
Secondary roads	2,332,450
Capital projects fund	29,392
Other special revenue	696,874
Other	94,514
	\$ 4,988,329

Restricted net position:	
Proprietary funds:	
Burr Oak Sewer	\$ 81,836
Festina Sewer	162,785
Burr Oak Sewer Reserve	6,226
Festina Sewer Reserve	13,953
Other purpose	8,154
	\$ 272,954

The governmental fund balances as of June 30, 2018 are as follows:

Nonspendable:	
General fund	\$ 51,652
Special revenue funds:	
Mental health	810
Rural services	5,468
Secondary roads	368,337
	\$ 426,267

Restricted:	
General fund	\$ 42,862
Special revenue funds:	
Mental health	78,231
Rural services	1,751,541
Secondary roads	2,110,664
REAP Grant	298,980
Water Testing Grant	108,429
Conservation Land Acquisition Fund	257,631
Recorder's Records Management	8,588
Capital projects fund:	
Freeport Trail	10,750
Prairie Farmer Trail	18,642
	\$ 4,686,318

17. Related Party Transaction

The County had business transactions between the County and County official, John Beard, Member of the Board of Supervisors, totaling \$2,052 during the year ended June 30, 2018. The transaction with John Beard consisted of welding services and materials.

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 care 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.

These costs for the Agency have been estimated at \$3,980,074 and \$1,267,933 for closure and postclosure care, respectively, for a total of \$5,248,007 as of June 30, 2018, and the portion of the liability that has been recognized is \$2,667,863. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2018. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 27 years. The capacity used at June 30, 2018 was 51%. 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, 2017 was \$5,194,939 and the portion of the liability that had been recognized was \$2,426,481.

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, 2018, assets of \$7,334,744 are restricted for these purposes, of which \$5,562,650 is for closure and \$1,772,094 is for postclosure care. They are reported as restricted investments in the Agency's statements of net position.

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 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, 2018, as follows:

Revenues:		
Property and other County taxes		\$ 640,986
Intergovernmental revenues:		
State tax credits	\$ 55,651	
Other intergovernmental revenues	56,208	111,859
 Total revenues		752,845
 Expenditures:		
General administration:		
Direct administration	56,254	
Distribution to regional fiscal agent	837,125	893,379
 Total expenditures		893,379
 Deficiency of revenues under expenditures		(140,534)
 Fund balance, beginning of the year		219,575
 Fund balance, end of the year		\$ 79,041

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

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

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.

NOTES TO FINANCIAL STATEMENTS

21. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	<u>Governmental Activities</u>
Net position June 30, 2017, as previously reported	\$ 58,580,490
Net OPEB obligation measured under previous standards	166,185
Total OPEB liability at June 30, 2017	<u>(202,756)</u>
Net position July 1, 2017, as restated	<u>\$ 58,543,919</u>

22. Subsequent Events

Management has evaluated subsequent events through February 21, 2019, 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, 2018

	Actual/Budget	Budgeted Amounts		Final to Actual Variance-Positive (Negative)
		Original	Final	
RECEIPTS				
Property and other County taxes	\$ 10,264,219	\$ 10,424,492	\$ 10,424,492	\$ (160,273)
Interest and penalty on property taxes	49,568	45,250	45,250	4,318
Intergovernmental	8,597,388	11,410,249	11,138,439	(2,541,051)
Licenses and permits	27,352	25,350	25,350	2,002
Charges for service	839,757	803,900	865,900	(26,143)
Use of money and property	209,747	202,506	202,506	7,241
Miscellaneous	1,132,186	1,123,783	1,362,983	(230,797)
Total receipts	21,120,217	24,035,530	24,064,920	(2,944,703)
DISBURSEMENTS				
Public safety and legal services	3,077,172	4,580,608	3,432,168	354,996
Physical health and social services	1,222,644	1,390,759	1,390,759	168,115
Mental health	893,332	934,213	934,213	40,881
County environment and education	2,411,352	2,542,671	2,590,671	179,319
Roads and transportation	6,762,815	7,651,750	7,127,950	365,135
Governmental services to residents	578,473	642,379	650,379	71,906
Administration	2,440,578	2,508,295	2,903,295	462,717
Non-program	1,574	6,500	6,500	4,926
Capital projects	1,378,390	3,770,000	3,940,393	2,562,003
Total disbursements	18,766,330	24,027,175	22,976,328	4,209,998
EXCESS OF RECEIPTS OVER DISBURSEMENTS	2,353,887	8,355	1,088,592	1,265,295
OTHER FINANCING SOURCES, NET	32,469	25,000	29,184	3,285
EXCESS OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES	2,386,356	33,355	1,117,776	1,268,580
BALANCE, beginning of year	6,636,799	6,693,945	6,693,945	(57,146)
BALANCE, end of year	\$ 9,023,155	\$ 6,727,300	\$ 7,811,721	\$ 1,211,434

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, 2018

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 21,120,217	\$ (36,501)	\$ 21,083,716
Expenditures	18,766,330	(47,308)	18,719,022
Net	2,353,887	10,807	2,364,694
Other financing sources, net	32,469	31,285	63,754
Beginning fund balance	6,636,799	684,548	7,321,347
Ending fund balance	<u>\$ 9,023,155</u>	<u>\$ 726,640</u>	<u>\$ 9,749,795</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, 2018

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, one budget amendment increased budgeted receipts by \$33,574 and decreased budgeted disbursements by \$1,050,847. The budget amendment is reflected in the final budgeted amount.

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

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 Four Years*
 (In Thousands)

	2018	2017	2016	2015
County's collective proportion of the net pension liability (asset)	0.070890%	0.070499%	0.065954%	0.064759%
County's collective proportionate share of the net pension liability (asset)	\$ 4,722	\$ 4,437	\$ 3,258	\$ 2,568
County's covered payroll	\$ 6,083	\$ 5,838	\$ 5,550	\$ 5,450
County's collective proportionate share of the net pension liability as a percentage of its covered payroll	77.63%	76.00%	58.70%	47.12%
IPERS' net position as a percentage of the total pension liability	82.21%	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)

	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 576	\$ 552	\$ 531	\$ 507	\$ 497
Contributions in relation to the statutorily required contribution	(576)	(552)	(531)	(507)	(497)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 6,363	\$ 6,083	\$ 5,838	\$ 5,550	\$ 5,450
Contributions as a percentage of covered payroll	9.05%	9.07%	9.10%	9.14%	9.12%

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

2013	2012	2011	2010	2009
\$ 469	\$ 445	\$ 376	\$ 342	\$ 320
(469)	(445)	(376)	(342)	(320)
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 5,250	\$ 5,286	\$ 5,056	\$ 4,932	\$ 4,826
8.93%	8.42%	7.44%	6.93%	6.63%

WINNESHIEK COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
Year Ended June 30, 2018

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.

Changes of Assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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 CHANGES IN THE COUNTY'S TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES

	2018
Service cost	\$ 17,539
Interest cost	8,188
Difference between expected and actual experiences	4,278
Changes in assumptions	10,432
Benefit payments	(12,602)
Net change in total OPEB liability	27,835
Total OPEB liability beginning of year, as restated	202,756
Total OPEB liability end of year	\$ 230,591
Covered-employee payroll	\$ 5,856,616
Total OPEB liability as a percentage of covered-employee payroll	3.94%

Notes to Schedule of Changes in the County's Total OPEB Liability and Related Ratios

Changes in Benefit Terms:

There were no significant changes in benefit terms.

Changes in Assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Year Ended June 30, 2018	3.58%
Year Ended June 30, 2017	4.50%

See Independent Auditor's Report.

Other Supplementary Information

WINNESHIEK COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash, cash equivalents and pooled investments	\$ 674,635	\$ 29,392	\$ 704,027
Receivables:			
Accrued interest	214		214
Due from other governments	31,754		31,754
	<u>706,603</u>	<u>29,392</u>	<u>735,995</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 9,729	\$ -	\$ 9,729
Deferred inflows of resources:			
Other	23,246	-	23,246
Fund balances:			
Restricted for:			
Other special revenue funds	673,628		673,628
Capital projects		29,392	29,392
	<u>673,628</u>	<u>29,392</u>	<u>703,020</u>
Total fund balances	<u>673,628</u>	<u>29,392</u>	<u>703,020</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 706,603</u>	<u>\$ 29,392</u>	<u>\$ 735,995</u>

WINNESHIEK COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2018

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 187,333		\$ 187,333
Charges for service	21,996		21,996
Use of money and property	2,166		2,166
Miscellaneous	44,254		44,254
Total revenues	255,749	\$ -	255,749
EXPENDITURES			
Current:			
Physical health and social services	18,597		18,597
Governmental services to residents	5,000		5,000
Capital projects	95,361		95,361
Total expenditures	118,958	-	118,958
EXCESS OF REVENUES OVER EXPENDITURES	136,791	-	136,791
FUND BALANCES, beginning of year	536,837	29,392	566,229
FUND BALANCES, end of year	\$ 673,628	\$ 29,392	\$ 703,020

WINNESHIEK COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2018

	REAP Grant	Water Testing Grant	Conservation Land Acquisition Fund	Recorder's Records Management	Total Nonmajor Special Revenue Funds
ASSETS					
Cash, cash equivalents and pooled investments	\$ 298,771	\$ 100,388	\$ 267,210	\$ 8,266	\$ 674,635
Receivables:					
Accrued interest	209			5	214
Due from other governments		8,191	23,246	317	31,754
Total assets	<u>\$ 298,980</u>	<u>\$ 108,579</u>	<u>\$ 290,456</u>	<u>\$ 8,588</u>	<u>\$ 706,603</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 150	\$ 9,579	\$ -	\$ 9,729
Deferred inflows of resources:					
Other	-	-	23,246	-	23,246
Fund balances:					
Reserved	298,980	108,429	257,631	8,588	673,628
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 298,980</u>	<u>\$ 108,579</u>	<u>\$ 290,456</u>	<u>\$ 8,588</u>	<u>\$ 706,603</u>

WINNESHIEK COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2018

	REAP Grant	Water Testing Grant	Conservation Land Acquisition Fund	Recorder's Records Management	Total Nonmajor Special Revenue Funds
REVENUES					
Intergovernmental	\$ 12,347	\$ 28,921	\$ 146,065		\$ 187,333
Charges for service			18,365	\$ 3,631	21,996
Use of money and property	2,107			59	2,166
Miscellaneous			44,254		44,254
Total revenues	14,454	28,921	208,684	3,690	255,749
EXPENDITURES					
Current:					
Physical health and social services		18,597			18,597
Governmental services to residents				5,000	5,000
Capital projects	5,722		89,639		95,361
Total expenditures	5,722	18,597	89,639	5,000	118,958
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	8,732	10,324	119,045	(1,310)	136,791
FUND BALANCES, beginning of year	290,248	98,105	138,586	9,898	536,837
FUND BALANCES, end of year	\$ 298,980	\$ 108,429	\$ 257,631	\$ 8,588	\$ 673,628

See Independent Auditor's Report.

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WINNESHIEK COUNTY
 COMBINING SCHEDULE OF NET POSITION
 NONMAJOR PROPRIETARY FUNDS
 June 30, 2018

	Frankville Water District Fund	Burr Oak Sewer Fund	Festina Sewer Fund
ASSETS			
Cash, cash equivalents and pooled investments	\$ 5,714	\$ 28,068	\$ 11,069
Total current assets	<u>5,714</u>	<u>28,068</u>	<u>11,069</u>
Noncurrent assets:			
Non-depreciable assets		174,270	3,500
Net capital assets	<u>742,545</u>	<u>338,698</u>	<u>345,133</u>
Total noncurrent assets	<u>742,545</u>	<u>512,968</u>	<u>348,633</u>
Total assets	<u>\$ 748,259</u>	<u>\$ 541,036</u>	<u>\$ 359,702</u>
LIABILITIES AND NET POSITION			
Liabilities:			
Accrued interest payable	\$ 581	\$ 17	\$ 834
Notes payable	<u>12,000</u>	<u>3,151</u>	<u>6,030</u>
Total current liabilities	<u>12,581</u>	<u>3,168</u>	<u>6,864</u>
Noncurrent liabilities:			
Long-term debt	<u>406,000</u>	<u>58,360</u>	<u>69,825</u>
Total liabilities	<u>418,581</u>	<u>61,528</u>	<u>76,689</u>
Net position:			
Net investment in capital assets	324,545	451,457	272,778
Restricted		81,836	162,785
Unrestricted (deficit)	<u>5,133</u>	<u>(53,785)</u>	<u>(152,550)</u>
Total net position	<u>329,678</u>	<u>479,508</u>	<u>283,013</u>
Total liabilities and net position	<u>\$ 748,259</u>	<u>\$ 541,036</u>	<u>\$ 359,702</u>

See Independent Auditor's Report.

SCHEDULE 5

Burr Oak Sewer Sinking Fund	Festina Sewer Sinking Fund	Burr Oak Sewer Reserve Fund	Festina Sewer Reserve Fund	Total Nonmajor Enterprise Funds
\$ 1,072	\$ 7,082	\$ 6,226	\$ 13,953	\$ 73,184
1,072	7,082	6,226	13,953	73,184
				177,770
				1,426,376
-	-	-	-	1,604,146
\$ 1,072	\$ 7,082	\$ 6,226	\$ 13,953	\$ 1,677,330
				\$ 1,432
				21,181
\$ -	\$ -	\$ -	\$ -	22,613
				534,185
-	-	-	-	556,798
1,072	7,082	6,226	13,953	1,048,780
				272,954
				(201,202)
1,072	7,082	6,226	13,953	1,120,532
\$ 1,072	\$ 7,082	\$ 6,226	\$ 13,953	\$ 1,677,330

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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, 2018

	Frankville Water District Fund	Burr Oak Sewer Fund	Festina Sewer Fund
OPERATING REVENUES			
Charges for services	\$ 41,814	\$ 27,707	\$ 18,141
Total operating revenues	<u>41,814</u>	<u>27,707</u>	<u>18,141</u>
OPERATING EXPENSES			
Depreciation	15,475	16,242	11,215
Other	14,927	17,229	4,082
Total operating expenses	<u>30,402</u>	<u>33,471</u>	<u>15,297</u>
Operating income (loss)	<u>11,412</u>	<u>(5,764)</u>	<u>2,844</u>
NONOPERATING REVENUES (EXPENSES)			
Grant income	442,482		
Interest income		47	36
Interest expense	(11,774)	(3,226)	(3,513)
Net nonoperating revenues (expenses)	<u>430,708</u>	<u>(3,179)</u>	<u>(3,477)</u>
Income (loss) before contributions and transfers	<u>442,120</u>	<u>(8,943)</u>	<u>(633)</u>
OPERATING TRANSFERS			
Transfer in		48,806	9,344
Transfer out	(73,865)	(6,828)	(11,683)
Total operating transfers	<u>(73,865)</u>	<u>41,978</u>	<u>(2,339)</u>
Change in net position	368,255	33,035	(2,972)
NET POSITION, beginning of year	<u>(38,577)</u>	<u>446,473</u>	<u>285,985</u>
NET POSITION, end of year	<u>\$ 329,678</u>	<u>\$ 479,508</u>	<u>\$ 283,013</u>

See Independent Auditor's Report.

SCHEDULE 6

Burr Oak Sewer Sinking Fund	Festina Sewer Sinking Fund	Burr Oak Sewer Reserve Fund	Festina Sewer Reserve Fund	Total Nonmajor Enterprise Funds
				\$ 87,662
\$ -	\$ -	\$ -	\$ -	87,662
				42,932
600	4,850			41,688
600	4,850	-	-	84,620
(600)	(4,850)	-	-	3,042
				442,482
				83
				(18,513)
-	-	-	-	424,052
(600)	(4,850)	-	-	427,094
6,828	11,158		525	76,661
(6,226)	(9,344)			(107,946)
602	1,814	-	525	(31,285)
2	(3,036)	-	525	395,809
1,070	10,118	6,226	13,428	724,723
\$ 1,072	\$ 7,082	\$ 6,226	\$ 13,953	\$ 1,120,532

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WINNESHIEK COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended June 30, 2018

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash, cash equivalents and pooled investments:				
County Treasurer		\$ 572	\$ 334,540	\$ 38,027
Other County officials	\$ 55,672			
Receivables:				
Property tax:				
Delinquent		9	16	610
Succeeding year		253,881	405,444	16,328,051
Accounts	5,201			
Accrued interest				
Due from other governments			13	
Prepaid insurance			3,240	
Total assets	<u>\$ 60,873</u>	<u>\$ 254,462</u>	<u>\$ 743,253</u>	<u>\$ 16,366,688</u>
LIABILITIES				
Accounts payable			\$ 85	
Salaries and benefits payable			9,734	
Due to other funds	\$ 26,832		101	
Due to other governments	18,559	\$ 581	327,889	\$ 38,637
Unavailable property tax revenue		253,881	405,444	16,328,051
Trusts payable	15,482			
Unearned revenue				
Total liabilities	<u>\$ 60,873</u>	<u>\$ 254,462</u>	<u>\$ 743,253</u>	<u>\$ 16,366,688</u>

<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>
\$ 3,240	\$ 20,165	\$ 897	\$ 595,227	\$ 1,129,949	\$ 205,051	\$ 2,327,668
						55,672
53	271	18			21	998
1,416,511	6,062,800	526,315			568,392	25,561,394
				39,212		44,413
				993		993
				73,950	20,506	94,469
					608	3,848
<u>\$ 1,419,804</u>	<u>\$ 6,083,236</u>	<u>\$ 527,230</u>	<u>\$ 595,227</u>	<u>\$ 1,244,104</u>	<u>\$ 794,578</u>	<u>\$ 28,089,455</u>
				\$ 19,449	\$ 789	\$ 20,323
					2,728	12,462
						26,933
\$ 3,293	\$ 20,436	\$ 915	\$ 595,227	1,224,655	202,271	2,432,463
1,416,511	6,062,800	526,315			568,392	25,561,394
						15,482
					20,398	20,398
<u>\$ 1,419,804</u>	<u>\$ 6,083,236</u>	<u>\$ 527,230</u>	<u>\$ 595,227</u>	<u>\$ 1,244,104</u>	<u>\$ 794,578</u>	<u>\$ 28,089,455</u>

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WINNESHIEK COUNTY
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended June 30, 2018

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS AND LIABILITIES				
BALANCE, beginning of year	\$ 59,235	\$ 242,170	\$ 726,699	\$ 16,163,728
ADDITIONS				
Property and other County taxes		240,345	375,540	15,423,326
State tax credits		19,681	43,703	1,331,659
Office fees and collections	425,256			
Auto license, use tax and postage				
E911 telephone surcharges				
Miscellaneous	212,658			
Assessments				
Trusts	61,027			
Total additions	698,941	260,026	419,243	16,754,985
DEDUCTIONS				
Agency remittances:				
To other funds	371,346			
To other governments	187,629	247,734		16,552,025
Trusts paid out	59,110			
Miscellaneous	79,218		402,689	
Total deductions	697,303	247,734	402,689	16,552,025
BALANCE, end of year	\$ 60,873	\$ 254,462	\$ 743,253	\$ 16,366,688

See Independent Auditor's Report.

SCHEDULE 8

<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>
\$ 1,369,600	\$ 5,635,932	\$ 514,145	\$ 560,616	\$ 421,945	\$ 739,041	\$ 26,433,111
1,339,890	5,683,378	501,104			541,261	24,104,844
111,442	642,333	32,870			45,003	2,226,691
					3,680	428,936
			6,929,956			6,929,956
				79,024		79,024
				1,837,286		2,265,928
					215,984	64,029
					64,029	61,027
<u>1,451,332</u>	<u>6,325,711</u>	<u>533,974</u>	<u>6,929,956</u>	<u>1,916,310</u>	<u>869,957</u>	<u>36,160,435</u>
			208,121			579,467
1,401,128	5,878,407	520,889	6,687,224	1,094,151	814,420	33,383,607
						59,110
						481,907
<u>1,401,128</u>	<u>5,878,407</u>	<u>520,889</u>	<u>6,895,345</u>	<u>1,094,151</u>	<u>814,420</u>	<u>34,504,091</u>
<u>\$ 1,419,804</u>	<u>\$ 6,083,236</u>	<u>\$ 527,230</u>	<u>\$ 595,227</u>	<u>\$ 1,244,104</u>	<u>\$ 794,578</u>	<u>\$ 28,089,455</u>

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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 Basis			
	2018	2017	2016	2015
REVENUES				
Property and other County taxes	\$ 8,930,264	\$ 8,712,158	\$ 8,231,786	\$ 8,107,755
Local option sales tax	1,478,524	1,464,256	1,432,705	1,490,067
Interest and penalty on property taxes	49,606	50,410	49,382	49,277
Intergovernmental	8,523,223	9,563,682	7,616,214	6,093,748
Licenses and permits	26,902	30,072	23,929	20,989
Charges for service	865,011	840,636	725,481	707,793
Use of money and property	215,463	167,180	159,766	151,327
Miscellaneous	994,723	984,116	888,330	722,092
Total revenues	\$ 21,083,716	\$ 21,812,510	\$ 19,127,593	\$ 17,343,048
EXPENDITURES				
Current:				
Public safety and legal services	\$ 3,101,880	\$ 3,981,797	\$ 2,781,637	\$ 2,609,552
Physical health and social services	1,215,239	1,251,659	1,324,333	1,303,254
Mental health	893,379	967,694	834,286	1,401,148
County environment and education	2,327,203	2,151,576	1,817,801	1,685,897
Roads and transportation	6,757,855	8,079,231	7,662,578	5,237,297
Governmental services to residents	576,687	569,843	544,433	549,902
Administration	2,468,551	2,171,283	2,139,199	2,020,823
Non-program	1,574	2,002,804	4,087	3,712
Debt service				
Capital projects	1,376,654	2,747,014	1,657,479	1,665,783
Total expenditures	\$ 18,719,022	\$ 23,922,901	\$ 18,765,833	\$ 16,477,368

See Independent Auditor's Report.

SCHEDULE 9

Modified Accrual Basis					
2014	2013	2012	2011	2010	2009
\$ 7,633,942	\$ 7,707,204	\$ 7,422,935	\$ 7,129,466	\$ 6,682,837	\$ 5,763,349
1,305,241	1,443,421	1,220,456	1,289,539	1,234,237	1,276,001
52,312	52,188	55,167	57,100	61,083	57,740
6,139,781	5,536,014	8,008,604	7,121,719	6,555,969	7,590,448
25,417	19,607	19,342	12,770	12,943	13,112
711,954	709,823	645,513	610,437	574,453	570,256
146,314	152,366	172,689	190,454	189,438	241,727
1,000,809	862,591	872,123	774,961	539,518	387,281
<u>\$ 17,015,770</u>	<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>
\$ 2,486,450	\$ 2,260,166	\$ 2,292,597	\$ 2,217,149	\$ 2,044,387	\$ 1,974,433
1,321,137	1,328,106	1,419,929	1,411,514	1,707,517	1,622,070
1,768,935	1,049,783	2,526,694	2,702,757	2,065,220	2,225,989
1,589,247	1,522,418	1,520,347	1,695,435	3,448,510	1,310,048
6,508,015	5,827,296	5,494,568	4,734,265	6,737,583	5,227,666
524,512	611,866	445,980	403,366	328,933	346,924
2,019,642	1,952,183	1,733,409	1,652,185	1,358,709	1,425,958
3,398	3,390	14,004	2,720	39,217	2,657
			492,026	487,723	487,682
1,229,020	1,505,347	1,605,035	1,683,341	587,285	1,535,195
<u>\$ 17,450,356</u>	<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>

WINNESHIEK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

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

- (a) The auditor's report expresses unmodified opinions on whether the financial statements of Winneshiek County were prepared in accordance with U.S. generally accepted accounting principles.
- (b) One significant deficiency in internal control over financial reporting was 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) One significant deficiency in internal control over the major programs was disclosed by the audit of the financial statements. No material weaknesses noted.
- (e) The auditor's report on compliance for the major federal award programs for Winneshiek County expresses an unmodified opinion on all major federal programs.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with 2 CFR Section 200.516(a).
- (g) The programs tested as major programs were as follows:
 - CFDA Number 20.205 Highway Planning and Construction
 - CFDA Number 97.039 Hazard Mitigation Grant
- (h) The 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, 2018

Part II: Findings Related to the Financial Statements:

Instances of noncompliance: no matters were noted.

Internal control deficiencies:

Finding 2018-001 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 effective internal controls, we believe it is important the Board be aware that this condition does exist.

**Views of Responsible
Officials and Planned**

Corrective 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, 2018

Part III: Findings and Questioned Costs for Federal Awards:

Instances of noncompliance: no matters were noted.

Internal control deficiencies:

CFDA Number 20.205 Highway Planning and Construction

Federal Award Year: 2018

U.S. Department of Transportation

Passed through Iowa Department of Transportation

See 2018-001 above.

CFDA Number 97.039 Hazard Mitigation Grant

Federal Award Year: 2018

U.S. Department of Homeland Security

Passed through Iowa Homeland Security and Emergency Management Department

See 2018-001 above.

Part IV: Other Findings Related to Required Statutory Reporting:

See management letter dated February 21, 2019

WINNESHIEK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Grantor/Program Title	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	\$ 12,607
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	340,868
U.S. Department of Justice:			
Passed through Iowa Department of Justice:			
Crime Victim Assistance	16.575	VA-18-25	25,750
U.S. Department of Transportation:			
Passed through Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO96(134)--8J-96	10,687
		BROS-CO96(131)--8J-96	64,678
		BROS-CO96(142)--8J-96	89,323
		BROS-CO96(143)--8J-96	172,491
		13-STP-ES-115	12,058
			349,237
Passed through Iowa Department of Public Safety:			
Highway Safety Cluster:			
National Priority Safety Programs	20.616	PAP 18-405d M6OT, Task 59-00-00	18,130
Subtotal U.S. Department of Transportation			367,367
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	5888I482	6,705
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements			
	93.074	5888BT01	18,882
Passed through Iowa Department of Human Services:			
Social Services Block Grant	93.667	LAE Reimbursement	3,761
Other Federal Financial Assistance:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State Administered Programs	93.566	LAE Reimbursement	17
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	LAE Reimbursement	3,422
Foster Care - Title IV-E	93.658	LAE Reimbursement	4,609
Adoption Assistance	93.659	LAE Reimbursement	1,482
State Children's Insurance Program	93.767	LAE Reimbursement	93
Medical Assistance Program	93.778	LAE Reimbursement	20,481
			30,104
Subtotal U.S. Department of Health and Human Services			59,452

See Independent Auditor's Report.

WINNESHIEK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Grantor/Program Title	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-4334-IA	\$ 35,770
Hazard Mitigation Grant	97.039	DR-4289-0002-01	85,383
Emergency Management Performance Grants	97.042	EMPG-18-PT-96	<u>20,398</u>
Subtotal U.S. Department of Homeland Security			<u>141,551</u>
Total Federal Financial Assistance			<u>\$ 947,595</u>

WINNESHIEK COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

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, 2018. 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 the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

- 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, 2018, and the related notes to the financial statements, which collectively comprise Winneshiek County's basic financial statements, and have issued our report thereon dated February 21, 2019.

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 2018-001 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
February 21, 2019

**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, 2018. 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; and 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, 2018.

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 did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001 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
February 21, 2019

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, 2018, we considered the County's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the County's compliance with certain sections of the Iowa Code, Attorney General's opinions and other matters. Items 1 through 10 below are compliance comments required by the Iowa Auditor of State. A separate report dated February 21, 2019, contains our report on the County's internal control over financial reporting. This letter does not affect our report dated February 21, 2019, on the basic financial statements of Winneshiek County. Comment 11 is an unresolved comment 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.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

1. **Certified Budget**
Disbursements for the year ended June 30, 2018 did not exceed the amounts budgeted for any function.
2. **Questionable Expenditures**
We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. **Travel Expense**
No expenditures of County money for travel expenses of spouses of County officials and/or employees were noted.

4. **Business Transactions**

Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
John Beard, Member of the Board of Supervisors	Welding services and materials	\$ 2,052

The transaction listed above may be in violation of Iowa Code Section 331.342 since cumulative purchases exceeded \$1,500 during the fiscal year.

Recommendation

We recommend the County seek advice from their attorney to determine if there has been a violation of the Code of Iowa in regard to the transaction with the above stated Board member and if so, what action is needed. The County should consider a policy to monitor transactions to maintain code compliance.

Response

We have discussed the regulation with Supervisor Beard and will work with him to develop an accounting process that will prevent this in future years.

Conclusion

Response accepted.

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, 2018.

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, 2018 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, 2018, 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. 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.

12. Solid Waste Fees Retainage

During the year ended June 30, 2018, the solid waste fees established by Chapter 455E.11 (2), (11), (13) and (15) of the Code of Iowa, were administered by Winneshiek County Area Solid Waste Agency. The Agency is a 28E organization of which Winneshiek County is a member.

13. Financial Assurance

The Winneshiek County Area Solid Waste Agency 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, 2018, the estimated closure and postclosure care costs were fully funded by a dedicated investment account. The calculation is made as follows:

	Closure	Postclosure
Total estimated costs for closure and postclosure care	\$ 3,980,074	\$ 1,267,933
Less balance of funds held in local dedicated fund at June 30, 2018	(5,562,650)	(1,772,094)
Dedicated funds in excess of estimated costs for closure and postclosure care	\$ (1,582,576)	\$ (504,161)

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
February 21, 2019