



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

March 20, 2015

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Auditor of State Mary Mosiman today released an audit report on Webster County, Iowa.

The County had local tax revenue of \$54,026,782 for the year ended June 30, 2014, which included \$2,402,524 in tax credits from the state. The County forwarded \$41,105,893 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$12,920,889 of the local tax revenue to finance County operations, a 4% increase over the prior year. Other revenues included charges for service of \$6,305,943, operating grants, contributions and restricted interest of \$6,950,809, capital grants, contributions and restricted interest of \$1,905,639, tax increment financing of \$381,131, local option sales tax of \$1,893,684, unrestricted investment earnings of \$116,984 and other general revenues of \$467,962.

Expenses for County operations for the year ended June 30, 2014 totaled \$28,159,304, a 3% decrease from the prior year. Expenses included \$9,184,817 for roads and transportation, \$5,294,729 for public safety and legal services and \$3,237,545 for physical health and social services.

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/1410-0094-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, 2014

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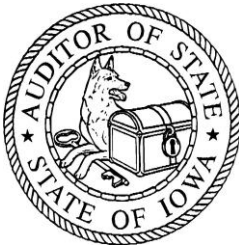
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Webster County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Keith Dencklau	Board of Supervisors	Jan 2015
Clark Fletcher	Board of Supervisors	Jan 2015
Mark Campbell	Board of Supervisors	Jan 2017
Merrill Lefler	Board of Supervisors	Jan 2017
Robert Singer	Board of Supervisors	Jan 2017
Carol Messerly	County Auditor	Jan 2017
Jan Messerly	County Treasurer	Jan 2015
Judy Cosgrove	County Recorder	Jan 2015
James Stubbs	County Sheriff	Jan 2017
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:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Webster County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Webster County as of June 30, 2014, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 50 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Supplementary Information


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 third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 5, 2015 on our consideration of Webster County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 in considering Webster County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 5, 2015

Webster County

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, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 3.4%, or approximately \$1,080,000, from fiscal year 2013 to fiscal year 2014. Property tax increased approximately \$421,000, charges for service increased approximately \$2,107,000 and capital grants, contributions and restricted interest decreased approximately \$3,866,000.
- Program expenses of the County's governmental activities were 2.9%, or approximately \$834,000, less in fiscal year 2014 than in fiscal year 2013. County environment and education expenses decreased approximately \$1,223,000 and mental health expenses decreased approximately \$1,306,000. Physical health and social services expenses increased approximately \$476,000 while roads and transportation expenses increased approximately \$709,000.
- The County's net position increased 4.2%, or approximately \$2,784,000, from June 30, 2013 to June 30, 2014.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of 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 financial statements provide 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.

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 Position 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 Position presents financial information on all of the County's assets, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and 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) A proprietary fund accounts 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 Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for 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 governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Webster County's combined net position increased approximately 4.4% over a year ago, increasing from approximately \$66.5 million to approximately \$69.3 million. The analysis that follows focuses on the changes in the net position of governmental activities.

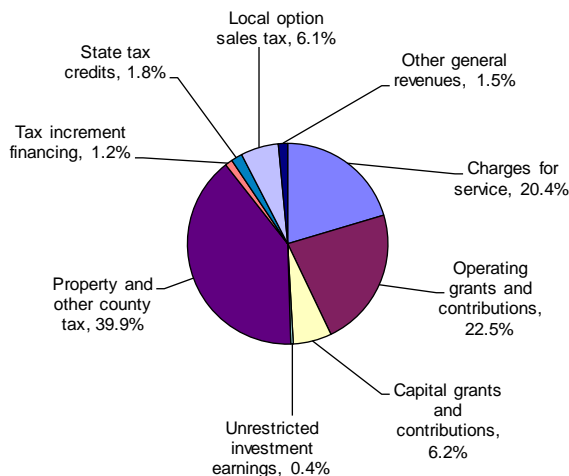
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2014	2013
Current and other assets	\$ 33,781	31,412
Capital assets	60,302	60,140
Total assets	<u>94,083</u>	<u>91,552</u>
Long-term liabilities	11,238	11,307
Other liabilities	1,282	1,127
Total liabilities	<u>12,520</u>	<u>12,434</u>
Deferred inflows of resources	12,291	12,630
Net position:		
Net investment in capital assets	54,734	53,862
Restricted	9,627	8,568
Unrestricted	4,911	4,058
Total net position	<u>\$ 69,272</u>	<u>66,488</u>

Net position of Webster County's governmental activities increased 4.2% (approximately \$66.5 million compared to approximately \$69.3 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from approximately \$4,058,000 at June 30, 2013 to approximately \$4,911,000 at the end of this year, an increase of 21.0%.

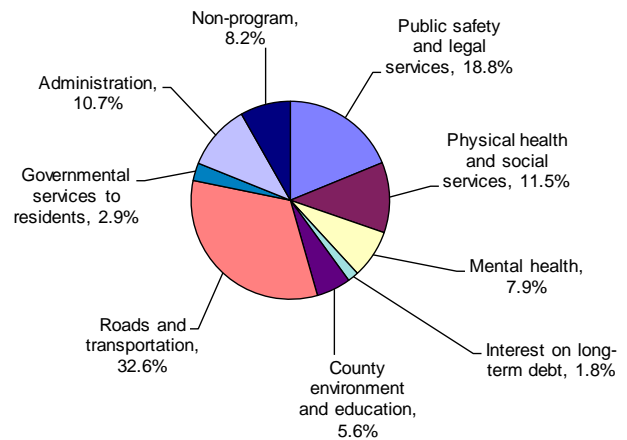
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2014	2013
Revenues:		
Program revenues:		
Charges for service	\$ 6,306	4,199
Operating grants and contributions	6,951	7,097
Capital grants and contributions	1,906	5,772
General revenues:		
Property and other county tax	12,353	11,932
Tax increment financing	381	341
State tax credits	568	543
Local option sales tax	1,893	1,688
Unrestricted investment earnings	117	107
Other general revenues	468	344
Total revenues	30,943	32,023
Program expenses:		
Public safety and legal services	5,295	5,258
Physical health and social services	3,237	2,761
Mental health	2,237	3,543
County environment and education	1,567	2,790
Roads and transportation	9,185	8,476
Governmental services to residents	814	865
Administration	3,004	2,958
Non-program	2,305	2,029
Interest on long-term debt	515	313
Total expenses	28,159	28,993
Change in net position	2,784	3,030
Net position beginning of year	66,488	63,458
Net position end of year	\$ 69,272	66,488

Revenues by Source



Expenses by Program



Webster County's governmental activities net position increased approximately \$2,784,000 during the year. Revenues for governmental activities decreased approximately \$1,080,000 from the prior year. Capital grants and contributions decreased approximately \$3,866,000, primarily due to the completion of a joint trail project with the City of Fort Dodge in the prior year. Charges for service increased approximately \$2,107,000, primarily due to increased future drainage assessments to finance drainage improvements.

The cost of all governmental activities this year was approximately \$28.2 million compared to approximately \$29.0 million last year. However, as shown in the Statement of Activities in Exhibit B, the amount taxpayers ultimately financed for these activities was only approximately \$13.0 million.

INDIVIDUAL MAJOR FUND ANALYSIS

As Webster County completed the year, its governmental funds reported a combined fund balance of approximately \$17,131,000, an increase of approximately \$1,429,000 from last year's total of approximately \$15,701,000. 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 \$106,000 and expenditures decreased approximately \$541,000 compared to the prior year. The decrease in expenditures is due primarily to acquiring flood buy out properties in the prior year. The ending fund balance increased \$712,777 over the prior year to approximately \$7,775,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. Special Revenue, Mental Health Fund revenues and expenditures decreased approximately \$395,000 and \$1,290,000, respectively. The significant decrease in revenues and expenditures is due to decreased property tax and the State of Iowa being responsible to pay certain costs previously paid by the County. The Special Revenue, Mental Health Fund balance at year end increased approximately \$399,000 over the prior year.
- Special Revenue, Rural Services Fund revenues increased approximately \$220,000 over the prior year and expenditures decreased approximately \$11,000. Transfers to other County funds increased approximately \$258,000 over the prior fiscal year. The Rural Services Fund balance increased approximately \$105,000 from the prior year.
- Special Revenue, Secondary Roads Fund revenues decreased approximately \$525,000 and expenditures decreased approximately \$484,000 from the prior year. The decrease in revenues and expenditures is due to receiving a RISE grant for a road project in the prior year. The Secondary Roads Fund ending balance increased approximately \$236,000.
- The Special Revenue, Drainage Districts Fund ended the year with a fund balance of approximately \$188,000 compared to approximately \$468,000 at the end of the prior year. Expenditures for drainage improvements increased approximately \$851,000 while stamped drainage warrants and interest paid increased approximately \$429,000 compared to the prior fiscal year. Proceeds from stamped warrants increased approximately \$717,000 during fiscal year 2014.
- The Capital Projects Fund ended the year with a fund balance of approximately \$1,104,000 compared to \$1,076,000 at the end of the previous year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Webster County amended its budget once. The amendment was made on March 4, 2014 and resulted in a decrease in budgeted disbursements for capital projects and an increase in budgeted disbursements for physical health and social services.

The County's receipts were \$353,782 less than budgeted, a variance of 1.3%. The most significant variance resulted from the County receiving less intergovernmental receipts than planned.

Total disbursements were \$3,424,475 less than the final amended budget. Mental health disbursements were \$952,660 less than budgeted. Capital projects disbursements were \$1,070,611 less than budgeted due to the timing of disbursements for capital projects. Disbursements for several other functions were less than budgeted due to less than anticipated spending in all areas.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, Webster County had approximately \$60,302,000 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 \$163,000, or less than 1%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2014	2013
Land	\$ 1,701	1,478
Construction in progress	63	2,276
Buildings and improvements	12,285	12,641
Machinery and equipment	3,635	3,985
Infrastructure	42,618	39,760
Total	\$ 60,302	60,140

The County had depreciation expense of \$3,310,376 in fiscal year 2014 and total accumulated depreciation of \$50,505,209 at June 30, 2014. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2014, Webster County had approximately \$10,370,000 of general obligation bonds and other debt outstanding, compared to approximately \$10,472,000 at June 30, 2013, as shown below:

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2014	2013
General obligation capital loan notes	\$ 1,215	1,340
General obligation local option sales and services tax bonds	6,355	6,660
Tax increment revenue bonds	318	694
Drainage warrants	2,482	1,778
Total	<u>\$ 10,370</u>	<u>10,472</u>

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 \$10,370,000 is significantly below its constitutional debt limit of approximately \$123.6 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 2015 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 5.8% versus 6% a year ago. This compares with the State's unemployment rate of 4.4% and is below the national rate of 6.1%.

These indicators were taken into account when adopting the budget for fiscal year 2015. Budgeted disbursements are approximately \$31.4 million, an increase of approximately \$2.7 million over the final fiscal year 2014 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 2015 budget. The County has added no major new programs or initiatives to the fiscal year 2015 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$4.8 million by the close of fiscal year 2015.

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

Webster County

Exhibit A

Webster County
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 15,793,251
Receivables:	
Property tax:	
Delinquent	49,305
Succeeding year	12,291,000
Interest and penalty on property tax	294,136
Accounts	151,155
Drainage assessments:	
Current	179,627
Future	2,480,092
Due from other governments	1,587,010
Inventories	704,075
Prepaid insurance	250,648
Capital assets, net of accumulated depreciation/amortization	60,302,281
Total assets	<u>94,082,580</u>
Liabilities	
Accounts payable	827,758
Accrued interest payable	166,587
Salaries and benefits payable	211,029
Due to other governments	76,062
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan notes	130,000
General obligation local option sales and services tax bonds	315,000
Tax increment revenue bonds	317,760
Drainage warrants	179,627
Compensated absences	388,851
Portion due or payable after one year:	
General obligation capital loan notes	1,085,000
General obligation local option sales and services tax bonds	6,040,000
Drainage warrants	2,302,868
Net OPEB liability	479,354
Total liabilities	<u>12,519,896</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	<u>12,291,000</u>
Net Position	
Net investment in capital assets	54,733,795
Restricted for:	
Supplemental levy purposes	1,510,453
Mental health purposes	1,398,150
Rural services purposes	1,347,516
Secondary roads purposes	3,185,467
Drainage district purposes	218,407
Other purposes	1,967,173
Unrestricted	4,910,723
Total net position	<u>\$ 69,271,684</u>

See notes to financial statements.

Webster County

Statement of Activities

Year ended June 30, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 5,294,729	332,480	845,501	-	(4,116,748)
Physical health and social services	3,237,545	769,339	1,864,782	-	(603,424)
Mental health	2,237,140	850,802	-	-	(1,386,338)
County environment and education	1,566,805	540,665	414,173	-	(611,967)
Roads and transportation	9,184,817	528,467	3,753,312	1,883,777	(3,019,261)
Governmental services to residents	814,426	588,949	-	-	(225,477)
Administration	3,003,783	241,783	-	-	(2,762,000)
Non-program	2,304,884	2,453,458	73,041	21,862	243,477
Interest on long-term debt	515,175	-	-	-	(515,175)
Total	\$ 28,159,304	6,305,943	6,950,809	1,905,639	(12,996,913)
General Revenues:					
Property and other county tax levied for:					
General purposes					12,214,889
Debt service					137,894
Tax increment financing					381,131
Penalty and interest on property tax					402,829
State tax credits					568,106
Local option sales and services tax					1,893,684
Unrestricted investment earnings					116,984
Miscellaneous					65,133
Total general revenues					15,780,650
Change in net position					2,783,737
Net position beginning of year					66,487,947
Net position end of year					\$ 69,271,684
See notes to financial statements.					

Webster County

Balance Sheet
Governmental Funds

June 30, 2014

	General	Special		Revenue
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash, cash equivalents and pooled investments	\$ 7,533,140	1,069,164	1,352,196	2,458,179
Receivables:				
Property tax:				
Delinquent	37,224	8,101	3,326	-
Succeeding year	7,678,000	1,654,000	2,442,000	-
Interest and penalty on property tax	294,136	-	-	-
Accounts	120,287	933	975	28,462
Drainage assessments:				
Current	-	-	-	-
Future	-	-	-	-
Due from other governments	460,717	390,893	-	469,992
Inventories	-	-	-	704,075
Prepaid insurance	145,612	269	-	104,767
Total assets	\$ 16,269,116	3,123,360	3,798,497	3,765,475
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 259,005	7,429	6,083	280,981
Salaries and benefits payable	141,212	12,941	1,854	55,022
Due to other governments	71,129	1,852	-	3,072
Total liabilities	471,346	22,222	7,937	339,075
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	7,678,000	1,654,000	2,442,000	-
Other	344,902	8,454	3,326	-
Total deferred inflows of resources	8,022,902	1,662,454	2,445,326	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	704,075
Prepaid insurance	145,612	269	-	104,767
Restricted for:				
Supplemental levy purposes	1,764,234	-	-	-
Mental health purposes	-	1,438,415	-	-
Rural services purposes	-	-	1,345,234	-
Secondary roads purposes	-	-	-	2,617,558
Drainage district purposes	-	-	-	-
Capital projects	-	-	-	-
Other purposes	115,975	-	-	-
Assigned for public health	918,925	-	-	-
Unassigned	4,830,122	-	-	-
Total fund balances	7,774,868	1,438,684	1,345,234	3,426,400
Total liabilities, deferred inflows of resources and fund balances	\$ 16,269,116	3,123,360	3,798,497	3,765,475

See notes to financial statements.

Drainage Districts	Capital Projects	Nonmajor	Total
393,341	1,033,225	1,712,359	15,551,604
-	-	654	49,305
-	-	517,000	12,291,000
-	-	-	294,136
-	-	498	151,155
179,627	-	-	179,627
2,480,092	-	-	2,480,092
53,439	71,049	140,920	1,587,010
-	-	-	704,075
-	-	-	250,648
<u>3,106,499</u>	<u>1,104,274</u>	<u>2,371,431</u>	<u>33,538,652</u>
258,941	-	492	812,931
-	-	-	211,029
9	-	-	76,062
<u>258,950</u>	<u>-</u>	<u>492</u>	<u>1,100,022</u>
	-	517,000	12,291,000
2,659,719	-	654	3,017,055
<u>2,659,719</u>	<u>-</u>	<u>517,654</u>	<u>15,308,055</u>
-	-	-	704,075
-	-	-	250,648
-	-	-	1,764,234
-	-	-	1,438,415
-	-	-	1,345,234
-	-	-	2,617,558
187,830	-	-	187,830
-	1,104,274	-	1,104,274
-	-	1,853,285	1,969,260
-	-	-	918,925
-	-	-	4,830,122
<u>187,830</u>	<u>1,104,274</u>	<u>1,853,285</u>	<u>17,130,575</u>
<u>3,106,499</u>	<u>1,104,274</u>	<u>2,371,431</u>	<u>33,538,652</u>

Webster County

Webster County

Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Position

June 30, 2014

Total governmental fund balances (page 21) \$ 17,130,575

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$110,807,490 and the accumulated depreciation is \$50,505,209. 60,302,281

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 3,017,055

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 226,820

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. (11,405,047)

Net position of governmental activities (page 18) \$ 69,271,684

See notes to financial statements.

Webster County

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

Year ended June 30, 2014

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 7,819,888	1,700,868	2,684,346	-
Tax increment financing	-	-	-	-
Local option sales and services tax	-	-	-	946,842
Interest and penalty on property tax	108,693	-	-	-
Intergovernmental	4,296,113	916,216	165,177	4,049,045
Licenses and permits	167	-	128,506	22,471
Charges for service	978,670	14,817	53,900	-
Use of money and property	294,398	-	813	14,641
Miscellaneous	175,314	183	5,165	527,977
Total revenues	13,673,243	2,632,084	3,037,907	5,560,976
Expenditures:				
Operating:				
Public safety and legal services	5,019,207	-	2,317	-
Physical health and social services	3,137,887	-	34,510	-
Mental health	-	2,232,711	-	-
County environment and education	815,285	-	537,433	-
Roads and transportation	-	-	-	6,908,561
Governmental services to residents	842,407	-	-	-
Administration	2,833,233	-	-	-
Non-program	20,977	-	-	-
Debt service	-	-	-	-
Capital projects	210,728	-	-	1,033,372
Total expenditures	12,879,724	2,232,711	574,260	7,941,933
Excess (deficiency) of revenues over (under) expenditures	793,519	399,373	2,463,647	(2,380,957)
Other financing sources (uses):				
Sale of capital assets	6,755	-	-	-
Transfers in	175,000	-	-	2,616,663
Transfers out	(262,497)	-	(2,358,166)	-
Drainage warrants issued	-	-	-	-
Total other financing sources (uses)	(80,742)	-	(2,358,166)	2,616,663
Change in fund balances	712,777	399,373	105,481	235,706
Fund balances beginning of year	7,062,091	1,039,311	1,239,753	3,190,694
Fund balances end of year	\$ 7,774,868	1,438,684	1,345,234	3,426,400

See notes to financial statements.

Drainage Districts	Capital Projects	Nonmajor	Total
-	-	137,240	12,342,342
-	-	381,131	381,131
-	-	946,842	1,893,684
-	-	-	108,693
133,449	-	28,387	9,588,387
-	-	-	151,144
-	-	6,593	1,053,980
-	-	1,894	311,746
897,398	257,282	56,000	1,919,319
1,030,847	257,282	1,558,087	27,750,426
-	-	-	5,021,524
-	-	-	3,172,397
-	-	-	2,232,711
-	-	78,682	1,431,400
-	-	-	6,908,561
-	-	9,739	852,146
-	-	-	2,833,233
1,908,860	-	-	1,929,837
1,052,339	-	1,070,234	2,122,573
-	229,412	-	1,473,512
2,961,199	229,412	1,158,655	27,977,894
(1,930,352)	27,870	399,432	(227,468)
-	-	-	6,755
-	-	537,388	3,329,051
-	-	(708,388)	(3,329,051)
1,649,917	-	-	1,649,917
1,649,917	-	(171,000)	1,656,672
(280,435)	27,870	228,432	1,429,204
468,265	1,076,404	1,624,853	15,701,371
187,830	1,104,274	1,853,285	17,130,575

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, 2014

Change in fund balances - Total governmental funds (page 25) \$ 1,429,204

**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	\$ 1,979,662	
Capital assets contributed by the Iowa Department of Transportation	1,589,402	
Depreciation expense	<u>(3,310,376)</u>	258,688

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. (96,105)

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

Property tax	10,441	
Other	<u>1,178,855</u>	1,189,296

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

Issued	(1,649,917)	
Repaid	<u>1,752,085</u>	102,168

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	(6,235)	
Other postemployment benefits	(27,688)	
Interest on long-term debt	<u>(144,687)</u>	(178,610)

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 position of the Internal Service Fund is reported with governmental activities. 79,096

Change in net position of governmental activities (page 19) \$ 2,783,737

See notes to financial statements.

Webster County
Statement of Net Position
Proprietary Fund
June 30, 2014

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 241,647
Liabilities	
Accounts payable	<u>14,827</u>
Net Position	
Unrestricted	<u>\$ 226,820</u>
See notes to financial statements.	

Exhibit H

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

Year ended June 30, 2014

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,922,684
Reimbursements from employees and others		284,973
COBRA reimbursements		<u>52,230</u>
Total operating revenues		<u>2,259,887</u>
Operating expenses:		
Insurance premiums	\$ 1,986,302	
Medical claims	132,881	
Administrative fees	<u>63,567</u>	<u>2,182,750</u>
Operating income		77,137
Non-operating revenues:		
Interest income		<u>1,959</u>
Net income		79,096
Net position beginning of year		<u>147,724</u>
Net position end of year		<u><u>\$ 226,820</u></u>

See notes to financial statements.

Webster County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2014

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund contributions	\$ 1,922,684
Cash received from employees and others	284,973
Cash received from COBRA reimbursements	52,230
Cash paid for insurance premiums	(1,986,302)
Cash paid for medical claims	(129,929)
Cash paid for administrative expenses	(63,567)
Net cash provided by operating activities	80,089
Cash flows from investing activities:	
Interest on investments	1,959
Net increase in cash and cash equivalents	82,048
Cash and cash equivalents beginning of year	159,599
Cash and cash equivalents end of year	\$ 241,647
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 77,137
Adjustment to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	2,952
Net cash provided by operating activities	\$ 80,089
See notes to financial statements.	

Webster County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2014

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 1,715,003
Other County officials	112,781

Receivables:

Property tax:

Delinquent	240,065
Succeeding year	37,990,000

Accounts	11,028
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Accrued interest	333
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Special assessments	587,297
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Drainage assessments	10,436
----------------------	--------

Due from other governments	64,261
----------------------------	--------

Prepaid items	1,024
---------------	-------

Total assets	<u>40,732,228</u>
---------------------	-------------------

Liabilities

Accounts payable	7,683
------------------	-------

Salaries and benefits payable	8,405
-------------------------------	-------

Due to other governments	40,557,854
--------------------------	------------

Trusts payable	133,206
----------------	---------

Stamped warrants payable	10,463
--------------------------	--------

Compensated absences	14,617
----------------------	--------

Total liabilities	<u>40,732,228</u>
--------------------------	-------------------

Net position

\$	<u><u>-</u></u>
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See notes to financial statements.

Webster County

Notes to Financial Statements

June 30, 2014

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

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

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

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

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

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, intellectual disabilities and developmental disabilities services.

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

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and 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 position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

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

Proprietary funds distinguish operating revenues and expenses from 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, Deferred Inflows of Resources and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for 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 that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2013.

Interest and Penalty on Property Tax Receivable – 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 Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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)
Building 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.

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 fund 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, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, 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 Position.

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

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied.

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

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

(2) Cash, Cash Equivalents and Pooled Investments

The County’s deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants 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, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales and Services Tax	\$ 175,000
Special Revenue: Secondary Roads	General Special Revenue: Rural Services	258,497 2,358,166 <u>2,616,663</u>
Debt Service	General Special Revenue: Local Option Sales and Services Tax	4,000 533,388 <u>537,388</u>
Total		<u>\$ 3,329,051</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, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,478,223	223,646	(431)	1,701,438
Construction in progress, road network	1,193,663	2,606,180	(3,737,073)	62,770
Construction in progress	1,081,920	136,318	(1,218,238)	-
Total capital assets not being depreciated	3,753,806	2,966,144	(4,955,742)	1,764,208
Capital assets being depreciated:				
Buildings	23,329,122	68,713	-	23,397,835
Improvements other than buildings	199,320	-	-	199,320
Equipment and vehicles	12,098,020	534,207	(1,509,250)	11,122,977
Infrastructure, road network	69,367,839	3,737,073	-	73,104,912
Infrastructure, other	-	1,218,238	-	1,218,238
Total capital assets being depreciated	104,994,301	5,558,231	(1,509,250)	109,043,282
Less accumulated depreciation for:				
Buildings	10,735,517	423,187	-	11,158,704
Improvements other than buildings	151,973	1,973	-	153,946
Equipment and vehicles	8,113,456	787,913	(1,413,576)	7,487,793
Infrastructure, road network	29,607,463	2,048,573	-	31,656,036
Infrastructure, other	-	48,730	-	48,730
Total accumulated depreciation	48,608,409	3,310,376	(1,413,576)	50,505,209
Total capital assets being depreciated, net	56,385,892	2,247,855	(95,674)	58,538,073
Governmental activities capital assets, net	\$ 60,139,698	5,213,999	(5,051,416)	60,302,281

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 341,192
Physical health and social services	41,245
Mental health	10,554
County environment and education	104,691
Roads and transportation	2,667,326
Governmental services to residents	6,209
Administration	139,159
Total depreciation expense - governmental activities	<u>\$ 3,310,376</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 at June 30, 2014 is as follows:

Fund	Description	Amount
General	Services	\$ 71,129
Special Revenue:		
Mental Health	Services	1,852
Secondary Roads	Services	3,072
Drainage Districts	Services	9
		<u>4,933</u>
Total for governmental funds		<u>\$ 76,062</u>
Agency:		
Agricultural Extension Education	Collections	\$ 245,796
County Assessor		515,426
Schools		20,549,385
Community Colleges		1,323,648
Corporations		15,671,947
Townships		411,358
Auto License and Use Tax		759,849
Special Districts		636,875
All other		443,570
Total for agency funds		<u>\$ 40,557,854</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	General Obligation Capital Loan Notes	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	\$ 1,340,000	6,660,000	694,193	1,778,230	382,616	451,666	11,306,705
Increases	-	-	-	1,649,917	503,743	63,958	2,217,618
Decreases	125,000	305,000	376,433	945,652	497,508	36,270	2,285,863
Balance end of year	<u>\$ 1,215,000</u>	<u>6,355,000</u>	<u>317,760</u>	<u>2,482,495</u>	<u>388,851</u>	<u>479,354</u>	<u>11,238,460</u>
Due within one year	<u>\$ 130,000</u>	<u>315,000</u>	<u>317,760</u>	<u>179,627</u>	<u>388,851</u>	<u>-</u>	<u>1,331,238</u>

General Obligation Capital Loan Notes

On December 18, 2012, the County issued \$1,340,000 of general obligation capital loan notes, Series 2012 pursuant to the provisions of Section 331.402 of the Code of Iowa for the purpose of paying costs of aiding in the planning, undertaking and carrying out of an urban renewal project, including funds paid to the City of Fort Dodge to fund the oversizing of sewer and water services to accommodate future expansion of the County's Industrial Park. During the year ended June 30, 2014, the County retired \$125,000 of notes. The total principal and interest remaining to be paid on the bonds is \$1,299,370. A summary of the general obligation capital loan notes indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	0.50%	\$ 130,000	13,860	143,860
2016	0.60	130,000	13,210	143,210
2017	0.75	130,000	12,430	142,430
2018	0.90	135,000	11,455	146,455
2019	1.10	135,000	10,240	145,240
2020-2023	1.30-1.80	555,000	23,175	578,175
Total		\$ 1,215,000	84,370	1,299,370

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
2015	2.50%	\$ 315,000	220,263	535,263
2016	2.50	320,000	212,388	532,388
2017	2.50	330,000	204,388	534,388
2018	3.00	335,000	196,138	531,138
2019	3.00	350,000	186,087	536,087
2020-2024	3.00-3.625	1,915,000	759,185	2,674,185
2025-2029	3.75-4.125	2,280,000	386,700	3,138,262
2030	4.125	510,000	41,250	551,250
Total		\$ 6,355,000	2,206,399	8,561,399

The County has pledged future local option sales and services tax receipts to repay 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 28% of net revenues. During the year ended June 30, 2014, the County retired \$305,000 of bonds. The total principal and interest remaining to be paid on the bonds is \$8,561,399. For the current year, principal and interest paid and total local option sales and services tax revenue were \$532,888 and \$1,893,684, 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 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, 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 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, 2014 is \$322,914. For the current year, principal and interest paid and total tax increment financing revenues were \$390,485 and \$381,131, respectively.

The bonds bear interest at 2.35% per annum with final maturity on June 1, 2015. On June 1, 2011 the interest rate on the bonds was adjusted to a rate 75 basis points higher than the five year U.S. Treasury rate. Principal and interest on the bonds are payable in semi-annual payments on June 1 and December 1, with the last payment due on June 1, 2015.

A summary of the County’s June 30, 2014 tax increment revenue bond indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2015	2.35%	\$ 317,760	5,154	322,914

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 5.95% of their annual covered salary and the County is required to contribute 8.93% 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, 2014, 2013 and 2012 were \$791,783, \$741,427 and \$683,072, 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, retirees and their spouses. There are 174 active and 7 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 which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 71,360
Interest on net OPEB obligation	20,326
Adjustment to annual required contribution	(27,728)
Annual OPEB cost	<u>63,958</u>
Contributions made	(36,270)
Increase in net OPEB obligation	<u>27,688</u>
Net OPEB obligation beginning of year	<u>451,666</u>
Net OPEB obligation end of year	<u><u>\$ 479,354</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, 2014.

For the year ended June 30, 2014, the County contributed \$36,270 to the medical plan. Plan members eligible for benefits contributed \$7,812, or 18% 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 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$65,654	14.2%	\$404,419
2013	64,730	27.0	451,666
2014	63,958	56.7	479,354

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$621,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$621,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,079,000 and the ratio of the UAAL to covered payroll was 7.7%. As of June 30, 2014, there were no trust fund assets.

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

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

As of the July 1, 2011 actuarial valuation date, the 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 7%. 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 \$558 per month for retirees less than age 65 and \$1,251 per month for family plans of retirees less than age 65 under Iowa State Association of Counties (ISAC) plan 9. 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 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual 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 property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2014 were \$218,087.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. 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. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's Funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the County's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

(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 both 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 of service fees and claims processed are made to Group Services 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, 2014 was \$1,922,684.

The amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2014 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	\$ 11,875
Incurred claims (including claims incurred but not reported at June 30, 2014)	132,881
Payments on claims during the fiscal year	<u>129,929</u>
Unpaid claims end of year	<u><u>\$ 14,827</u></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 \$495,694 is outstanding at June 30, 2014. 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) Development Agreements

In September 2012, the County entered into development agreement with CJ Bio America, Inc. (the Developer). The Developer agreed to construct a facility within the Webster County Regional Urban Renewal Area. The County agreed to provide an economic development grant to the Developer up to \$4,444,000 for reimbursement of costs to construct a rail spur to the facility and site preparation of the facility. The grant payment will be funded by the proceeds of an urban renewal revenue note. At June 30, 2014, the County had not made any grant payments to the Developer.

In July 2013, the County entered into three development agreements with New Co-Operative, Inc. (the Developer). The Developer agreed to construct certain minimum improvements at three locations within the Webster County Regional Urban Renewal Area. The County agreed to make six annual tax increment financing rebate payments to the Developer for the Roelyn facility not to exceed a cumulative total of \$120,000. The County agreed to make five annual tax increment financing rebate payments to the Developer for the Lanyon facility not to exceed a cumulative total of \$50,000. The County agreed to make five annual tax increment financing rebate payments to the Developer for the Barnum facility not to exceed a cumulative total of \$75,000. At June 30, 2014, the County had not made any payments to the Developer.

(13) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the County's proportionate share of the employee pension plan.

Webster County

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, 2014

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 14,590,055	-	14,590,055
Interest and penalty on property tax	109,918	-	109,918
Intergovernmental	9,801,368	80,010	9,721,358
Licenses and permits	180,780	-	180,780
Charges for service	1,053,168	-	1,053,168
Use of money and property	303,229	-	303,229
Miscellaneous	1,636,138	897,398	738,740
Total receipts	<u>27,674,656</u>	<u>977,408</u>	<u>26,697,248</u>
Disbursements:			
Public safety and legal services	4,952,634	-	4,952,634
Physical health and social services	3,193,181	-	3,193,181
Mental health	2,234,199	-	2,234,199
County environment and education	1,449,449	-	1,449,449
Roads and transportation	6,958,507	-	6,958,507
Governmental services to residents	848,254	-	848,254
Administration	2,814,515	-	2,814,515
Non-program	1,693,113	1,664,909	28,204
Debt service	2,122,573	1,052,339	1,070,234
Capital projects	1,701,195	-	1,701,195
Total disbursements	<u>27,967,620</u>	<u>2,717,248</u>	<u>25,250,372</u>
Excess (deficiency) of receipts over (under) disbursements	(292,964)	(1,739,840)	1,446,876
Other financing sources, net	1,649,917	1,649,917	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,356,953	(89,923)	1,446,876
Balance beginning of year	14,194,651	483,264	13,711,387
Balance end of year	<u>\$ 15,551,604</u>	<u>393,341</u>	<u>15,158,263</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
14,485,902	14,583,193	6,862
105,000	105,000	4,918
9,780,139	10,843,332	(1,121,974)
54,900	54,900	125,880
977,192	977,192	75,976
282,734	282,734	20,495
117,696	204,679	534,061
<u>25,803,563</u>	<u>27,051,030</u>	<u>(353,782)</u>
5,214,689	5,214,689	262,055
2,887,383	3,650,883	457,702
3,186,859	3,186,859	952,660
1,614,132	1,614,132	164,683
6,960,000	6,960,000	1,493
960,426	960,426	112,172
2,993,576	2,993,576	179,061
250,000	250,000	221,796
1,072,476	1,072,476	2,242
7,271,806	2,771,806	1,070,611
<u>32,411,347</u>	<u>28,674,847</u>	<u>3,424,475</u>
(6,607,784)	(1,623,817)	3,070,693
<u>4,500,000</u>	-	-
(2,107,784)	(1,623,817)	3,070,693
<u>12,012,095</u>	<u>13,603,810</u>	<u>107,577</u>
<u>9,904,311</u>	<u>11,979,993</u>	<u>3,178,270</u>

Webster County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 27,674,656	75,770	27,750,426
Expenditures	27,967,620	10,274	27,977,894
Net	(292,964)	65,496	(227,468)
Other financing sources, net	1,649,917	6,755	1,656,672
Beginning fund balances	14,194,651	1,506,720	15,701,371
Ending fund balances	\$ 15,551,604	1,578,971	17,130,575

See accompanying independent auditor's report.

Webster County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2014

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, the Internal Service and the 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, the Debt Service Fund 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, one budget amendment decreased budgeted disbursements by \$3,736,500. The budget amendment is 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, 2014, disbursements did not exceed the amounts budgeted.

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	0.0%	\$ 7,234	13.3%
2010	Jul 1, 2008	-	965	965	0.0	7,598	12.7
2011	Jul 1, 2008	-	965	965	0.0	7,280	13.3
2012	Jul 1, 2011	-	621	621	0.0	7,339	8.5
2013	Jul 1, 2011	-	621	621	0.0	7,707	8.1
2014	Jul 1, 2011	-	621	621	0.0	8,079	7.7

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.

Supplementary Information

Webster County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

	County Recorder's Records Management	Special Resource Enhancement and Protection
Assets		
Cash, cash equivalents and pooled investments	\$ 18,289	92,827
Receivables:		
Delinquent	-	-
Succeeding year property tax	-	-
Accounts	-	-
Due from other governments	-	-
Total assets	\$ 18,289	92,827
Liabilities, Deferred Inflows of resources and Fund Balances		
Liabilities:		
Accounts payable	\$ -	492
Deferred inflows of resources:		
Unavailable revenues:		
Succeeding year property tax	-	-
Other	-	-
Total deferred inflows of resources	-	-
Fund balances:		
Restricted for other purposes	18,289	92,335
Total liabilities, deferred inflows of resources and fund balances	\$ 18,289	92,827

See accompanying independent auditor's report.

Revenue			
Frontier Ethanol Urban Renewal Tax Increment Financing	Local Option Sales and Services Tax	Debt Service	Total
96,892	1,502,694	1,657	1,712,359
-	-	654	654
381,000	-	136,000	517,000
-	498	-	498
-	140,920	-	140,920
477,892	1,644,112	138,311	2,371,431
-	-	-	492
381,000	-	136,000	517,000
-	-	654	654
381,000	-	136,654	517,654
96,892	1,644,112	1,657	1,853,285
477,892	1,644,112	138,311	2,371,431

Webster County

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

Year ended June 30, 2014

	County Recorder's Records Management	Special Resource Enhancement and Protection
Revenues:		
Property and other county tax	\$ -	-
Tax increment financing	-	-
Local option sales and services tax	-	-
Intergovernmental	-	21,899
Charges for service	6,593	-
Use of money and property	167	664
Miscellaneous	-	56,000
Total revenues	<u>6,760</u>	<u>78,563</u>
Expenditures:		
Operating:		
County environment and education	-	78,682
Governmental services to residents	9,739	-
Debt service	-	-
Total expenditures	<u>9,739</u>	<u>78,682</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,979)</u>	<u>(119)</u>
Other financing sources (uses):		
Transfers in	-	-
Transfers out	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Change in fund balances	(2,979)	(119)
Fund balances beginning of year	<u>21,268</u>	<u>92,454</u>
Fund balances end of year	<u>\$ 18,289</u>	<u>92,335</u>

See accompanying independent auditor's report.

Revenue			
Frontier Ethanol Urban Renewal Tax Increment Financing	Local Option Sales and Services Tax	Debt Service	Total
-	-	137,240	137,240
381,131	-	-	381,131
-	946,842	-	946,842
-	-	6,488	28,387
-	-	-	6,593
1,063	-	-	1,894
-	-	-	56,000
382,194	946,842	143,728	1,558,087
-	-	-	78,682
-	-	-	9,739
390,485	-	679,749	1,070,234
390,485	-	679,749	1,158,655
(8,291)	946,842	(536,021)	399,432
-	-	537,388	537,388
-	(708,388)	-	(708,388)
-	(708,388)	537,388	(171,000)
(8,291)	238,454	1,367	228,432
105,183	1,405,658	290	1,624,853
96,892	1,644,112	1,657	1,853,285

Webster County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	2,660	123,780	229,381
Other County officials	112,781	-	-	-
Receivables:				
Property tax:				
Delinquent	-	1,136	1,774	106,004
Succeeding year	-	242,000	410,000	20,214,000
Accounts	345	-	-	-
Accrued interest	-	-	-	-
Special assessments	-	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	-	-	-	-
Prepaid items	-	-	-	-
Total assets	\$ 113,126	245,796	535,554	20,549,385
Liabilities				
Accounts payable	\$ -	-	288	-
Salaries and benefits payable	-	-	7,137	-
Due to other governments	27,133	245,796	515,426	20,549,385
Trusts payable	85,993	-	-	-
Stamped warrants payable	-	-	-	-
Compensated absences	-	-	12,703	-
Total liabilities	\$ 113,126	245,796	535,554	20,549,385

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Special Districts	Other	Total
14,467	184,683	3,988	759,849	15,265	380,930	1,715,003
-	-	-	-	-	-	112,781
6,181	124,264	370	-	313	23	240,065
1,303,000	15,363,000	407,000	-	34,000	17,000	37,990,000
-	-	-	-	-	10,683	11,028
-	-	-	-	-	333	333
-	-	-	-	587,297	-	587,297
-	-	-	-	-	10,436	10,436
-	-	-	-	-	64,261	64,261
-	-	-	-	-	1,024	1,024
1,323,648	15,671,947	411,358	759,849	636,875	484,690	40,732,228
-	-	-	-	-	7,395	7,683
-	-	-	-	-	1,268	8,405
1,323,648	15,671,947	411,358	759,849	636,875	416,437	40,557,854
-	-	-	-	-	47,213	133,206
-	-	-	-	-	10,463	10,463
-	-	-	-	-	1,914	14,617
1,323,648	15,671,947	411,358	759,849	636,875	484,690	40,732,228

Webster County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 120,498	241,502	521,687	20,544,433
Additions:				
Property and other county tax	-	242,858	411,911	20,246,757
E911 surcharge	-	-	-	-
State tax credits	-	11,281	17,613	980,998
Office fees and collections	685,221	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	694,631	-	-	-
Miscellaneous	-	-	68	-
Total additions	1,379,852	254,139	429,592	21,227,755
Deductions:				
Agency remittances:				
To other funds	348,486	-	-	-
To other governments	349,640	249,845	415,725	21,222,803
Trusts paid out	689,098	-	-	-
Total deductions	1,387,224	249,845	415,725	21,222,803
Balances end of year	\$ 113,126	245,796	535,554	20,549,385

See accompanying independent auditor's report.

Community Colleges	Corpor- ations	Townships	Auto License and Use Tax	Special Districts	Other	Total
1,309,800	14,666,627	411,654	778,135	1,179,761	372,567	40,146,664
1,310,477	16,596,531	413,477	-	33,468	15,996	39,271,475
-	-	-	-	-	174,933	174,933
61,359	743,232	17,927	-	1,777	231	1,834,418
-	-	-	-	-	-	685,221
-	-	-	10,135,244	-	1,188	10,136,432
-	-	-	-	449,542	8,641	458,183
-	-	-	-	-	665,765	1,360,396
-	-	-	-	-	320,204	320,272
1,371,836	17,339,763	431,404	10,135,244	484,787	1,186,958	54,241,330
-	-	-	310,078	-	123,864	782,428
1,357,988	16,334,443	431,700	9,843,452	1,027,673	455,773	51,689,042
-	-	-	-	-	505,661	1,194,759
1,357,988	16,334,443	431,700	10,153,530	1,027,673	1,085,298	53,666,229
1,323,648	15,671,947	411,358	759,849	636,875	474,227	40,721,765

Webster County

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

For the Last Ten Years

	2014	2013	2012	2011
Revenues:				
Property and other county tax	\$ 12,723,473	12,271,342	12,498,762	12,470,783
Local option sales and services tax	1,893,684	1,687,493	1,649,410	1,666,772
Interest and penalty on property tax	108,693	101,378	110,909	113,651
Intergovernmental	9,588,387	11,016,312	12,498,776	12,673,182
Licenses and permits	151,144	81,387	111,405	77,399
Charges for service	1,053,980	1,031,580	995,824	1,122,883
Use of money and property	311,746	306,804	390,636	269,193
Miscellaneous	1,919,319	1,168,167	1,526,016	1,398,371
Total	\$ 27,750,426	27,664,463	29,781,738	29,792,234
Expenditures:				
Operating:				
Public safety and legal services	\$ 5,021,524	5,019,591	5,047,832	4,482,641
Physical health and social services	3,172,397	2,725,211	2,508,348	2,302,259
Mental health	2,232,711	3,522,224	5,741,501	3,901,371
County environment and education	1,431,400	1,434,580	1,183,265	1,105,897
Roads and transportation	6,908,561	6,615,707	7,028,654	6,699,446
Governmental services to residents	852,146	878,055	763,062	662,741
Administration	2,833,233	2,668,289	2,451,572	2,366,009
Non-program	1,929,837	1,998,639	1,516,230	1,157,295
Debt service	2,122,573	1,549,368	2,431,117	1,869,470
Capital projects	1,473,512	3,803,829	6,329,798	3,820,123
Total	\$ 27,977,894	30,215,493	35,001,379	28,367,252

See accompanying independent auditor's report.

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
11,170,681	10,528,511	10,257,149	10,626,585	10,232,642	9,420,176
1,405,986	803,332	826,329	811,552	803,309	692,933
121,908	125,291	120,461	137,344	112,680	126,175
10,834,057	11,918,133	12,099,302	8,097,051	9,621,149	8,594,125
58,905	31,547	44,819	39,764	36,289	37,961
930,734	948,881	939,967	923,006	996,223	943,330
307,683	426,764	701,379	647,815	539,678	298,314
570,869	942,772	537,801	425,068	610,787	524,791
25,400,823	25,725,231	25,527,207	21,708,185	22,952,757	20,637,805
4,517,607	4,719,053	4,625,204	4,349,153	4,203,515	4,006,398
2,418,882	2,164,245	1,990,046	2,113,678	2,037,675	2,002,786
4,203,328	4,440,537	4,983,980	4,392,210	4,112,304	4,144,544
1,165,709	1,141,169	1,079,285	1,009,538	797,784	743,513
6,591,364	7,848,518	6,379,563	6,255,432	5,639,429	4,663,415
732,356	798,823	753,660	726,483	1,030,812	611,466
2,482,172	2,655,140	2,610,725	2,328,777	2,312,763	2,101,383
1,959,580	1,739,170	755,011	506,882	2,049,461	989,983
1,308,033	720,291	745,429	759,718	752,223	599,097
2,185,346	1,577,162	1,890,975	303,954	1,899,019	1,105,800
27,564,377	27,804,108	25,813,878	22,745,825	24,834,985	20,968,385

Schedule 6

Webster County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Public Safety Partnership and Community Policing Grants	16.710	2010UMWX0097	<u>\$ 50,053</u>
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5883AO50	112,630
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5884AO50	<u>298,890</u>
			<u>411,520</u>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	5883NU10	3,252
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	5884NU10	10,249
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	5883NU07C	1,059
			<u>14,560</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>27,715</u>
			<u>42,275</u>
U.S. Department of Justice:			
Iowa Department of Justice:			
Crime Victim Assistance	16.575	VA-14-47-CJ	<u>28,790</u>
U. S. Department of Transportation:			
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 14-402-MOOP, Task 36-70-00	3,141
State and Community Highway Safety	20.600	PAP 13-03, Task 264	<u>2,711</u>
			<u>5,852</u>
U.S. Department of Health and Human Services:			
Elderbridge Agency on Aging, Inc.:			
Special Programs for the Aging Title III, Part D_Disease Prevention and Health Promotion Services	93.043	ES04518	2,450
Special Programs for the Aging Title III, Part D_Disease Prevention and Health Promotion Services	93.043	ES04522	<u>23,815</u>
			<u>26,265</u>
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5883BT94	<u>8,611</u>

Webster County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

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:			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	5884BT60	45,884
Immunization Cooperative Agreements	93.268	5883I480	913
Immunization Cooperative Agreements	93.268	5884I480	4,590
			5,503
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5884DH14	2,750 *
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	93.531	5883HP25	22,060
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	93.531	5884HP25	54,226
			76,286
PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	93.539	5883I480	3,731
PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	93.539	5884I480	4,562
PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	93.539	5884I4144	26,314
			34,607
Maternal and Child Health Services Block Grant to the States	93.994	5883MH31	37,101
Maternal and Child Health Services Block Grant to the States	93.994	5884MH31	68,077
Maternal and Child Health Services Block Grant to the States	93.994	5884DH16	4,966
			110,144

Schedule 6

Webster County

Schedule of Expenditures of Federal Awards

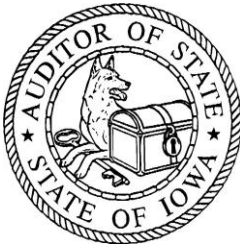
Year ended June 30, 2014

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Calhoun County Department of Health:			
Centers for Disease Control and Prevention_			
Investigations and Technical Assistance	93.283		3,504 *
EyesOpenIowa:			
Temporary Assistance for Needy Families	93.558	ACFS-14-199	60,187
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance_State			
Administered Programs	93.566		66
Child Care Mandatory and Matching Funds			
of the Child Care and Development Fund	93.596		8,091
Foster Care_Title IV-E	93.658		10,646
Adoption Assistance	93.659		3,631
Social Services Block Grant	93.667		8,575
Children's Health Insurance Program	93.767		118
Medical Assistance Program	93.778		46,455
Federal Emergency Management Agency:			
Iowa Department of Homeland Security and			
Emergency Management:			
Disaster Grants - Public Assistance			
(Presidentially Declared Disasters)	97.036	FEMA-4126-DR-IA	28,128
Hazard Mitigation Grant	97.039	DR-1877-0003-01	17,358
Emergency Management Performance Grants	97.042	2009-EM-ES-0019	32,368
Total indirect			1,017,614
Total			\$1,067,667

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.

* Total expended for CFDA number 93.283 was \$6,254.

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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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 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, the 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, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 5, 2015.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-14 through II-C-14 to be material weaknesses.

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 certain immaterial instances of non-compliance or other matters which are 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, 2014 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 Responses to the Findings


Webster County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Webster County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

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.

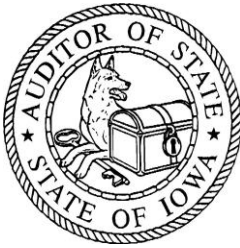

MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 5, 2015

**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133**

Webster County



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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Independent Auditor's Report on Compliance
on Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Officials of Webster County:

Report on Compliance for Each Major Federal Program

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, 2014. Webster County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Webster County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether 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 on compliance for each of the major federal programs. However, our audit does not provide a legal determination of Webster County's compliance.

Opinion on Each Major Federal Program

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


Report on Internal Control Over Compliance


The management of Webster County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Webster County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs 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 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 5, 2015

Webster County
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were 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 unmodified 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 93.531 – PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants – financed solely by 2012 Prevention and Public Health Funds.
 - CFDA Number 93.994 – Maternal and Child Health Services Black Grant to the States.
- (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, 2014

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-14 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 Treasurer and 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) All individuals in the motor vehicle department have the ability to void receipts in ARTS (DOT system), including individuals who perform daily balancing. No independent review of voided receipts is performed.	County Treasurer

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 documented by the reviewer’s signature or initials and the date of review.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Responses –

County Treasurer – With the new reorganization of the office I’m hoping to get these details that need attention worked out with the employees, always trying to get these matters in order as soon as possible.

County Recorder – The staff is cross-trained on most duties and will continue to work on your recommendations.

County Sheriff –

(4) Due to our current staffing, we cannot segregate these duties any more than we do at the current time.

(5) Due to staffing, we have the same issue as above. We do require dual signatures on all checking accounts.

Conclusions –

Treasurer and Recorder – Responses accepted.

Sheriff – Response acknowledged. In those instances where duties cannot currently be segregated using current employees, the Sheriff should consider arranging for an employee from another office to perform the duties necessary to segregate duties.

II-B-14 Financial Reporting – During the audit, we identified material amounts of receivables and capital asset/infrastructure additions and deletions not properly recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables and capital asset/infrastructure additions and deletions are identified and properly reported in the County’s financial statements.

Response – The County will enhance its procedures for receivables and capital asset/infrastructure reporting to ensure all items are identified.

Conclusion – Response accepted.

II-C-14 Current Tax Reconciliation – Although a current tax reconciliation by tax district was prepared, the collections were not properly reconciled to the amounts to be collected per the tax abstract. Material variances existed which were not resolved.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Recommendation – A current tax reconciliation should be prepared balancing the tax collections to the amounts to be collected per the tax abstract.

Response – We are resolving this issue, trying to ensure the current tax reconciliation is balanced.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Webster County
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

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, 2014

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted by function or the amounts appropriated by department.
- IV-B-14 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-14 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-14 Business Transactions – No business transactions between the County and County officials or employees were noted.
- IV-E-14 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-14 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-14 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-14 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-14 Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1, 2013. However, the amount reported as TIF debt outstanding was understated by \$506,367 primarily due to reporting debt outstanding at June 30, 2013 rather than June 30, 2012.

Recommendation – The County should ensure the amount reported as TIF debt outstanding agrees with the County records.

Response – The County will ensure the amount reported agrees with County records.

Conclusion – Response accepted.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

IV-J-14 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, 2014 for the County Extension Office did not exceed the amount budgeted.

There was no evidence the bank reconciliations are being reviewed periodically by an independent person for propriety.

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

Response – We are aware segregation of duties is very important and have implemented monthly procedures to review the bank reconciliation and bank statement. The review will be documented with the initials and date of the Board Secretary.

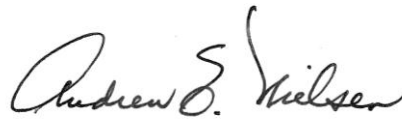
Conclusion – Response accepted.

Webster County

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Tammy A. Hollingsworth, CIA, Manager
Jenny R. Lawrence, Senior Auditor
Ashley J. Moser, Staff Auditor
Benjamin R. Salow, Staff Auditor
Janell R. Wieland, Staff Auditor
Christian E. Cottingham, Assistant Auditor
Jessica R. Frisch, Assistant Auditor
Ryan P. Swanson, Assistant Auditor
Kristin R. Volkens, Assistant Auditor
Taylor I. Cook, Auditor Intern
Nicholas J. Downey, Auditor Intern

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