



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

June 19, 2012

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Auditor of State David A. Vaudt today released an audit report on Webster County, Iowa.

The County had local tax revenue of \$50,494,061 for the year ended June 30, 2011, which included \$1,415,809 in tax credits from the state. The County forwarded \$38,042,230 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$ 12,451,831 of the local tax revenue to finance County operations, an 11.6% increase over the prior year. Other revenues included charges for service of \$3,114,064, operating grants and contributions of \$10,616,996, capital grants and contributions of \$4,615,304, tax increment financing of \$414,578, local option sales tax of \$1,785,122, unrestricted investment earnings of \$41,916 and other general revenues of \$340,591.

Expenses for County operations totaled \$26,434,371, a 1.8% decrease from the prior year. Expenses included \$9,532,179 for roads and transportation, \$4,668,770 for public safety and legal services and \$3,903,830 for mental health.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1110-0094-B00F.pdf>.

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WEBSTER COUNTY

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2011

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Webster County

Officials

(Before January 2011)

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|----------------------|----------------------|---------------------|
| Keith Dencklau | Board of Supervisors | Jan 2011 |
| Kim Motl | Board of Supervisors | Jan 2011 |
| Phil Condon | Board of Supervisors | Jan 2013 |
| Eddie Peterson | Board of Supervisors | Jan 2013 |
| Robert Singer | Board of Supervisors | Jan 2013 |
| Carol Messerly | County Auditor | Jan 2013 |
| Janice Horton | County Treasurer | Jan 2011 |
| Judy Cosgrove | County Recorder | Jan 2011 |
| Brian Mickelson | County Sheriff | Jan 2013 |
| Ricki L. Osborn | County Attorney | Jan 2011 |
| Jeanette Thanupakorn | County Assessor | Jan 2016 |

(After January 2011)

| | | |
|----------------------|----------------------|----------|
| Phil Condon | Board of Supervisors | Jan 2013 |
| Eddie Peterson | Board of Supervisors | Jan 2013 |
| Robert Singer | Board of Supervisors | Jan 2013 |
| Keith Dencklau | Board of Supervisors | Jan 2015 |
| Clark Fletcher | Board of Supervisors | Jan 2015 |
| Carol Messerly | County Auditor | Jan 2013 |
| Jan Messerly | County Treasurer | Jan 2015 |
| Judy Cosgrove | County Recorder | Jan 2015 |
| Brian Mickelson | County Sheriff | Jan 2013 |
| Ricki L. Osborn | County Attorney | Jan 2015 |
| Jeanette Thanupakorn | County Assessor | Jan 2016 |

Webster County



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Independent Auditor's Report

To the Officials of Webster County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Webster County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Webster County's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Webster County at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated June 4, 2012 on our consideration of Webster County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 14 and 46 through 51 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Webster County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 4, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Webster 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, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 19.9%, or approximately \$5,541,000, from fiscal year 2010 to fiscal year 2011. Property tax revenue increased approximately \$1,321,000, or 12.3 %.
- Program expenses of the County's governmental activities were 1.8%, or approximately \$490,000, less in fiscal year 2011 than in fiscal year 2010. Roads and transportation expenses increased approximately \$808,000 while non-program expenses decreased approximately \$787,000 and mental health expenses decreased approximately \$312,000.
- The County's net assets increased 13.4%, or approximately \$6,947,000, from June 30, 2010 to June 30, 2011.

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 Assets and a Statement of Activities. These provide information about the activities of Webster 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 Webster County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Webster County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 periods.

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

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services, Secondary Roads and Drainage Districts, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund 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 Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets 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 special districts, emergency management services and the County Assessor, 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 fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

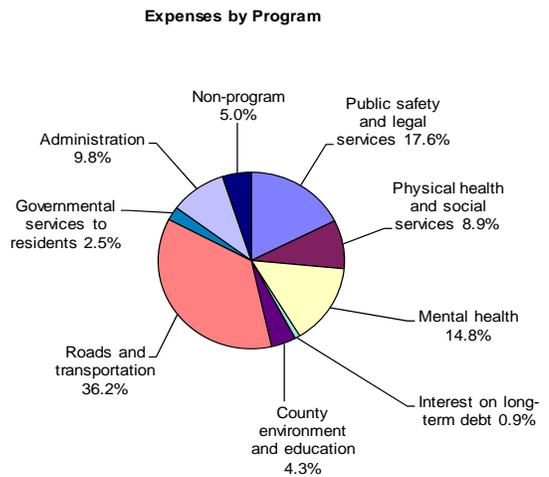
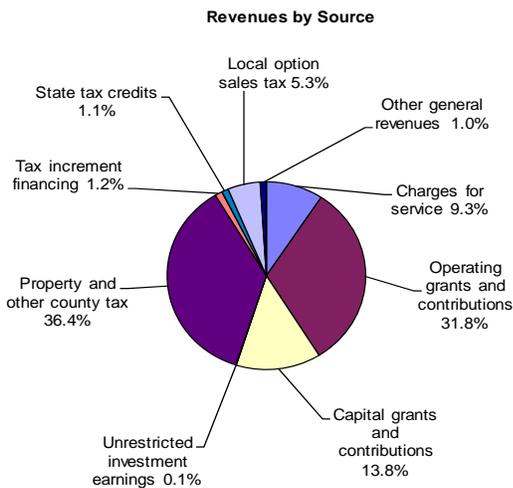
As noted earlier, net assets may serve over time as a useful indicator of financial position. Webster County's combined net assets increased approximately 13.4% over a year ago, increasing from approximately \$51.7 million to approximately \$58.7 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

| Net Assets of Governmental Activities | | |
|---|------------------|---------------|
| (Expressed in Thousands) | | |
| | June 30, | |
| | 2011 | 2010 |
| Current and other assets | \$ 36,358 | 25,829 |
| Capital assets | 48,040 | 44,404 |
| Total assets | <u>84,398</u> | <u>70,233</u> |
| Long-term liabilities | 10,866 | 3,831 |
| Other liabilities | 14,843 | 14,660 |
| Total liabilities | <u>25,709</u> | <u>18,491</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | 45,079 | 44,124 |
| Restricted | 12,965 | 7,510 |
| Unrestricted | 645 | 108 |
| Total net assets | <u>\$ 58,689</u> | <u>51,742</u> |

Net assets of Webster County's governmental activities increased 13.4% (approximately \$58.7 million compared to approximately \$51.7 million). The largest portion of the County's net assets 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 assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets — the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements — increased approximately \$537,000 as a result of fiscal year 2011 operations.

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

| | Year ended June 30, | |
|-------------------------------------|---------------------|---------------|
| | 2011 | 2010 |
| Revenues: | | |
| Program revenues: | | |
| Charges for service | \$ 3,114 | 4,152 |
| Operating grants and contributions | 10,617 | 7,560 |
| Capital grants and contributions | 4,615 | 2,683 |
| General revenues: | | |
| Property and other county tax | 12,079 | 10,758 |
| Tax increment financing | 415 | 414 |
| State tax credits | 373 | 397 |
| Local option sales tax | 1,785 | 1,406 |
| Unrestricted investment earnings | 42 | 65 |
| Other general revenues | 341 | 405 |
| Total revenues | 33,381 | 27,840 |
| Program expenses: | | |
| Public safety and legal services | 4,669 | 4,666 |
| Physical health and social services | 2,364 | 2,458 |
| Mental health | 3,904 | 4,216 |
| County environment and education | 1,146 | 1,225 |
| Roads and transportation | 9,532 | 8,724 |
| Governmental services to residents | 667 | 804 |
| Administration | 2,597 | 2,556 |
| Non-program | 1,312 | 2,099 |
| Interest on long-term debt | 243 | 176 |
| Total expenses | 26,434 | 26,924 |
| Increase in net assets | 6,947 | 916 |
| Net assets beginning of year | 51,742 | 50,826 |
| Net assets end of year | \$ 58,689 | 51,742 |



Webster County's net assets of governmental activities increased approximately \$6,947,000 during the year. Revenues for governmental activities increased approximately \$5,541,000 over the prior year, with property tax revenue increasing approximately \$1,321,000, or 12.3%, compared to the prior year.

The cost of all governmental activities this year was approximately \$26.4 million compared to approximately \$26.9 million last year. However, as shown in the Statement of Activities on Exhibit B, the amount taxpayers ultimately financed for these activities was only approximately \$8.1 million.

INDIVIDUAL MAJOR FUND ANALYSIS

As Webster County completed the year, its governmental funds reported a combined fund balance of approximately \$19,827,000, an increase of approximately \$9,975,000 above last year's total of approximately \$9,852,000. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$2,639,000 and expenditures increased approximately \$1,350,000 over the prior year. The ending fund balance increased \$1,386,059 over the prior year to approximately \$5,932,000. The majority of the increase is due to the reclassification of the Special Revenue, Public Health Fund to the General Fund and an increase in property and other county tax.
- The County has continued to look for ways to effectively manage the cost of mental health services. Special Revenue, Mental Health Fund revenues increased approximately \$48,000 over the previous year due to an increase in property and other county tax. Expenditures for the year decreased approximately \$302,000, or 7.2%, from the prior year. The Mental Health Fund balance at year end increased approximately \$316,000 over the prior year.
- Special Revenue, Rural Services Fund revenues increased approximately \$762,000 over the previous fiscal year and expenditures increased approximately \$174,000. The increase in revenues is attributable to an increase in rural property tax valuations. The Rural Services Fund balance increased approximately \$619,000.
- Revenues in the Special Revenue, Secondary Roads Fund increased approximately \$1,373,000 over the previous year. Secondary Roads Fund expenditures decreased approximately \$1,462,000 from the prior year. Revenues increased due to additional funding received from Iowa Department of Transportation grants, transfer of jurisdiction funding and the receipt of FEMA money for bridge and road maintenance compared to fiscal year 2010. Expenditures for capital projects decreased from the prior year, primarily due to the completion of prior year granular surfacing projects to repair of the damage to the County's roads due to flooding. The Secondary Roads Fund balance increased approximately \$1,788,000.
- The Special Revenue, Drainage Districts Fund ended the year with a \$381,255 balance compared to a \$253,806 balance at the end of the previous year. Flood damage repair expenditures decreased approximately \$682,000. Drainage warrants paid increased approximately \$208,000 during the fiscal year compared to the prior fiscal year. Proceeds from stamped warrants decreased approximately \$260,000 during fiscal year 2011
- The Capital Projects Fund ended the year with a \$5,204,622 balance compared to a \$526,208 balance at the end of the previous year. Proceeds of a \$7,500,000 general obligation sales and services tax bond issuance and IJOBS funding of approximately \$953,000 were provided for construction and remodeling of the law enforcement center.

BUDGETARY HIGHLIGHTS

Over the course of the year, Webster County amended its budget two times. The first amendment was made March 9, 2011 and resulted in an increase in budgeted receipts and disbursements due to additional funding from the proceeds of the \$7,500,000 bond issuance and an increase in debt service related to the new bonds.

The second amendment was made May 24, 2011 and resulted in an increase in budgeted disbursements, mainly due to re-estimating capital project disbursements for law enforcement center construction and an increase in Secondary Roads Department maintenance, repair and supplies.

The County's actual receipts were \$1,927,984 more than budgeted receipts, due primarily to the unanticipated receipt of transfer of jurisdiction funds from the Iowa Department of Transportation and IJOBS, highway construction and FEMA grant funds received during fiscal year 2011.

Total disbursements were \$2,074,112 less than the final amended budget. Mental health disbursements were \$1,016,535 less than budgeted due to planned renovation costs which did not occur and capital projects disbursements were \$385,613 less than budgeted due to the timing of disbursements and progress of the County Sheriff's Law Enforcement Center project during the fiscal year. Disbursements for several other functions were less than budgeted due to reduced spending in all areas.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, Webster County had approximately \$48,040,000 invested (net of depreciation) in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$3,636,000, or 8.2%, over fiscal year 2010.

| Capital Assets of Governmental Activities at Year End | | |
|---|-----------|--------|
| (Expressed in Thousands) | | |
| | June 30, | |
| | 2011 | 2010 |
| Land | \$ 1,117 | 1,113 |
| Construction in progress | 3,162 | 857 |
| Buildings and improvements | 5,220 | 5,480 |
| Machinery and equipment | 3,708 | 4,035 |
| Infrastructure | 34,833 | 32,919 |
| Totals | \$ 48,040 | 44,404 |

This year's major additions included (in thousands):

| | | |
|----------------------------------|----|-------|
| Secondary Roads infrastructure | \$ | 3,595 |
| Law Enforcement Center project | | 2,392 |
| Secondary Roads equipment | | 286 |
| Land for right of way | | 4 |
| Information system equipment | | 10 |
| Vehicle for the Sheriff's Office | | 16 |
| Total | \$ | 6,303 |

The County had depreciation expense of \$2,713,603 in fiscal year 2011 and total accumulated depreciation of \$42,697,762 at June 30, 2011.

The County's fiscal year 2011 capital projects budget totaled \$3,530,000, principally for the County Sheriff's Law Enforcement Center and Secondary Roads Fund projects. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2011, Webster County had approximately \$10,131,000 of general obligation notes, bonds and other debt outstanding, compared to approximately \$3,148,000 at June 30, 2010, as shown below:

| Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands) | | |
|---|------------------|--------------|
| | June 30, | |
| | 2011 | 2010 |
| General obligation capital loan notes | \$ 110 | 280 |
| General obligation local option sales and services tax bonds | 7,250 | - |
| Tax increment revenue bonds | 1,421 | 1,721 |
| Drainage warrants | 1,350 | 1,147 |
| Totals | <u>\$ 10,131</u> | <u>3,148</u> |

During the year ended June 30, 2011, the County issued \$7,500,000 of general obligation local option sales and services tax bonds to finance the construction and remodeling of the Law Enforcement center. The proceeds from the bond issue were placed into the Capital Projects Fund to account for this major project. Approximately \$4,399,000 of the proceeds remained in the Capital Projects Fund at the end of the year.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Webster County's outstanding debt of approximately \$10,131,000 is significantly below its constitutional debt limit of approximately \$99.9 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Webster County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees charged for various County activities. One of those factors is the economy. The County's nonagricultural employment growth has mirrored its population growth during 2000-2010. Unemployment in the County now stands at 8.5% versus 8.3% a year ago. This compares with the State's unemployment rate of 6.5% and is below the national rate of 9.0%.

Inflation in the State was comparable to the national Consumer Price Index decrease at the close of the fiscal year. The Midwest Region of the Department of Labor, of which Iowa is a member, CPI rate was 3.9% for fiscal year 2011 compared with the national rate of 3.6%. After the end of fiscal year 2011, the Consumer Price Index increased slightly due to a decrease in energy costs coupled with an increase in food, shelter and medical care costs. As of October 2011, the Midwest Region of the Department of Labor CPI was 3.3% compared with the national rate of 3.5%.

These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are approximately \$26.9 million, a decrease of approximately \$1.0 million from the final fiscal year 2011 budget. The County considered the effect inflation and consumer demands for services have on program costs. Modest wage and cost-of-living adjustments are included in the fiscal year 2012 budget. The County has added no major new programs or initiatives to the fiscal year 2012 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$5.7 million by the close of fiscal year 2012.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Webster County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Webster County Auditor's Office, 703 Central Avenue, Fort Dodge, Iowa 50501.

Basic Financial Statements

Exhibit A

Webster County
Statement of Net Assets
June 30, 2011

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Cash and pooled investments | \$ 19,266,665 |
| Receivables: | |
| Property tax: | |
| Delinquent | 38,486 |
| Succeeding year | 12,281,000 |
| Accounts | 408,992 |
| Drainage assessments: | |
| Current | 100,773 |
| Future | 1,415,344 |
| Due from other governments | 1,464,052 |
| Inventories | 1,256,883 |
| Prepaid insurance | 125,124 |
| Capital assets (net of accumulated depreciation) | 48,040,271 |
| Total assets | <u>84,397,590</u> |
| Liabilities | |
| Accounts payable | 1,879,265 |
| Accrued interest payable | 99,668 |
| Salaries and benefits payable | 250,845 |
| Due to other governments | 331,979 |
| Deferred revenue: | |
| Succeeding year property tax | 12,281,000 |
| Long-term liabilities: | |
| Portion due or payable within one year: | |
| General obligation capital loan notes | 110,000 |
| General obligation local option sales and services tax bonds | 290,000 |
| Tax increment revenue bonds | 359,248 |
| Drainage warrants | 1,350,486 |
| Compensated absences | 386,457 |
| Portion due or payable after one year: | |
| General obligation local option sales and services tax bonds | 6,960,000 |
| Tax increment revenue bonds | 1,061,932 |
| Net OPEB liability | 348,073 |
| Total liabilities | <u>25,708,953</u> |
| Net Assets | |
| Invested in capital assets, net of related debt | 45,078,838 |
| Restricted for: | |
| Supplemental levy purposes | 1,586,289 |
| Mental health purposes | 1,729,634 |
| Rural services purposes | 827,126 |
| Secondary roads purposes | 4,231,470 |
| Drainage district purposes | 473,949 |
| Capital projects | 806,055 |
| Other purposes | 3,310,296 |
| Unrestricted | 644,980 |
| Total net assets | <u>\$ 58,688,637</u> |

See notes to financial statements.

Webster County

Statement of Activities

Year ended June 30, 2011

| | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets |
|---|----------------------|---------------------------|--|--|--|
| | | Charges for Service | Operating Grants and Contributions | Capital Grants and Contributions | |
| Functions/Programs: | | | | | |
| Governmental activities: | | | | | |
| Public safety and legal services | \$ 4,668,770 | 291,676 | 1,627,055 | 8,869 | (2,741,170) |
| Physical health and social services | 2,363,688 | 685,324 | 65,353 | - | (1,613,011) |
| Mental health | 3,903,830 | 540,499 | 3,022,036 | - | (341,295) |
| County environment and education | 1,146,151 | 148,908 | 63,643 | - | (933,600) |
| Roads and transportation | 9,532,179 | 38,206 | 5,655,859 | 4,606,435 | 768,321 |
| Governmental services to residents | 667,367 | 20,753 | - | - | (646,614) |
| Administration | 2,597,397 | 30,311 | - | - | (2,567,086) |
| Non-program | 1,312,457 | 1,358,387 | 183,050 | - | 228,980 |
| Interest on long-term debt | 242,532 | - | - | - | (242,532) |
| Total | \$ 26,434,371 | 3,114,064 | 10,616,996 | 4,615,304 | (8,088,007) |
| General Revenues: | | | | | |
| Property and other county tax levied for general purposes | | | | | 12,079,102 |
| Tax increment financing | | | | | 414,578 |
| Penalty and interest on property tax | | | | | 113,651 |
| State tax credits | | | | | 372,729 |
| Local option sales and services tax | | | | | 1,785,122 |
| Unrestricted investment earnings | | | | | 41,916 |
| Rent | | | | | 226,459 |
| Miscellaneous | | | | | 481 |
| Total general revenues | | | | | 15,034,038 |
| Change in net assets | | | | | 6,946,031 |
| Net assets beginning of year | | | | | 51,742,606 |
| Net assets end of year | | | | | \$ 58,688,637 |

See notes to financial statements.

Webster County
Balance Sheet
Governmental Funds

June 30, 2011

| | Special | | |
|---|----------------------|------------------|-------------------|
| | General | Mental Health | Rural Services |
| Assets | | | |
| Cash and pooled investments: | | | |
| County Treasurer | \$ 5,685,966 | 2,057,010 | 827,803 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 30,091 | 6,533 | 1,862 |
| Succeeding year | 7,503,000 | 1,972,000 | 2,416,000 |
| Accounts | 139,025 | 16,950 | 1,706 |
| Drainage assessments: | | | |
| Current | - | - | - |
| Future | - | - | - |
| Due from other governments | 444,200 | 71,973 | 5,862 |
| Inventories | - | - | - |
| Prepaid insurance | 125,124 | - | - |
| | \$ 13,927,406 | 4,124,466 | 3,253,233 |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ 228,376 | 97,783 | 6,878 |
| Salaries and benefits payable | 152,276 | 25,268 | 2,138 |
| Due to other governments | 32,712 | 261,815 | 1,091 |
| Deferred revenue: | | | |
| Succeeding year property tax | 7,503,000 | 1,972,000 | 2,416,000 |
| Other | 79,306 | 6,533 | 1,928 |
| Total liabilities | 7,995,670 | 2,363,399 | 2,428,035 |
| Fund balances: | | | |
| Nonspendable: | | | |
| Inventories | - | - | - |
| Prepaid insurance | 125,124 | - | - |
| Restricted for: | | | |
| Supplemental levy purposes | 1,577,308 | - | - |
| Mental health purposes | - | 1,761,067 | - |
| Rural services purposes | - | - | 825,198 |
| Secondary roads purposes | - | - | - |
| Drainage warrants/drainage improvement certificates | - | - | - |
| Capital projects | - | - | - |
| Other purposes | 3,404,767 | - | - |
| Unassigned | 824,537 | - | - |
| Total fund balances | 5,931,736 | 1,761,067 | 825,198 |
| | \$ 13,927,406 | 4,124,466 | 3,253,233 |

See notes to financial statements.

| Revenue | | | | |
|--------------------|-----------------------|---------------------|-----------|------------|
| Secondary Roads | Drainage Districts | Capital Projects | Nonmajor | Total |
| 3,515,568 | 381,255 | 5,455,019 | 1,266,567 | 19,189,188 |
| - | - | - | - | 38,486 |
| - | - | - | 390,000 | 12,281,000 |
| 248,011 | - | - | 3,300 | 408,992 |
| - | 100,773 | - | - | 100,773 |
| - | 1,415,344 | - | - | 1,415,344 |
| 399,875 | - | 423,792 | 118,350 | 1,464,052 |
| 1,256,883 | - | - | - | 1,256,883 |
| - | - | - | - | 125,124 |
| 5,420,337 | 1,897,372 | 5,878,811 | 1,778,217 | 36,279,842 |
| 855,136 | - | 674,189 | 1,051 | 1,863,413 |
| 71,163 | - | - | - | 250,845 |
| 36,361 | - | - | - | 331,979 |
| - | - | - | 390,000 | 12,281,000 |
| 59,175 | 1,516,117 | - | 62,475 | 1,725,534 |
| 1,021,835 | 1,516,117 | 674,189 | 453,526 | 16,452,771 |
| 1,256,883 | - | - | - | 1,256,883 |
| - | - | - | - | 125,124 |
| - | - | - | - | 1,577,308 |
| - | - | - | - | 1,761,067 |
| - | - | - | - | 825,198 |
| 3,141,619 | - | - | - | 3,141,619 |
| - | 381,255 | - | - | 381,255 |
| - | - | 5,204,622 | - | 5,204,622 |
| - | - | - | 1,324,691 | 4,729,458 |
| - | - | - | - | 824,537 |
| 4,398,502 | 381,255 | 5,204,622 | 1,324,691 | 19,827,071 |
| 5,420,337 | 1,897,372 | 5,878,811 | 1,778,217 | 36,279,842 |

Webster County

Webster County

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets

June 30, 2011

Total governmental fund balances (page 19) \$ 19,827,071

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$90,738,033 and the accumulated depreciation is \$42,697,762 48,040,271

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 1,725,534

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 61,625

Long-term liabilities, including bonds and notes payable, drainage warrants payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (10,965,864)

Net assets of governmental activities (page 16) \$ 58,688,637

See notes to financial statements.

Webster County

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

| | General | Mental Health | Special Rural Services |
|---|--------------|------------------|------------------------------|
| Revenues: | | | |
| Property and other county tax | \$ 7,372,245 | 2,082,856 | 2,601,104 |
| Tax increment financing | - | - | - |
| Local option sales and services tax | - | - | - |
| Interest and penalty on property tax | 113,651 | - | - |
| Intergovernmental | 3,309,236 | 2,113,147 | 151,087 |
| Licenses and permits | 12,906 | - | 55,703 |
| Charges for service | 1,028,144 | 19,647 | 68,400 |
| Use of money and property | 255,879 | - | 8,253 |
| Miscellaneous | 70,649 | 1,364 | 601 |
| Total revenues | 12,162,710 | 4,217,014 | 2,885,148 |
| Expenditures: | | | |
| Operating: | | | |
| Public safety and legal services | 4,482,641 | - | - |
| Physical health and social services | 2,272,196 | - | 30,063 |
| Mental health | - | 3,901,371 | - |
| County environment and education | 567,240 | - | 486,144 |
| Roads and transportation | - | - | - |
| Governmental services to residents | 662,741 | - | - |
| Administration | 2,366,009 | - | - |
| Non-program | - | - | - |
| Debt service | 181,815 | - | - |
| Capital projects | 244,009 | - | - |
| Total expenditures | 10,776,651 | 3,901,371 | 516,207 |
| Excess (deficiency) of revenues over (under) expenditures | 1,386,059 | 315,643 | 2,368,941 |
| Other financing sources (uses): | | | |
| Operating transfers in | - | - | - |
| Operating transfers out | - | - | (1,750,000) |
| General obligation bonds issued | - | - | - |
| Discount on bonds issued | - | - | - |
| Drainage warrants issued | - | - | - |
| Total other financing sources (uses) | - | - | (1,750,000) |
| Net change in fund balances | 1,386,059 | 315,643 | 618,941 |
| Fund balances beginning of year, as restated | 4,545,677 | 1,445,424 | 206,257 |
| Fund balances end of year | \$ 5,931,736 | 1,761,067 | 825,198 |

See notes to financial statements.

| Revenue | | | | |
|--------------------|-----------------------|---------------------|-----------|-------------|
| Secondary Roads | Drainage Districts | Capital Projects | Nonmajor | Total |
| - | - | - | - | 12,056,205 |
| - | - | - | 414,578 | 414,578 |
| 833,386 | - | 461,742 | 371,644 | 1,666,772 |
| - | - | - | - | 113,651 |
| 6,121,412 | - | 952,820 | 25,480 | 12,673,182 |
| 8,790 | - | - | - | 77,399 |
| - | - | - | 6,692 | 1,122,883 |
| 4,340 | - | - | 721 | 269,193 |
| 244,117 | 1,081,640 | - | - | 1,398,371 |
| 7,212,045 | 1,081,640 | 1,414,562 | 819,115 | 29,792,234 |
| - | - | - | - | 4,482,641 |
| - | - | - | - | 2,302,259 |
| - | - | - | - | 3,901,371 |
| - | - | - | 52,513 | 1,105,897 |
| 6,699,446 | - | - | - | 6,699,446 |
| - | - | - | - | 662,741 |
| - | - | - | - | 2,366,009 |
| - | 1,157,295 | - | - | 1,157,295 |
| - | 942,776 | - | 744,879 | 1,869,470 |
| 474,681 | - | 3,101,433 | - | 3,820,123 |
| 7,174,127 | 2,100,071 | 3,101,433 | 797,392 | 28,367,252 |
| 37,918 | (1,018,431) | (1,686,871) | 21,723 | 1,424,982 |
| 1,750,000 | - | - | 1,393,705 | 3,143,705 |
| - | - | (1,039,022) | (354,683) | (3,143,705) |
| - | - | 7,500,000 | - | 7,500,000 |
| - | - | (95,693) | - | (95,693) |
| - | 1,145,880 | - | - | 1,145,880 |
| 1,750,000 | 1,145,880 | 6,365,285 | 1,039,022 | 8,550,187 |
| 1,787,918 | 127,449 | 4,678,414 | 1,060,745 | 9,975,169 |
| 2,610,584 | 253,806 | 526,208 | 263,946 | 9,851,902 |
| 4,398,502 | 381,255 | 5,204,622 | 1,324,691 | 19,827,071 |

Webster County

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances -
Governmental Funds to the Statement
of Activities

Year ended June 30, 2011

Net change in fund balances - Total governmental funds (page 23) \$ 9,975,169

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

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

| | | |
|---|--------------------|-----------|
| Expenditures for capital assets | \$ 3,340,524 | |
| Capital assets contributed by the Iowa Department of Transportation | 3,025,325 | |
| Depreciation expense | <u>(2,713,603)</u> | 3,652,246 |

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (15,666)

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

| | | |
|--------------|----------------|---------|
| Property tax | (12,692) | |
| Other | <u>424,820</u> | 412,128 |

Proceeds from issuing long term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

| | | |
|--------|------------------|-------------|
| Issued | (8,645,880) | |
| Repaid | <u>1,662,810</u> | (6,983,070) |

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:

| | | |
|-------------------------------|-----------------|----------|
| Compensated absences | 59,086 | |
| Other postemployment benefits | (110,976) | |
| Interest on long-term debt | <u>(35,871)</u> | (87,761) |

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. (7,015)

Change in net assets of governmental activities (page 17) \$ 6,946,031

See notes to financial statements.

Webster County
Statement of Net Assets
Proprietary Fund
June 30, 2011

| | <u>Internal Service - Employee Group Health</u> |
|---------------------------|---|
| Assets | |
| Cash and cash equivalents | \$ 77,477 |
| Liabilities | |
| Accounts payable | <u>15,852</u> |
| Net Assets | |
| Unrestricted | <u>\$ 61,625</u> |

See notes to financial statements.

Webster County
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2011

| | | <u>Internal Service - Employee Group Health</u> |
|--|---------------|---|
| Operating revenues: | | |
| Reimbursements from operating funds | | \$ 1,710,931 |
| Reimbursements from employees and others | | 189,995 |
| COBRA reimbursements | | <u>67,781</u> |
| Total operating revenues | | 1,968,707 |
| Operating expenses: | | |
| Insurance premiums | \$ 1,939,642 | |
| Medical claims | 4,252 | |
| Administrative fees | <u>32,395</u> | <u>1,976,289</u> |
| Operating loss | | (7,582) |
| Non-operating revenues: | | |
| Interest income | | <u>567</u> |
| Net loss | | (7,015) |
| Net assets beginning of year | | <u>68,640</u> |
| Net assets end of year | | <u>\$ 61,625</u> |

See notes to financial statements.

Webster County
 Statement of Cash Flows
 Proprietary Fund
 Year ended June 30, 2011

| | Internal Service - Employee Group Health |
|--|--|
| Cash flows from operating activities: | |
| Cash received from operating fund contributions | \$ 1,715,310 |
| Cash received from employees and others | 189,995 |
| Cash received from COBRA reimbursements | 67,781 |
| Cash paid for insurance premiums | (1,936,620) |
| Cash paid for medical claims | (4,252) |
| Cash paid for administrative expenses | (32,395) |
| Net cash used for operating activities | (181) |
| Cash flows from investing activities: | |
| Interest on investments | 567 |
| Net increase in cash and cash equivalents | 386 |
| Cash and cash equivalents beginning of year | 77,091 |
| Cash and cash equivalents end of year | \$ 77,477 |
| Reconciliation of operating loss to net cash used for operating activities: | |
| Operating loss | \$ (7,582) |
| Adjustments to reconcile operating loss to net cash used for operating activities: | |
| Decrease in accounts receivable | 4,379 |
| Increase in accounts payable | 3,022 |
| Net cash used for operating activities | \$ (181) |

See notes to financial statements.

Webster County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2011

Assets

Cash and pooled investments:

| | |
|------------------------|--------------|
| County Treasurer | \$ 1,719,999 |
| Other County officials | 165,123 |

Receivables:

Property tax:

| | |
|-----------------|------------|
| Delinquent | 146,954 |
| Succeeding year | 37,726,000 |

| | |
|----------|--------|
| Accounts | 10,848 |
|----------|--------|

| | |
|---------------------|---------|
| Special assessments | 235,938 |
|---------------------|---------|

| | |
|----------------------|---------|
| Drainage assessments | 120,319 |
|----------------------|---------|

| | |
|----------------------------|--------|
| Due from other governments | 15,211 |
|----------------------------|--------|

| | |
|---------------------|-------------------|
| Total assets | <u>40,140,392</u> |
|---------------------|-------------------|

Liabilities

| | |
|------------------|--------|
| Accounts payable | 16,743 |
|------------------|--------|

| | |
|-------------------------------|--------|
| Salaries and benefits payable | 10,110 |
|-------------------------------|--------|

| | |
|--------------------------|------------|
| Due to other governments | 39,887,932 |
|--------------------------|------------|

| | |
|----------------|---------|
| Trusts payable | 211,767 |
|----------------|---------|

| | |
|----------------------|--------|
| Compensated absences | 13,840 |
|----------------------|--------|

| | |
|--------------------------|-------------------|
| Total liabilities | <u>40,140,392</u> |
|--------------------------|-------------------|

Net assets

| | |
|----|-----------------|
| \$ | <u><u>-</u></u> |
|----|-----------------|

See notes to financial statements.

Webster County

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Webster 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.

A. Reporting Entity

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

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

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

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

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: Webster County Assessor’s Conference Board, Webster County Emergency Management Commission and Webster 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.

The County also participates in the North Central Iowa Regional Solid Waste Agency, the Webster County Telecommunications Board, Central Iowa Juvenile Detention Center, Region V Narcotic Task Force, Mid-Iowa Development Association Council of Governments, Hazardous Materials Response Commission and Local Emergency Planning Commission, jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa. In addition, the County participates in the following jointly governed organizations: Second Judicial District Department of Correctional Services, Iowa Central Industries, Your Own Limited Resources, Inc., the North Central Alcoholism Research Foundation, Webster County Economic Development Corporation and North Central Mental Health Center.

B. Basis of Presentation

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

The Statement of Net Assets presents the County’s nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories, as follows:

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

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Drainage Districts Fund is used to account for drainage district assessments and drainage district construction and maintenance activity.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims 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 assets 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.

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – 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 investments in non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

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.

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

Current drainage assessments receivable represent assessments which are due and payable but have not been collected. Future drainage assessments receivable represent amounts which will be assessed to individuals and levied against their property in the future for work already done on drainage districts which benefit their property.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with

interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which are due and payable but have not been collected.

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.

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 governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class | Amount |
|----------------------------|-----------|
| Buildings and improvements | \$ 25,000 |
| Land and improvements | 5,000 |
| Equipment and vehicles | 5,000 |
| Intangibles | 50,000 |
| Infrastructure | 50,000 |

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 and improvements | 10 - 50 |
| Equipment and vehicles | 3 - 20 |
| Intangibles | 5 - 20 |
| Infrastructure | 10 - 65 |

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

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

Deferred Revenue – 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 revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable which will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary 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, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets.

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.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

| Transfer to | Transfer from | Amount |
|-------------------------------------|-------------------------------------|---------------------|
| Special Revenue: | Special Revenue: | |
| Secondary Roads | Rural Services | \$ 1,750,000 |
| Local Option Sales and Services Tax | Capital Projects | 1,039,022 |
| Debt Service | Special Revenue: | |
| | Local Option Sales and Services Tax | 354,683 |
| Total | | <u>\$ 3,143,705</u> |

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---------------------------------|------------------|--------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,112,766 | 4,000 | - | 1,116,766 |
| Construction in progress, road network | 857,057 | 3,595,632 | (3,682,577) | 770,112 |
| Construction in progress | - | 2,392,209 | - | 2,392,209 |
| Total capital assets not being depreciated | <u>1,969,823</u> | <u>5,991,841</u> | <u>(3,682,577)</u> | <u>4,279,087</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 15,176,280 | - | - | 15,176,280 |
| Improvements other than buildings | 150,000 | - | - | 150,000 |
| Equipment and vehicles | 10,320,780 | 373,908 | (93,626) | 10,601,062 |
| Infrastructure, road network | 56,849,027 | 3,682,577 | - | 60,531,604 |
| Total capital assets being depreciated | <u>82,496,087</u> | <u>4,056,485</u> | <u>(93,626)</u> | <u>86,458,946</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 9,696,446 | 258,782 | - | 9,955,228 |
| Improvements other than buildings | 150,000 | - | - | 150,000 |
| Equipment and vehicles | 6,286,474 | 684,836 | (78,060) | 6,893,250 |
| Infrastructure, road network | 23,929,299 | 1,769,985 | - | 25,699,284 |
| Total accumulated depreciation | <u>40,062,219</u> | <u>2,713,603</u> | <u>(78,060)</u> | <u>42,697,762</u> |
| Total capital assets being depreciated, net | <u>42,433,868</u> | <u>1,342,882</u> | <u>(15,566)</u> | <u>43,761,184</u> |
| Governmental activities capital assets, net | <u>\$ 44,403,691</u> | <u>7,334,723</u> | <u>(3,698,143)</u> | <u>48,040,271</u> |

Depreciation expense was charged to the following functions:

| | |
|--|---------------------|
| Governmental activities: | |
| Public safety and legal services | \$ 181,591 |
| Physical health and social services | 39,651 |
| Mental health | 17,952 |
| County environment and education | 46,248 |
| Roads and transportation | 2,314,929 |
| Administration | 113,232 |
| | <u>113,232</u> |
| Total depreciation expense - governmental activities | <u>\$ 2,713,603</u> |

(5) Due to Other Governments

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

| Fund | Description | Amount |
|----------------------------------|-------------|----------------------|
| General | Services | \$ 32,712 |
| Special Revenue: | | |
| Mental Health | Services | 261,815 |
| Rural Services | Services | 1,091 |
| Secondary Roads | Services | 36,361 |
| | | <u>299,267</u> |
| Total for governmental funds | | <u>\$ 331,979</u> |
| Agency: | | |
| Agricultural Extension Education | Collections | \$ 231,449 |
| County Assessor | | 626,363 |
| Schools | | 22,438,338 |
| Community Colleges | | 1,241,434 |
| Corporations | | 13,502,566 |
| Townships | | 373,323 |
| Auto License and Use Tax | | 799,590 |
| Special Districts | | 295,565 |
| All other | | 379,304 |
| Total for agency funds | | <u>\$ 39,887,932</u> |

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

| | General Obligation | Local Option Sales and Services Tax Bonds | Tax Increment Revenue Bonds | Drainage Warrants | Compen- sated Absences | Other Post- employment Benefits | Total |
|---------------------------|-----------------------|--|--------------------------------------|----------------------|------------------------------|---------------------------------------|-------------------|
| Balance beginning of year | \$ 280,000 | - | 1,721,214 | 1,147,382 | 445,543 | 237,097 | 3,831,236 |
| Increases | - | 7,500,000 | - | 1,145,880 | 452,179 | 114,150 | 9,212,209 |
| Decreases | 170,000 | 250,000 | 300,034 | 942,776 | 511,265 | 3,174 | 2,177,249 |
| Balance end of year | <u>\$ 110,000</u> | <u>7,250,000</u> | <u>1,421,180</u> | <u>1,350,486</u> | <u>386,457</u> | <u>348,073</u> | <u>10,866,196</u> |
| Due within one year | <u>\$ 110,000</u> | <u>290,000</u> | <u>359,248</u> | <u>1,350,486</u> | <u>386,457</u> | <u>-</u> | <u>2,496,191</u> |

General Obligation Capital Loan Notes

On June 28, 2007, the County issued \$720,000 of general obligation capital loan notes, Series 2007A dated June 15, 2007, for the purpose of paying the costs of improvements and equipment for County buildings, including the acquisition and installation of equipment for emergency telecommunications and E-911 response services, and acquiring, equipping and furnishing real property purchased. The general obligation capital loan notes are split among two issuances, which include \$500,000 for real property and \$220,000 for equipment in County buildings. During the year ended June 30, 2011, \$181,115, including interest of \$11,115, was paid on the notes. The principal balance at June 30, 2011 was \$110,000.

General Obligation Local Option Sales and Services Tax Bonds

On December 30, 2010, the County issued \$7,500,000, Series 2010 of general obligation local option sales and services tax bonds, pursuant to the provisions of Section 423B.9(4) of the Code of Iowa for the purpose of paying costs to remodel, improve, extend and equip the existing County Law Enforcement Center, to build and equip the new County Jail and to acquire land, if necessary. A summary of the general obligation local option sales and services tax bonds indebtedness is as follows:

| Year Ending June 30, | Interest Rates | Principal | Interest | Total |
|----------------------------|-------------------|-------------|-----------|-----------|
| 2012 | 2.50% | \$ 290,000 | 235,388 | 525,388 |
| 2013 | 2.50 | 300,000 | 227,888 | 527,888 |
| 2014 | 2.50 | 305,000 | 220,263 | 525,263 |
| 2015 | 2.50 | 315,000 | 212,388 | 527,388 |
| 2016 | 2.50 | 320,000 | 204,388 | 524,388 |
| 2017-2021 | 3.00-3.375 | 1,745,000 | 875,361 | 2,620,361 |
| 2022-2026 | 3.50-4.00 | 2,045,000 | 551,249 | 2,596,249 |
| 2027-2030 | 4.00-4.125 | 1,930,000 | 142,750 | 2,072,750 |
| Total | | \$7,250,000 | 2,669,675 | 9,919,675 |

The County has pledged future local option sales and services tax receipts to repay \$7,500,000 of the general obligation local option sales and services tax bonds. The bonds are payable and secured by a pledge of 50% of the local option sales tax receipts and, if the 50% portion of the local option sales tax receipts is insufficient, the County may levy an annual tax on all of the taxable property in the County.

Annual principal and interest payments on the bonds required 20% of net receipts. During the year ended June 30, 2011, the County retired \$250,000 of bonds. The total principal and interest remaining to be paid on the bonds is \$9,919,675. For the current year, principal and interest paid and total local option sales and services tax were \$354,394 and \$1,785,122, respectively.

The resolution providing for the issuance of the bonds includes the following provisions:

- (a) The bonds will be redeemed from the future collections of local option sales and services tax receipts and, as needed in order to supplement the local option sales and services tax receipts, an annual property tax levy.
- (b) The local option sales and services tax receipts shall be deposited in a Local Option Sales and Services Tax Fund (Revenue Fund), which shall be used and disbursed to pay the principal and interest on the bonds.
- (c) Sufficient transfers shall be made from the Revenue Fund to a separate bond sinking account within the Debt Service Fund for the purpose of making the bond principal and interest payments when due. The

Revenue Fund shall set aside sufficient revenues to pay the principal and interest coming due in the next succeeding fiscal year. If the revenues are insufficient to pay the principal and interest coming due in the next succeeding fiscal year, a property tax will be levied for the next fiscal year.

Tax Increment Revenue Bonds

The County sold \$2,500,000 of urban renewal tax increment revenue bonds dated April 18, 2006 for an urban renewal project to improve certain County roads, provide an economic development grant to Frontier Ethanol and pay capitalized interest and costs of issuance of the bonds. The bonds are payable solely from the income and proceeds of the urban renewal tax revenue fund and the incremental property tax to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The bonds are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County.

The total principal and interest remaining to be paid on the bonds at June 30, 2011 is \$1,494,369. For the current year, principal and interest paid and total tax increment financing revenues were \$390,485 and \$414,578, respectively.

The bonds bear interest at 2.35% per annum (after adjustment to a rate 75 basis points higher than the five year U.S. Treasury rate on June 1, 2011) with final maturity on December 1, 2015. Principal and interest on the bonds shall be payable in semi annual payments of \$195,243 on June 1 and December 1, beginning June 1, 2008 and continuing through and including December 1, 2014, with a final payment of all remaining principal and interest on June 1, 2015.

A summary of the County’s June 30, 2011 tax increment revenue bond indebtedness is as follows:

| Year Ending June 30, | Interest Rates | Principal | Interest | Total |
|----------------------------|-------------------|--------------|----------|-----------|
| 2012 | 2.35 % | \$ 359,248 | 31,237 | 390,485 |
| 2013 | 2.35 | 367,740 | 22,745 | 390,485 |
| 2014 | 2.35 | 376,433 | 14,052 | 390,485 |
| 2015 | 2.35 | 317,759 | 5,155 | 322,914 |
| Total | | \$ 1,421,180 | 73,189 | 1,494,369 |

Drainage Warrants

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

Drainage warrants are paid from the Special Revenue, Drainage Districts Fund solely from drainage assessments against benefited properties.

(7) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$547,670, \$554,445 and \$515,841, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 150 active and 9 retired members in the plan. Retired participants must be age 55 or older at retirement.

The health coverage, which is a partially self-funded medical plan, is administered by Group Services, Incorporated. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

| | |
|--|--------------------------|
| Annual required contribuion | \$ 117,410 |
| Interest on net OPEB obligation | 10,669 |
| Adjustment to annual required contribution | (13,929) |
| Annual OPEB cost | <u>114,150</u> |
| Contributions made | (3,174) |
| Increase in net OPEB obligation | <u>110,976</u> |
| Net OPEB obligation beginning of year | <u>237,097</u> |
| Net OPEB obligation end of year | <u><u>\$ 348,073</u></u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the County contributed \$3,174 to the medical plan. Plan members eligible for benefits contributed \$42,497, or 93% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------|------------------|--|---------------------|
| 2009 | \$ 117,410 | 0% | \$ 117,410 |
| 2010 | 122,693 | 2.5 | 237,097 |
| 2011 | 114,150 | 2.8 | 348,073 |

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$965,356, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$965,356. The covered payroll (annual payroll of active employees covered by the plan) was \$7,280,435 and the ratio of the UAAL to covered payroll was 13.3%. As of June 30, 2011, there were no trust fund assets.

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

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

As of the July 1, 2008 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment return rate based on the County's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$479 per month for retirees less than age 65 and \$1,099 per month for family plans of retirees less than age 65 under Iowa State Association of Counties (ISAC) plan 9 and \$491 per month for retirees less than age 65 and \$1,088 per month for family plans of retirees less than age 65 under ISAC plan 10. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The 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 645 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 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 due and payable in the current 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 to equal 150% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2011 were \$246,481.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. 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, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, 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. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 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.

(10) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's group health insurance plan. The plan is funded by employee and County contributions and is administered through a service agreement with Group Services. All benefits in excess of Plan deductibles are paid through the Iowa State Association of Counties (ISAC), which in turn provides for its own reinsurance stop/loss limits and submits its own required state filings.

The payments of plan contributions to the Internal Service, Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments are made to Group Services for service fees and for contributions into a Safe-T fund. Claims are processed from the Safe-T fund to ensure timely payment. The County's contribution to the fund for the year ended June 30, 2011 was \$1,710,931.

The amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2011 for incurred but not reported (IBNR) and reported but not paid claims has been estimated but has not been actuarially determined since the County is exempt from obtaining an actuarial opinion under Chapter 509A.15(4) of the Code of Iowa. The combined County liability for unpaid claims is as follows:

| | |
|---|------------------|
| Unpaid claims beginning of year | \$ 12,830 |
| Incurred claims (including claims incurred but not reported at June 30, 2011) | 4,252 |
| Payment on claims during the fiscal year | <u>1,230</u> |
| Unpaid claims end of year | <u>\$ 15,852</u> |

(11) Industrial Development Revenue Bonds

The County has issued a total of \$670,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$595,747 is outstanding at June 30, 2011. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and the bond principal and interest do not constitute liabilities of the County.

(12) Economic Development Agreement

The County entered into a private development agreement for financial assistance with the Iowa Economic Development Authority (Authority) and Tate & Lyle Ingredients America, Inc. (the developer) under the authorization of Chapter 403 of the Code of Iowa for the construction of a wet mill, corn-processing ethanol plant. The County has agreed to be the sponsor community for a Community Economic Betterment Account (CEBA) loan to the developer through the Authority.

On March 11, 2009, the County received the \$1,000,000 CEBA award on behalf of Tate & Lyle Ingredients America, Inc. from the Authority and provided the amount to the developer. The financial assistance consists of a \$500,000 conventional interest free loan and a \$500,000 forgivable loan. Repayment of the \$500,000 conventional loan is to be made in 60 equal payments of \$8,333, with the first payment due on July 1, 2009. Payments are to be made directly to the Authority by Tate & Lyle Ingredients America, Inc. The loan is not a general obligation or indebtedness of the County.

A pro rata percentage of the \$500,000 forgivable loan will be waived based upon fulfillment of specific job obligations and continued satisfaction through the job maintenance period. Any balance (shortfall) will be amortized over a two year period in equal monthly payments and interest charged at 6% per annum from the date of the first CEBA disbursement on the shortfall amount. The loan is not a general obligation or indebtedness of the County.

(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

| Fund | Balances June 30, 2010, as previously reported | Change of fund type classification per implementation of GASB Statement No. 54 | Balance July 1, 2010, as restated |
|----------------------------------|---|---|---|
| General | \$ 3,046,115 | 1,499,562 | 4,545,677 |
| Special Revenue: | | | |
| Public Health | 1,412,030 | (1,412,030) | - |
| Supplemental Environment Project | 820 | (820) | - |
| Sheriff Confiscated Property | 15,706 | (15,706) | - |
| Attorney Confiscated Property | 15,144 | (15,144) | - |
| Conservation Land Acquisition | 49,972 | (49,972) | - |
| DARE | 2,146 | (2,146) | - |
| Canine | 3,744 | (3,744) | - |

Required Supplementary Information

Webster County
 Budgetary Comparison Schedule of
 Receipts, Disbursements and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2011

| | Actual | Less Funds not Required to be Budgeted | Net |
|---|----------------------|---|-------------------|
| Receipts: | | | |
| Property and other county tax | \$ 14,163,079 | - | 14,163,079 |
| Interest and penalty on property tax | 114,713 | - | 114,713 |
| Intergovernmental | 12,046,216 | - | 12,046,216 |
| Licenses and permits | 67,051 | - | 67,051 |
| Charges for service | 1,097,231 | - | 1,097,231 |
| Use of money and property | 268,176 | - | 268,176 |
| Miscellaneous | 1,208,105 | 1,081,640 | 126,465 |
| Total receipts | <u>28,964,571</u> | <u>1,081,640</u> | <u>27,882,931</u> |
| Disbursements: | | | |
| Public safety and legal services | 4,586,742 | - | 4,586,742 |
| Physical health and social services | 2,337,205 | - | 2,337,205 |
| Mental health | 4,027,077 | - | 4,027,077 |
| County environment and education | 1,104,992 | - | 1,104,992 |
| Roads and transportation | 6,576,715 | - | 6,576,715 |
| Governmental services to residents | 659,873 | - | 659,873 |
| Administration | 2,435,028 | - | 2,435,028 |
| Non-program | 1,222,873 | 1,222,873 | - |
| Debt service | 1,869,471 | 942,776 | 926,695 |
| Capital projects | 3,144,387 | - | 3,144,387 |
| Total disbursements | <u>27,964,363</u> | <u>2,165,649</u> | <u>25,798,714</u> |
| Excess (deficiency) of receipts over (under) disbursements | 1,000,208 | (1,084,009) | 2,084,217 |
| Other financing sources, net | <u>8,550,354</u> | <u>1,145,880</u> | <u>7,404,474</u> |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 9,550,562 | 61,871 | 9,488,691 |
| Balance beginning of year | 9,638,626 | 319,384 | 9,319,242 |
| Balance end of year | <u>\$ 19,189,188</u> | <u>381,255</u> | <u>18,807,933</u> |

See accompanying independent auditor's report.

| Budgeted Amounts | | Final to |
|------------------|-------------|-----------|
| Original | Final | Net |
| | | Variance |
| 13,854,802 | 13,854,802 | 308,277 |
| 115,000 | 115,000 | (287) |
| 10,455,602 | 10,455,602 | 1,590,614 |
| 29,000 | 79,000 | (11,949) |
| 1,035,160 | 1,035,160 | 62,071 |
| 345,850 | 345,850 | (77,674) |
| 69,533 | 69,533 | 56,932 |
| 25,904,947 | 25,954,947 | 1,927,984 |
| 4,915,897 | 4,725,897 | 139,155 |
| 2,362,008 | 2,362,008 | 24,803 |
| 5,043,612 | 5,043,612 | 1,016,535 |
| 1,169,634 | 1,178,493 | 73,501 |
| 6,300,000 | 6,580,000 | 3,285 |
| 791,096 | 791,096 | 131,223 |
| 2,534,589 | 2,534,589 | 99,561 |
| 200,000 | 200,000 | 200,000 |
| 572,436 | 927,131 | 436 |
| 2,950,000 | 3,530,000 | 385,613 |
| 26,839,272 | 27,872,826 | 2,074,112 |
| (934,325) | (1,917,879) | 4,002,096 |
| - | 7,404,307 | 167 |
| (934,325) | 5,486,428 | 4,002,263 |
| 6,373,737 | 6,373,737 | 2,945,505 |
| 5,439,412 | 11,860,165 | 6,947,768 |

Webster County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2011

| | Governmental Funds | | |
|------------------------------|--------------------|-----------------------------|------------------------------|
| | Cash Basis | Accrual Adjust- ments | Modified Accrual Basis |
| Revenues | \$ 28,964,571 | 827,663 | 29,792,234 |
| Expenditures | 27,964,363 | 402,889 | 28,367,252 |
| Net | 1,000,208 | 424,774 | 1,424,982 |
| Other financing sources, net | 8,550,354 | (167) | 8,550,187 |
| Beginning fund balances | 9,638,626 | 213,276 | 9,851,902 |
| Ending fund balances | \$ 19,189,188 | 637,883 | 19,827,071 |

See accompanying independent auditor's report.

Webster County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,033,554. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted by function.

Webster County

Webster County

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------------|--------------------------------|--|---|--------------------------------------|--------------------------|---------------------------|---|
| 2009 | Jul 1, 2008 | - | \$ 965 | 965 | 0.00% | \$ 7,234 | 13.3% |
| 2010 | Jul 1, 2008 | - | 965 | 965 | 0.00 | 7,598 | 12.7 |
| 2011 | Jul 1, 2008 | - | 965 | 965 | 0.00 | 7,280 | 13.3 |

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Webster County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2011

| | County Recorder's Records Management | Resource Enhancement and Protection |
|--|---|--|
| Assets | | |
| Cash and pooled investments | \$ 29,590 | 82,181 |
| Receivables: | | |
| Property tax | - | - |
| Accounts | - | 3,300 |
| Due from other governments | - | - |
| Total assets | \$ 29,590 | 85,481 |
| Liabilities and Fund Balances | | |
| Liabilities: | | |
| Accounts payable | \$ - | 1,051 |
| Deferred revenue: | | |
| Succeeding year property tax | - | - |
| Other | - | 3,300 |
| Total liabilities | - | 4,351 |
| Fund balances: | | |
| Restricted for other purposes | 29,590 | 81,130 |
| Total liabilities and fund balances | \$ 29,590 | 85,481 |

See accompanying independent auditor's report.

| Special Revenue | | | |
|---|--|-----------------|-----------|
| Frontier Ethanol Urban Renewal Tax Increment Financing | Local Option Sales and Services Tax | Debt Service | Total |
| 157,699 | 996,808 | 289 | 1,266,567 |
| 390,000 | - | - | 390,000 |
| - | - | - | 3,300 |
| - | 118,350 | - | 118,350 |
| 547,699 | 1,115,158 | 289 | 1,778,217 |
| - | - | - | 1,051 |
| 390,000 | - | - | 390,000 |
| - | 59,175 | - | 62,475 |
| 390,000 | 59,175 | - | 453,526 |
| 157,699 | 1,055,983 | 289 | 1,324,691 |
| 547,699 | 1,115,158 | 289 | 1,778,217 |

Webster County

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2011

| | County Recorder's Records Management | Resource Enhancement and Protection |
|---|---|--|
| Revenues: | | |
| Tax increment financing | \$ - | - |
| Local option sales and services tax | - | - |
| Intergovernmental | - | 25,480 |
| Charges for service | 6,692 | - |
| Use of money and property | 56 | 258 |
| Total revenues | <u>6,748</u> | <u>25,738</u> |
| Expenditures: | | |
| Operating: | | |
| County environment and education | - | 52,513 |
| Debt service | - | - |
| Total expenditures | <u>-</u> | <u>52,513</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>6,748</u> | <u>(26,775)</u> |
| Other financing sources (uses): | | |
| Operating transfers in | - | - |
| Operating transfers out | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> |
| Net change in fund balances | 6,748 | (26,775) |
| Fund balances beginning of year, as restated | <u>22,842</u> | <u>107,905</u> |
| Fund balances end of year | <u>\$ 29,590</u> | <u>81,130</u> |

See accompanying independent auditor's report.

| Special Revenue | | | |
|---|--|-----------------|-----------|
| Frontier Ethanol Urban Renewal Tax Increment Financing | Local Option Sales and Services Tax | Debt Service | Total |
| 414,578 | - | - | 414,578 |
| - | 371,644 | - | 371,644 |
| - | - | - | 25,480 |
| - | - | - | 6,692 |
| 407 | - | - | 721 |
| 414,985 | 371,644 | - | 819,115 |
| - | - | - | 52,513 |
| 390,485 | - | 354,394 | 744,879 |
| 390,485 | - | 354,394 | 797,392 |
| 24,500 | 371,644 | (354,394) | 21,723 |
| - | 1,039,022 | 354,683 | 1,393,705 |
| - | (354,683) | - | (354,683) |
| - | 684,339 | 354,683 | 1,039,022 |
| 24,500 | 1,055,983 | 289 | 1,060,745 |
| 133,199 | - | - | 263,946 |
| 157,699 | 1,055,983 | 289 | 1,324,691 |

Webster County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2011

| | County Offices | Agricultural Extension Education | County Assessor | Schools |
|-------------------------------|-------------------|--|--------------------|-------------------|
| Assets | | | | |
| Cash and pooled investments: | | | | |
| County Treasurer | \$ - | 2,743 | 187,781 | 269,412 |
| Other County officials | 165,123 | - | - | - |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | 706 | 1,590 | 71,926 |
| Succeeding year | - | 228,000 | 470,000 | 22,097,000 |
| Accounts | 1,252 | - | - | - |
| Special assessments | - | - | - | - |
| Drainage assessments | - | - | - | - |
| Due from other governments | - | - | - | - |
| Total assets | \$ 166,375 | 231,449 | 659,371 | 22,438,338 |
| Liabilities | | | | |
| Accounts payable | \$ - | - | 12,161 | - |
| Salaries and benefits payable | - | - | 8,262 | - |
| Due to other governments | 34,085 | 231,449 | 626,363 | 22,438,338 |
| Trusts payable | 132,290 | - | - | - |
| Compensated absences | - | - | 12,585 | - |
| Total liabilities | \$ 166,375 | 231,449 | 659,371 | 22,438,338 |

See accompanying independent auditor's report.

| Community Colleges | Corporations | Townships | Auto License and Use Tax | Special Districts | Other | Total |
|--------------------|--------------|-----------|--------------------------|-------------------|---------|------------|
| 16,250 | 169,389 | 4,099 | 799,590 | 8,495 | 262,240 | 1,719,999 |
| - | - | - | - | - | - | 165,123 |
| 4,184 | 68,177 | 224 | - | 132 | 15 | 146,954 |
| 1,221,000 | 13,265,000 | 369,000 | - | 51,000 | 25,000 | 37,726,000 |
| - | - | - | - | - | 9,596 | 10,848 |
| - | - | - | - | 235,938 | - | 235,938 |
| - | - | - | - | - | 120,319 | 120,319 |
| - | - | - | - | - | 15,211 | 15,211 |
| 1,241,434 | 13,502,566 | 373,323 | 799,590 | 295,565 | 432,381 | 40,140,392 |
| - | - | - | - | - | 4,582 | 16,743 |
| - | - | - | - | - | 1,848 | 10,110 |
| 1,241,434 | 13,502,566 | 373,323 | 799,590 | 295,565 | 345,219 | 39,887,932 |
| - | - | - | - | - | 79,477 | 211,767 |
| - | - | - | - | - | 1,255 | 13,840 |
| 1,241,434 | 13,502,566 | 373,323 | 799,590 | 295,565 | 432,381 | 40,140,392 |

Webster County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2011

| Assets and Liabilities | County Offices | Agricultural Extension Education | County Assessor | Schools |
|------------------------------------|-------------------|--|--------------------|------------|
| Balances beginning of year | \$ 69,450 | 241,825 | 712,991 | 23,327,688 |
| Additions: | | | | |
| Property and other county tax | - | 214,728 | 440,267 | 20,935,064 |
| E911 surcharge | - | - | - | - |
| State tax credits | - | 6,796 | 15,307 | 653,475 |
| Office fees and collections | 605,732 | - | - | - |
| Auto licenses, use tax and postage | - | - | - | - |
| Assessments | - | - | - | - |
| Trusts | 1,019,629 | - | - | - |
| Miscellaneous | - | - | 450 | - |
| Total additions | 1,625,361 | 221,524 | 456,024 | 21,588,539 |
| Deductions: | | | | |
| Agency remittances: | | | | |
| To other funds | 253,344 | - | - | - |
| To other governments | 273,233 | 231,900 | 509,644 | 22,477,889 |
| Trusts paid out | 1,001,859 | - | - | - |
| Total deductions | 1,528,436 | 231,900 | 509,644 | 22,477,889 |
| Balances end of year | \$ 166,375 | 231,449 | 659,371 | 22,438,338 |

See accompanying independent auditor's report.

| Community Colleges | Corporations | Townships | Auto License and Use Tax | Special Districts | Other | Total |
|--------------------|--------------|-----------|--------------------------|-------------------|-----------|------------|
| 1,432,288 | 12,648,801 | 401,791 | 874,404 | 375,114 | 338,235 | 40,422,587 |
| 1,141,863 | 13,914,651 | 339,316 | - | - | 13,261 | 36,999,150 |
| - | - | - | - | - | 227,392 | 227,392 |
| 40,264 | 312,867 | 12,915 | - | 1,316 | 140 | 1,043,080 |
| - | - | - | - | - | - | 605,732 |
| - | - | - | 9,374,012 | - | 560 | 9,374,572 |
| - | - | - | - | 20,568 | 95,834 | 116,402 |
| - | - | - | - | - | 597,623 | 1,617,252 |
| - | - | - | - | - | 341,232 | 341,682 |
| 1,182,127 | 14,227,518 | 352,231 | 9,374,012 | 21,884 | 1,276,042 | 50,325,262 |
| - | - | - | 299,243 | - | - | 552,587 |
| 1,372,981 | 13,373,753 | 380,699 | 9,149,583 | 101,433 | 601,708 | 48,472,823 |
| - | - | - | - | - | 580,188 | 1,582,047 |
| 1,372,981 | 13,373,753 | 380,699 | 9,448,826 | 101,433 | 1,181,896 | 50,607,457 |
| 1,241,434 | 13,502,566 | 373,323 | 799,590 | 295,565 | 432,381 | 40,140,392 |

Webster County

Schedule of Revenues By Source and Expenditures By Function -
All Governmental Funds

For the Last Ten Years

| | 2011 | 2010 | 2009 | 2008 |
|--------------------------------------|----------------------|-------------------|-------------------|-------------------|
| Revenues: | | | | |
| Property and other county tax | \$ 12,470,783 | 11,170,681 | 10,528,511 | 10,257,149 |
| Local option sales and services tax | 1,666,772 | 1,405,986 | 803,332 | 826,329 |
| Interest and penalty on property tax | 113,651 | 121,908 | 125,291 | 120,461 |
| Intergovernmental | 12,673,182 | 10,834,057 | 11,918,133 | 12,099,302 |
| Licenses and permits | 77,399 | 58,905 | 31,547 | 44,819 |
| Charges for service | 1,122,883 | 930,734 | 948,881 | 939,967 |
| Use of money and property | 269,193 | 307,683 | 426,764 | 701,379 |
| Miscellaneous | 1,398,371 | 570,869 | 942,772 | 537,801 |
| Total | \$ 29,792,234 | 25,400,823 | 25,725,231 | 25,527,207 |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | \$ 4,482,641 | 4,517,607 | 4,719,053 | 4,625,204 |
| Physical health and social services | 2,302,259 | 2,418,882 | 2,164,245 | 1,990,046 |
| Mental health | 3,901,371 | 4,203,328 | 4,440,537 | 4,983,980 |
| County environment and education | 1,105,897 | 1,165,709 | 1,141,169 | 1,079,285 |
| Roads and transportation | 6,699,446 | 6,591,364 | 7,848,518 | 6,379,563 |
| Governmental services to residents | 662,741 | 732,356 | 798,823 | 753,660 |
| Administration | 2,366,009 | 2,482,172 | 2,655,140 | 2,610,725 |
| Non-program | 1,157,295 | 1,959,580 | 1,739,170 | 755,011 |
| Debt service | 1,869,470 | 1,308,033 | 720,291 | 745,429 |
| Capital projects | 3,820,123 | 2,185,346 | 1,577,162 | 1,890,975 |
| Total | \$ 28,367,252 | 27,564,377 | 27,804,108 | 25,813,878 |

See accompanying independent auditor's report.

| Modified Accrual Basis | | | | | |
|------------------------|------------|------------|------------|------------|------------|
| 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| 10,626,585 | 10,232,642 | 9,420,176 | 9,612,231 | 9,224,170 | 9,006,850 |
| 811,552 | 803,309 | 692,933 | 691,402 | 659,509 | 524,594 |
| 137,344 | 112,680 | 126,175 | 126,424 | 147,030 | 116,397 |
| 8,097,051 | 9,621,149 | 8,594,125 | 7,832,063 | 7,562,481 | 7,393,248 |
| 39,764 | 36,289 | 37,961 | 37,467 | 34,870 | 21,258 |
| 923,006 | 996,223 | 943,330 | 960,634 | 936,357 | 855,576 |
| 647,815 | 539,678 | 298,314 | 254,530 | 306,698 | 379,909 |
| 425,068 | 610,787 | 524,791 | 729,867 | 562,867 | 1,128,696 |
| 21,708,185 | 22,952,757 | 20,637,805 | 20,244,618 | 19,433,982 | 19,426,528 |
| 4,349,153 | 4,203,515 | 4,006,398 | 3,887,030 | 3,793,770 | 3,285,526 |
| 2,113,678 | 2,037,675 | 2,002,786 | 2,082,151 | 2,075,150 | 1,945,048 |
| 4,392,210 | 4,112,304 | 4,144,544 | 4,113,502 | 3,666,856 | 3,776,587 |
| 1,009,538 | 797,784 | 743,513 | 849,307 | 874,326 | 817,688 |
| 6,255,432 | 5,639,429 | 4,663,415 | 4,584,459 | 4,518,209 | 4,405,928 |
| 726,483 | 1,030,812 | 611,466 | 656,351 | 584,718 | 511,790 |
| 2,328,777 | 2,312,763 | 2,101,383 | 2,014,704 | 2,055,254 | 2,657,988 |
| 506,882 | 2,049,461 | 989,983 | 1,004,592 | 216,946 | 377,345 |
| 759,718 | 752,223 | 599,097 | 808,549 | 757,971 | 1,375,272 |
| 303,954 | 1,899,019 | 1,105,800 | 806,400 | 278,857 | 319,388 |
| 22,745,825 | 24,834,985 | 20,968,385 | 20,807,045 | 18,822,057 | 19,472,560 |

Schedule 6

Webster County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

| Grantor/Program | CFDA Number | Agency or Pass-through Number | Program Expenditures |
|---|----------------|-------------------------------------|-------------------------|
| Direct: | | | |
| U.S. Department of Agriculture: | | | |
| Natural Resources Conservation Service: | | | |
| Emergency Watershed Protection Program | 10.923 | 69-6114-10-026 | \$ 12,154 |
| U.S. Department of Justice: | | | |
| Public Safety Partnership and Community Policing Grants | 16.710 | | <u>95,105</u> |
| Total direct | | | <u>107,259</u> |
| Indirect: | | | |
| U. S. Department of Agriculture: | | | |
| Iowa Department of Public Health: | | | |
| Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | 5885A050 | 7,107 |
| Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | 5880A050/5881A050 | <u>473,754</u> |
| | | | <u>480,861</u> |
| Iowa Department of Human Services: | | | |
| Human Services Administrative Reimbursements: | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 5880NU55 | 55,938 |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | | <u>28,678</u> |
| | | | <u>84,616</u> |
| Iowa Department of Agriculture and Land Stewardship: | | | |
| Temporary Assistance for Needy Families | 10.572 | 1191-05-50 | <u>29,677</u> |
| U.S. Department of Justice: | | | |
| Iowa Department of Justice: | | | |
| Crime Victim Assistance | 16.575 | VA-10-29 | <u>21,952</u> |
| Governor's Office of Drug Control Policy: | | | |
| ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories | | | |
| | 16.803 | 09JAG/ARRA - 4111B | <u>54,000</u> |
| Public Safety Partnership and Community Policing Grants | 16.710 | 2010UMWX0097 | <u>18,924</u> |
| U. S. Department of Transportation: | | | |
| Iowa Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | BROS-C094(51)-8J-94 | 34,908 |
| Highway Planning and Construction | 20.205 | BROS-C094(81)--8J-94 | 253,756 |
| Highway Planning and Construction | 20.205 | ESFM-094(83)-5S-94 | 987,849 |
| Highway Planning and Construction | 20.205 | BRS-C094(85)--60-94 | <u>473,345</u> |
| | | | <u>1,749,858</u> |

Webster County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2011

| Grantor/Program | CFDA Number | Agency or Pass-through Number | Program Expenditures |
|--|----------------|-------------------------------------|-------------------------|
| Indirect continued: | | | |
| U.S. Department of Health and Human Services: | | | |
| Iowa Department of Public Health: | | | |
| Elderbridge Agency on Aging, Inc.: | | | |
| Special Programs for the Aging - Title III Part D - Disease Prevention and Health Promotion Services | 93.043 | D90021 | 4,885 |
| Special Programs for the Aging - Title III Part D - Disease Prevention and Health Promotion Services | 93.043 | SL90022 | 5,135 |
| | | | <u>10,020</u> |
| Childhood Lead Poisoning Prevention Projects _ State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | 93.197 | 5886LP01 | 26,955 |
| Immunization Grants | 93.268 | 5881I480 | 23,856 |
| Calhoun County Department of Health: | | | |
| Centers for Disease Control and Prevention - Investigations and Technical Assistance | 93.283 | 5886BT01 | 39,873 |
| Centers for Disease Control and Prevention - Investigations and Technical Assistance | 93.283 | 5880NB04 | 12,728 |
| | | | <u>52,601</u> |
| Mid-Iowa Community Action, Inc: | | | |
| HIV Prevention Activities - Health Department Based | 93.940 | 5881AP15 | 10,610 |
| Iowa Department of Human Services: | | | |
| Human Services Administrative Reimbursements: | | | |
| Temporary Assistance for Needy Families | 93.558 | | 66,000 |
| Temporary Assistance for Needy Families | 93.558 | | 13,454 |
| | | | <u>79,454</u> |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | | 17 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | | 7,047 |
| Foster Care - Title IV-E | 93.658 | | 11,354 |
| Adoption Assistance | 93.659 | | 2,745 |
| State Children's Insurance Program | 93.767 | | 132 |
| Medical Assistance Program | 93.778 | | 27,495 |
| Social Services Block Grant | 93.667 | | 9,824 |
| Social Services Block Grant | 93.667 | | 189,855 |
| | | | <u>199,679</u> |

Schedule 6

Webster County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

| Grantor/Program | CFDA Number | Agency or Pass-through Number | Program Expenditures |
|--|----------------|-------------------------------------|----------------------------|
| Indirect continued: | | | |
| U.S. Department of Health and Human Services: | | | |
| Iowa Department of Public Health: | | | |
| Mid-Iowa Community Action, Inc.: | | | |
| HIV Care Formula Grants | 93.917 | 5885HCO3 | <u>22,441</u> |
| Calhoun County Department of Health: | | | |
| Cooperative Agreements for State-Based Cancer Early Detection Programs | 93.919 | 5880NB04 | <u>17,168</u> |
| Maternal and Child Health Services | | | |
| Block Grants to the States | 93.994 | 5880MH31 | 17,564 |
| Maternal and Child Health Services | | | |
| Block Grants to the States | 93.994 | 5881MH31 | 106,539 |
| Maternal and Child Health Services | | | |
| Block Grants to the States | 93.994 | 5885A050 | 76,542 |
| Maternal and Child Health Services | | | |
| Block Grants to the States | 93.994 | 5886A050 | <u>12,249</u> |
| | | | <u>212,894</u> |
| U.S. Department of Homeland Security: | | | |
| Iowa Department of Public Defense: | | | |
| Iowa Homeland Security and Emergency Management Division: | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | DR 1763 | 259,845 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | DR 1930 | <u>73,064</u> |
| | | | <u>332,909</u> |
| Emergency Management Performance Grants | 97.042 | 2009-EM-E8-0019 | <u>15,237</u> |
| Total indirect | | | <u>3,492,502</u> |
| Total | | | <u><u>\$ 3,599,761</u></u> |

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Webster County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Webster County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Webster County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated June 4, 2012. 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.

Internal Control Over Financial Reporting

Management of Webster County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Webster County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Webster County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Webster County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Webster County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However,

providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matters which is described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2011 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.

Webster County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the County's response, we did not audit Webster County's response and, accordingly, we express no opinion on it.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 4, 2012

**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133**

Webster County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

To the Officials of Webster County:

Compliance

We have audited Webster County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Webster County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Webster County's management. Our responsibility is to express an opinion on Webster County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 Webster County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Webster County's compliance with those requirements.

In our opinion, Webster County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Webster County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Webster County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Webster County's internal control over compliance.

A deficiency in the County's 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 4, 2012

Webster County
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no instances of non-compliance which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 10.557 – Special Supplemental Nutrition Program for Women, Infants and Children
 - CFDA Number 20.205 – Highway Planning and Construction
 - CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Webster County did not qualify as a low-risk auditee.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part II: Finding Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

II-A-11 Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

| | <u>Applicable Offices</u> |
|--|--|
| (1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared. | County Treasurer |
| (2) Bank reconciliations are not prepared by someone who doesn’t sign checks, handle or record cash. | County Recorder |
| (3) Bank reconciliations are not reviewed periodically by an independent person for propriety. | County Recorder |
| (4) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash. | County Recorder, County Sheriff and County Treasurer |
| (5) The person who signs checks is not independent of the person preparing the checks, approving disbursements, recording cash disbursements and handling cash. | County Recorder and County Sheriff |
| (6) The person who opens mail is not independent of the person who has access to the account records. Also, a listing of cash and checks received is not prepared. | County Sheriff |

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the control activities of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible and should be evidenced by the reviewer’s signature or initials and the date of review.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Responses –

County Treasurer – (1) We will have a person with no contact opening mail make tax entries. (4) We will have more than one person checking our bank deposits.

County Recorder – We will have someone review the bank reconciliations and initial them. I have had my second deputy doing more of the balancing and bank deposits lately to comply with the recommendation. We will keep check preparation separate from the person who signs or approves disbursements as much as we can.

County Sheriff – (4) Due to lack of manpower, we cannot segregate these duties. We currently have these duties segregated as much as we can with the number of office employees we currently have. (5) Due to lack of manpower, we cannot segregate these duties. We do have dual signatures required on all checks for every account. (6) The lack of a Chief Deputy for a period of time prevented this. We are preparing to enact a listing of checks now that we do have a Chief Deputy.

Conclusions – Responses accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amount budgeted by function or the amounts appropriated by department.
- IV-B-11 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-11 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-10 Business Transactions – No business transactions between the County and County officials or employees were noted.
- IV-E-11 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-11 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-H-11 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).
- IV-I-11 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2011 for the County Extension Office did not exceed the amount budgeted.

Responsibilities for collection, deposit preparation and reconciliation functions are not consistently segregated from those for recording and accounting for cash.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the County Extension Office should review the control activities to obtain the maximum internal control possible under the circumstances. The County Extension Office should utilize current personnel, including Council members, to provide additional control through review of financial transactions, reconciliations and reports. Such reviews

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

should be performed by independent persons to the extent possible and should be evidenced by the reviewer's signature or initials and the date of review.

Response – Moving forward we will ensure the person opening bank statements is not the person recording and accounting for cash. The bank statements will be date-stamped and initialed when received by the person opening the mail. We will continue to have different office staff take the deposits to the bank.

Conclusion – Response accepted.

IV-J-11 County Sheriff Reserve Officers – The funds of the County Sheriff Reserves are not accounted for in a Special Revenue Fund in accordance with Chapter 80D.11 of the Code of Iowa.

Recommendation – The County should maintain funds for the County Sheriff Reserves in a Special Revenue Fund in accordance with Chapter 80D.11 of the Code of Iowa.

Response – The Reserves will continue to work on getting a Special Revenue Fund set up with the Webster County Treasurer's Office.

Conclusion – Response accepted.

Webster County

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager
Tracy L. Daugherty, CPA, Senior Auditor
Jenny R. Lawrence, Staff Auditor
Tyler Carter, Assistant Auditor
Emily Creighton, Assistant Auditor
Hannah K. Haas, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State