



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

_____ May 26, 2005 _____

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$41,685,593 for the year ended June 30, 2004, which included \$2,144,324 in tax credits from the state. The County forwarded \$32,227,646 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$9,457,947 of the local tax revenue to finance County operations, a one percent increase over the prior year. Other revenues included charges for service of \$3,180,499, operating grants and contributions of \$6,618,507, capital grants and contributions of \$1,040,078, local option sales tax of \$691,402, unrestricted investment earnings of \$217,428 and other general revenues of \$509,513.

Expenses for County operations totaled \$19,860,078, a 13 percent increase over the prior year. Expenses included \$5,109,545 for roads and transportation, \$4,011,314 for mental health and \$4,001,572 for public safety and legal services.

The significant increase in expenses is due primarily to increases in mental health of \$406,128, roads and transportation of \$1,125,702 and non-program of \$526,293.

A copy of the audit report is available for review in the Office of Auditor of State and the County Auditor's office.

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WEBSTER COUNTY

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

JUNE 30, 2004

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Webster County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Phil Condon	Board of Supervisors	Jan 2005
Greg Nolting	Board of Supervisors	Jan 2005
Eddie Peterson	Board of Supervisors	Jan 2005
James Gill	Board of Supervisors	Jan 2007
Floyd Magnusson	Board of Supervisors	Jan 2007
Carol Messerly	County Auditor	Jan 2005
Janice Horton	County Treasurer	Jan 2007
Judy Cosgrove	County Recorder	Jan 2007
Charles Griggs	County Sheriff	(Resigned Sep 2003)
James Stubbs (Appointed)	County Sheriff	Dec 2003
Brian Mickelson (Elected)	County Sheriff	Jan 2005
Timothy N. Schott	County Attorney	Jan 2007
Jeanette Thanupakorn	County Assessor	Jan 2010

Webster County



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Independent Auditor's Report

To the Officials of Webster County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Webster County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Webster County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Webster County at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated February 25, 2005 on our consideration of Webster County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 14 and 44 through 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Webster County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2003 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 25, 2005

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, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2004 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 9.2%, or approximately \$1,824,000, from fiscal 2003 to fiscal 2004. Property tax revenue increased approximately \$137,000, a 1.6% increase.
- Program expenses increased 12.8%, or approximately \$2,255,000, in fiscal 2004 over fiscal 2003. Roads and transportation expense increased approximately \$1,126,000.
- The County's net assets increased 8%, or approximately \$1.9 million, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

Fund Financial Statements

The County has three kinds of funds:

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

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Proprietary funds account for the County's Internal Service, Employee Group Health Insurance Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

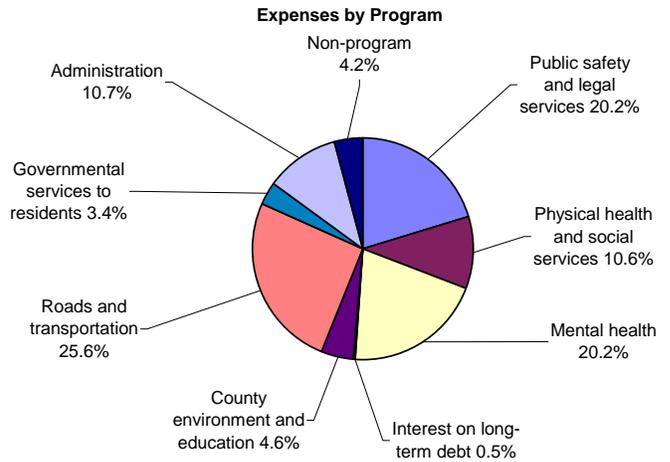
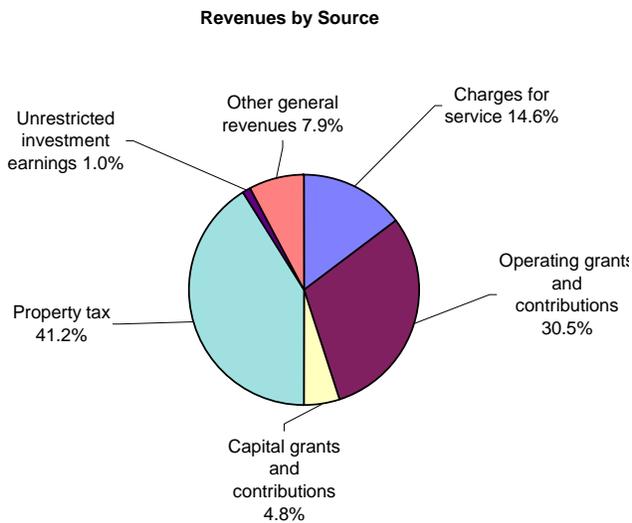
As noted earlier, net assets may serve over time as a useful indicator of financial position. Webster County's combined net assets increased from \$23.7 million to \$25.6 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2004	2003
Current and other assets	\$ 23,004	22,244
Capital assets	14,686	13,269
Total assets	37,690	35,513
Long-term liabilities	1,858	1,935
Other liabilities	10,243	9,844
Total liabilities	12,101	11,779
Net assets:		
Invested in capital assets, net of related debt	13,781	12,114
Restricted	8,166	8,596
Unrestricted	3,642	3,024
Total net assets	\$ 25,589	23,734

Net assets of Webster County's governmental activities increased by approximately \$1.9 million from FY03. The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—increased from approximately \$3.0 million at June 30, 2003 to approximately \$3.6 million at the end of this year, an increase of 20 percent.

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

	Year ended June 30,	
	2004	2003
Revenues:		
Program revenues:		
Charges for service	\$ 3,180	2,798
Operating grants and contributions	6,619	5,684
Capital grants and contributions	1,040	852
General revenues:		
Property tax	8,953	8,816
Unrestricted investment earnings	217	291
Other general revenues	1,706	1,450
Total revenues	21,715	19,891
Program expenses:		
Public safety and legal services	4,002	3,922
Physical health and social services	2,114	2,114
Mental health	4,011	3,605
County environment and education	904	818
Roads and transportation	5,110	3,984
Governmental services to residents	666	592
Administration	2,121	2,168
Non-program	830	304
Interest on long-term debt	102	98
Total expenses	19,860	17,605
Increase in net assets	1,855	2,286
Net assets beginning of year	23,734	21,448
Net assets end of year	\$ 25,589	23,734



Webster County's net assets of governmental activities increased by approximately \$1,855,000 during the year. Revenues for governmental activities increased by approximately \$1,824,000 over the prior year, with property tax revenue up from the prior year by approximately \$137,000, or 1.6%.

The County increased property tax rates for 2004 by an average of only 1.3%. Based on a decrease in the total taxable valuation, property tax revenue is budgeted to decrease by approximately \$263,000 next year, or approximately 3%.

The cost of all governmental activities this year was approximately \$19.9 million compared to approximately \$17.6 million last year. However, as shown in the Statement of Activities on Exhibit B, the amount taxpayers ultimately financed for these activities was only approximately \$9 million.

INDIVIDUAL MAJOR FUND ANALYSIS

As Webster County completed the year, its governmental funds reported a combined fund balance of approximately \$11,835,000, an increase of only approximately \$91,000 above last year's total of approximately \$11,744,000. 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 \$618,000 and expenditures increased approximately \$680,000 from the prior year. The state discontinued the state allocation appropriation which resulted in a loss of revenue for the General Fund of approximately \$213,000 from the previous year. The ending fund balance showed a modest increase of approximately \$233,000 from the prior year to \$4,071,816. There were no significant changes in revenues or expenditures. This maintains a comfortable day-to-day operating balance during the first quarter of FY05 prior to the receipt of the first half of property tax.
- The County has continued to look for ways to effectively manage the cost of mental health services. Mental Health Fund revenues decreased approximately \$279,000 from the previous year. For the year, expenditures totaled approximately \$4,114,000, an increase of 12% from the prior year. Mental health expenditures increased since more clients are being served than in the past, the costs of services have risen and the adult rehabilitation option billings have increased considerably. The Mental Health Fund balance at year end decreased by approximately \$723,000 from the prior year. The Mental Health Fund property tax levy was reduced to decrease revenues and lower the ending fund balance. The County designated \$618,622 for an assertive community treatment program in the last quarter of fiscal year 2004, which will be included in fiscal year 2005 budgeted expenditures.
- Rural Services Fund revenues decreased approximately \$73,000 from the previous fiscal year, and expenditures decreased approximately \$37,000. Transfers from the Rural Services Fund to the Secondary Roads Fund decreased approximately \$69,000. The Rural Services Fund balance decreased approximately \$117,000. The objective to reduce the ending fund balance was achieved. There were no significant changes in revenues or expenditures.
- Revenues in the Secondary Roads Fund increased approximately \$251,000 over the previous year. Secondary Roads Fund expenditures increased by approximately \$607,000 over the prior year, due principally due an increase in capital projects for the year of approximately \$540,000. The expenditures for capital projects can vary from year to year due to the scheduling of the projects. Also, snow and ice removal expenditures increased approximately \$100,000 due to a more severe winter last year than usual.

Transfers from the Rural Services Fund to the Secondary Roads Fund decreased approximately \$69,000 and transfers from the General Fund to the Secondary Roads Fund decreased by approximately \$39,000. The Secondary Roads Fund balance increased by approximately \$447,000. Transfers to the Secondary Roads Fund were reduced due to the state ordered 31% reduction in agricultural land valuations which was, in part, offset by an increase in local option sales tax revenues.

- The Drainage Districts Fund ended the year with a \$196,265 balance compared to a \$189,341 balance at the end of the previous year. Proceeds from stamped warrants increased approximately \$221,000 and expenditures on major projects increased approximately \$156,000 during the year. As a result, there was not a significant change in the ending fund balance.
- There were no significant changes in revenues, expenditures and the fund balance of the Debt Service Fund.
- During the year ended June 30, 2004, the County issued \$905,000 of general obligation courthouse refunding notes. The proceeds were used to retire \$1,155,000 in general obligation courthouse bonds to reduce the interest paid over the life of the debt. In addition, the County issued \$280,000 in general obligation E911 equipment notes during the year to pay for new E911 equipment and retired \$50,000 of the notes during the year. These notes will be paid off in future years from the General Fund with revenue transferred to the General Fund from the E911 Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, Webster County amended its budget one time. The amendment was made in March 2004 and resulted in an increase in budgeted disbursements related to the Recorder's Records Management Fund for additional microfilming disbursements; increased disbursements from the Resource Enhancement and Protection Fund for disbursements to develop wetlands, which will be reimbursed with grant funds; increased disbursements for juvenile detention and youth shelter as the result of increased services; increased disbursements due to additional elections called for by citizen petitions of; reduction in the Secondary Roads Fund as the result of re-estimating the fiscal year disbursements due to changes in capital projects for the current year; and an increase in Debt Service Fund disbursements to allow for the pass through of debt payments for the Savage Sanitary Sewer District.

Even with this amendment, the County exceeded the budgeted amounts in the non-program and debt service functions for the year ended June 30, 2004. This was the result of not realizing the disbursement of the proceeds of the general obligation E911 equipment notes needed to be categorized as a disbursement from the General Fund. Other than the above, the County's amended budget was not exceeded.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, Webster County had approximately \$26,707,000 invested 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 \$1.4 million, or 10.6%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2004	2003
Land	\$ 836	597
Construction in progress	262	86
Buildings and improvements	6,908	7,064
Machinery and equipment	2,849	2,810
Infrastructure	3,831	2,712
Totals	\$ 14,686	13,269

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

Secondary roads infrastructure	\$ 1,227
Secondary roads equipment	478
Secondary roads construction in progress	296
Right of way for highway 20	239
Jail annex remodeling	115
Vehicles for the sheriff's department	78
Conservation equipment	14
Computer equipment	13
Total	\$ 2,460

The County had depreciation expense of \$892,752 in FY04 and total accumulated depreciation of \$12,021,698 at June 30, 2004.

The County's fiscal year 2004 capital budget included \$1,220,000 for capital projects, principally for Secondary Roads Fund projects. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2004, Webster County had approximately \$1,457,000 in general obligation notes and other debt outstanding compared to approximately \$1,538,000 at June 30, 2003, as shown below:

Outstanding Debt of Governmental Activities at Year-End		
(Expressed in Thousands)		
	June 30,	
	2004	2003
General obligation bonds	\$ -	1,155
General obligation refunding notes	905	-
General obligation E911 equipment notes	230	-
Iowa rural community 2000 loan	23	34
Capital lease purchase agreement	-	34
Drainage warrants	299	315
Totals	\$ 1,457	1,538

Debt decreased primarily as a result of issuing general obligation courthouse refunding notes for the courthouse and paying off general obligation courthouse bonds. In addition, the County paid off a capital lease purchase agreement. The County also issued additional debt for general obligation E911 equipment notes during the year.

The County continues to carry a general obligation bond rating of Aa3 assigned by Moody's Investors Service, a national rating agency. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Webster County's outstanding general obligation debt is significantly below its constitutional debt limit of \$65 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Webster County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and fees charged for various County activities. One of those factors is the economy. The County's nonagricultural employment growth has mirrored its population growth during 1999-2004. Unemployment in the County now stands at 6.3 percent versus 5.9 percent a year ago. This compares with the State's unemployment rate of 5.1 percent and the national rate of 5.2 percent.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The National CPI increase was 2.7 percent for 2004 compared with the prior year rate of 2.3 percent. Inflation has been modest here due in part to the slowing of the residential housing market and modest increases in energy prices in 2003-2004.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$20.4 million, an increase of 5.2 percent over the final 2004 budget, which includes an aggressive \$3.1 million roadway construction budget for FY05. Property tax levy rates will increase due to a 31% decrease in agricultural valuations. A state equalization order reduced taxable valuation county-wide by 10 percent, which results in an increase in tax levy rates to generate the same dollars as the prior year. Modest wage and cost-of-living adjustments are included in fiscal year 2005 budget. The County has added no major new programs or initiatives to the 2005 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by the close of 2005.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Exhibit A

Webster County
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 11,275,056
Receivables:	
Property tax:	
Delinquent	44,287
Succeeding year	8,700,000
Interest and penalty on property tax	149
Accounts	270,875
Accrued interest	15,574
E911 lease	230,000
Drainage assessments:	
Current	223,856
Future	327,522
Due from other governments	852,233
Inventories	996,232
Prepaid insurance	68,976
Capital assets (net of accumulated depreciation)	14,685,745
Total assets	<u>37,690,505</u>
Liabilities	
Accounts payable	903,112
Accrued interest payable	55,440
Salaries and benefits payable	80,506
Due to other governments	504,155
Deferred revenue:	
Succeeding year property tax	8,700,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation refunding notes	295,000
General obligation E911 equipment notes	55,000
Iowa Rural Community 2000 Loan	11,416
Drainage warrants	299,048
Compensated absences	400,704
Portion due or payable after one year:	
General obligation refunding notes	610,000
General obligation E911 equipment notes	175,000
Iowa Rural Community 2000 Loan	11,987
Total liabilities	<u>12,101,368</u>
Net Assets	
Invested in capital assets, net of related debt	13,780,745
Restricted for:	
Supplemental levy purposes	733,258
Mental health purposes	1,706,781
Secondary roads purposes	4,780,365
Drainage district purposes	396,319
Debt service	55,873
Other purposes	493,472
Unrestricted	3,642,324
Total net assets	<u>\$ 25,589,137</u>

See notes to financial statements.

Webster County
Statement of Activities
Year ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants and Contributions		Capital Grants and Contributions
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 4,001,572	215,412	518,676	-	(3,267,484)
Physical health and social services	2,113,705	912,261	903,213	-	(298,231)
Mental health	4,011,314	422,498	1,468,555	-	(2,120,261)
County environment and education	903,919	97,356	78,242	-	(728,321)
Roads and transportation	5,109,545	126,890	3,299,821	1,040,078	(642,756)
Governmental services to residents	666,026	639,704	-	-	(26,322)
Administration	2,121,486	181,072	-	-	(1,940,414)
Non-program	830,707	585,306	350,000	-	104,599
Interest on long-term debt	101,804	-	-	-	(101,804)
Total	\$ 19,860,078	3,180,499	6,618,507	1,040,078	(9,020,994)
General Revenues:					
Property and other county tax levied for:					
General purposes					8,666,861
Debt service					285,872
Penalty and interest on property tax					126,424
State tax credits					505,214
Local option sales tax					691,402
Unrestricted investment earnings					217,428
Rent					35,113
Gain on disposal of capital assets					38,512
Miscellaneous					309,464
Total general revenues					10,876,290
Change in net assets					1,855,296
Net assets beginning of year					23,733,841
Net assets end of year					\$ 25,589,137

See notes to financial statements.

Webster County
Balance Sheet
Governmental Funds

June 30, 2004

	Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Drainage Districts
Assets					
Cash and pooled investments	\$ 4,027,203	2,266,473	443,357	3,927,959	198,793
Receivables:					
Property tax:					
Delinquent	32,371	8,249	2,027	-	-
Succeeding year	5,493,000	1,205,000	1,706,000	-	-
Interest and penalty on property tax	149	-	-	-	-
Accounts	6,863	79,357	-	844	-
Accrued interest	13,551	-	-	1,690	-
E911 lease	230,000	-	-	-	-
Drainage assessments:					
Current	-	-	-	-	223,856
Future	-	-	-	-	327,522
Due from other funds	39,725	-	-	-	-
Due from other governments	293,086	1,849	632	422,697	-
Inventories	-	-	-	996,232	-
Prepaid insurance	52,188	-	525	16,263	-
Total assets	\$ 10,188,136	3,560,928	2,152,541	5,365,685	750,171
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 245,697	164,946	1,131	425,742	2,528
Salaries and benefits payable	43,770	5,558	1,368	21,285	-
Due to other funds	-	39,725	-	-	-
Due to other governments	30,341	424,785	-	2,041	-
Deferred revenue:					
Succeeding year property tax	5,493,000	1,205,000	1,706,000	-	-
Other	303,512	15,745	2,025	24,267	551,378
Total liabilities	6,116,320	1,855,759	1,710,524	473,335	553,906
Fund balances:					
Reserved for:					
Supplemental levy purposes	725,356	-	-	-	-
Drainage warrants	-	-	-	-	11,223
Debt service	-	-	-	-	-
Unreserved, designated for:					
Highway project	-	-	-	1,338,164	-
Assertive community treatment program	-	618,622	-	-	-
Unreserved, undesignated, reported in:					
General fund	3,346,460	-	-	-	-
Special revenue funds	-	1,086,547	442,017	3,554,186	185,042
Total fund balances	4,071,816	1,705,169	442,017	4,892,350	196,265
Total liabilities and fund balances	\$ 10,188,136	3,560,928	2,152,541	5,365,685	750,171

See notes to financial statements.

Debt Service	Nonmajor Special Revenue	Total
56,718	289,742	11,210,245
1,640	-	44,287
296,000	-	8,700,000
-	-	149
-	183,811	270,875
-	136	15,377
-	-	230,000
-	-	223,856
-	-	327,522
-	-	39,725
23,574	110,395	852,233
-	-	996,232
-	-	68,976
<u>377,932</u>	<u>584,084</u>	<u>22,979,477</u>
-	35,098	875,142
-	8,525	80,506
-	-	39,725
-	46,988	504,155
296,000	-	8,700,000
25,038	22,612	944,577
<u>321,038</u>	<u>113,223</u>	<u>11,144,105</u>
-	-	725,356
-	-	11,223
56,894	-	56,894
-	-	1,338,164
-	-	618,622
-	-	3,346,460
-	470,861	5,738,653
<u>56,894</u>	<u>470,861</u>	<u>11,835,372</u>
<u>377,932</u>	<u>584,084</u>	<u>22,979,477</u>

Webster County

Webster County

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

June 30, 2004

Total governmental fund balances (page 19) \$ 11,835,372

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$26,707,443 and the accumulated depreciation is \$12,021,698. 14,685,745

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 944,577

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 37,038

Long-term liabilities, including notes payable, loan payable, drainage warrants payable, accrued interest payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (1,913,595)

Net assets of governmental activities (page 16) \$ 25,589,137

See notes to financial statements.

Webster County

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

Year ended June 30, 2004

	Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Drainage Districts
Revenues:					
Property and other county tax	\$ 5,593,521	1,424,783	1,616,665	691,402	-
Interest and penalty on property tax	126,424	-	-	-	-
Intergovernmental	2,848,351	1,909,988	92,981	3,339,052	24
Licenses and permits	36,602	-	-	865	-
Charges for service	893,691	44,852	-	171	-
Use of money and property	224,995	-	2,347	25,014	-
Miscellaneous	122,261	10,871	-	65,733	438,653
Total revenues	9,845,845	3,390,494	1,711,993	4,122,237	438,677
Expenditures:					
Operating:					
Public safety and legal services	3,883,708	-	-	-	-
Physical health and social services	1,990,658	-	-	-	-
Mental health	-	4,113,502	-	-	-
County environment and education	503,660	-	313,726	-	-
Roads and transportation	-	-	-	4,584,459	-
Governmental services to residents	634,980	-	-	-	-
Administration	2,014,704	-	-	-	-
Non-program	623,207	-	-	-	381,385
Debt service	55,478	-	-	-	417,421
Capital projects	-	-	-	786,400	-
Total expenditures	9,706,395	4,113,502	313,726	5,370,859	798,806
Excess (deficiency) of revenues over (under) expenditures	139,450	(723,008)	1,398,267	(1,248,622)	(360,129)
Other financing sources (uses):					
Sale of capital assets	-	-	-	5,000	-
Operating transfers in	-	-	-	1,690,400	-
Operating transfers out	(179,435)	-	(1,515,400)	-	-
General obligation refunding notes issued	-	-	-	-	-
Discount on general obligation refunding notes	-	-	-	-	-
General obligation bonds refunded	-	-	-	-	-
General obligation E911 equipment notes issued	280,000	-	-	-	-
Discount on general obligation E911 equipment notes	(6,793)	-	-	-	-
Drainage warrant proceeds	-	-	-	-	367,053
Total other financing sources (uses)	93,772	-	(1,515,400)	1,695,400	367,053
Net change in fund balances	233,222	(723,008)	(117,133)	446,778	6,924
Fund balances beginning of year	3,838,594	2,428,177	559,150	4,445,572	189,341
Fund balances end of year	\$ 4,071,816	1,705,169	442,017	4,892,350	196,265

See notes to financial statements.

Debt Service	Nonmajor Special Revenue	Total
285,860	-	9,612,231
-	-	126,424
15,952	317,117	8,523,465
-	-	37,467
-	21,920	960,634
-	2,174	254,530
12,586	79,763	729,867
<u>314,398</u>	<u>420,974</u>	<u>20,244,618</u>
-	3,322	3,887,030
-	91,493	2,082,151
-	-	4,113,502
-	31,921	849,307
-	-	4,584,459
-	21,371	656,351
-	-	2,014,704
-	-	1,004,592
335,650	-	808,549
-	20,000	806,400
<u>335,650</u>	<u>168,107</u>	<u>20,807,045</u>
(21,252)	252,867	(562,427)
-	-	5,000
-	4,435	1,694,835
-	-	(1,694,835)
905,000	-	905,000
(11,462)	-	(11,462)
(885,000)	-	(885,000)
-	-	280,000
-	-	(6,793)
-	-	367,053
<u>8,538</u>	<u>4,435</u>	<u>653,798</u>
(12,714)	257,302	91,371
<u>69,608</u>	<u>213,559</u>	<u>11,744,001</u>
<u>56,894</u>	<u>470,861</u>	<u>11,835,372</u>

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, 2004

Net change in fund balances - Total governmental funds (page 23) \$ 91,371

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 asset additions exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 1,236,014	
Capital assets contributed by the Iowa Department of Transportation	1,040,078	
Depreciation expense	<u>(892,752)</u>	1,383,340

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 33,512

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

Property tax	5,029	
Other	<u>311,842</u>	316,871

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

Issued	(1,552,053)	
Repaid	<u>1,632,688</u>	80,635

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

Compensated absences	(3,984)	
Interest on long-term debt	<u>11,228</u>	7,244

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. (57,677)

Change in net assets of governmental activities (page 17) \$ 1,855,296

See notes to financial statements.

Webster County
 Statement of Net Assets
 Proprietary Fund
 June 30, 2004

	Internal Service
Assets	
Cash and cash equivalents	\$ 64,811
Accrued interest receivable	197
Total assets	65,008
Liabilities	
Accounts payable	27,970
Net Assets	
Unrestricted	\$ 37,038

See notes to financial statements.

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

Year ended June 30, 2004

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,561,639
COBRA reimbursements		<u>12,731</u>
Total operating revenues		1,574,370
Operating expenses:		
Insurance premiums	\$ 1,580,278	
Medical claims	<u>54,846</u>	<u>1,635,124</u>
Operating loss		(60,754)
Non-operating revenues:		
Interest income		<u>3,077</u>
Net loss		(57,677)
Net assets beginning of year		<u>94,715</u>
Net assets end of year		<u><u>\$ 37,038</u></u>

See notes to financial statements.

Webster County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2004

	Internal Service
Cash flows for operating activities:	
Cash received from operating fund contributions	\$ 1,561,639
Cash received from COBRA reimbursements	12,731
Cash paid for insurance premiums	(1,580,278)
Cash paid for medical claims	(35,949)
Net cash used for operating activities	(41,857)
Cash flows from investing activities:	
Interest on investments	2,886
Net decrease in cash and cash equivalents	(38,971)
Cash and cash equivalents beginning of year	103,782
Cash and cash equivalents end of year	\$ 64,811
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (60,754)
Adjustment to reconcile operating loss to net cash used for operating activities:	
Increase in accounts payable	18,897
Net cash used for operating activities	\$ (41,857)

See notes to financial statements.

Webster County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2004

Assets

Cash and pooled investments:

County Treasurer \$ 1,577,222

Other County officials 24,621

Receivables:

Property tax:

Delinquent 209,306

Succeeding year 29,689,000

Accounts 30,725

Accrued interest 58

Special assessments 132,499

Drainage assessments:

Current 11,926

Future 27,806

Due from other funds 4,480

Due from other governments 24,830

Total assets 31,732,473**Liabilities**

Accounts payable 3,155

Salaries and benefits payable 3,259

Due to other funds 4,480

Due to other governments 31,659,844

Stamped warrants payable 23,630

Trusts payable 12,977

Compensated absences 25,128

Total liabilities 31,732,473**Net assets**\$ -

See notes to financial statements.

Webster County

Notes to Financial Statements

June 30, 2004

(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 that 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 an Agency Fund. Financial information of the individual drainage districts can be obtained from the Webster County Auditor's office.

Jointly Governed Organizations – The County also 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 Webster County Solid Waste Commission, 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 also participates in the following jointly governed organizations: Second Judicial District Department of Correctional Services, Iowa Central Industries, Your Own Limited Resources, Inc., the North Central Alcoholism Research Foundation, Webster County Economic Development Corporation and North Central Mental Health Center.

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

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 period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash 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 the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was collected in July and August of 2004.

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 and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	25 - 50
Land and improvements	10 - 50
Equipment and vehicles	3 - 20
Infrastructure	10 - 65

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the non-program and debt service functions and disbursements in one department exceeded the amount appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 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 investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$553,808 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Mental Health	\$ 39,725

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 175,000
Secondary Roads	Special Revenue: Rural Services	1,515,400
Conservation Land Acquisition	General	4,435
Total		<u>\$ 1,694,835</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 596,989	238,956	-	835,945
Construction in progress	85,984	295,367	(118,882)	262,469
Total capital assets not being depreciated	682,973	534,323	(118,882)	1,098,414
Capital assets being depreciated:				
Buildings	14,929,319	115,047	-	15,044,366
Improvements other than buildings	150,000	-	-	150,000
Equipment and vehicles	6,076,571	582,992	(235,474)	6,424,089
Infrastructure, road network	2,763,277	1,227,297	-	3,990,574
Total capital assets being depreciated	23,919,167	1,925,336	(235,474)	25,609,029
Less accumulated depreciation for:				
Buildings	7,940,568	255,875	-	8,196,443
Improvements other than buildings	75,000	15,000	-	90,000
Equipment and vehicles	3,266,578	512,644	(204,301)	3,574,921
Infrastructure, road network	51,101	109,233	-	160,334
Total accumulated depreciation	11,333,247	892,752	(204,301)	12,021,698
Total capital assets being depreciated, net	12,585,920	1,032,584	(31,173)	13,587,331
Governmental activities capital assets, net	\$ 13,268,893	1,566,907	(150,055)	14,685,745

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 178,627
Physical health and social services	29,901
Mental health	10,019
County environment and education	45,583
Roads and transportation	508,554
Governmental services to residents	7,228
Administration	112,840
Total depreciation expense - governmental activities	<u>\$ 892,752</u>

As permitted by U.S. generally accepted accounting principles, the County will add prior year road infrastructure during the next three years.

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 30,341
Special Revenue:		
Mental Health	Services	424,785
Secondary Roads	Services	2,041
Public Health	Services	46,988
		<u>473,814</u>
Total for governmental funds		<u>\$ 504,155</u>
Agency:		
Agricultural Extension Education	Collections	\$ 175,827
County Assessor		461,285
Schools		17,335,647
Community Colleges		862,283
Corporations		11,445,282
Townships		261,524
Auto License and Use Tax		654,185
All other		463,811
Total for agency funds		<u>\$ 31,659,844</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	General Obligation Bonds	General Obligation Refunding Notes	General Obligation E911 Equipment Notes	Iowa Rural Community 2000 Loan	Capital Lease Purchase Agreement	Drainage Warrants	Compen- sated Absences	Total
Balance beginning of year	\$ 1,155,000	-	-	34,275	33,921	314,890	396,720	1,934,806
Increases	-	905,000	280,000	-	-	367,053	496,484	2,048,537
Decreases	1,155,000	-	50,000	10,872	33,921	382,895	492,500	2,125,188
Balance end of year	\$ -	905,000	230,000	23,403	-	299,048	400,704	1,858,155
Due within one year	\$ -	295,000	55,000	11,416	-	299,048	400,704	1,061,168

General Obligation Debt

A summary of the County's June 30, 2004 general obligation indebtedness is as follows:

Year ending June 30,	General Obligation Refunding Notes			General Obligation E911 Equipment Notes			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2005	1.40%	\$ 295,000	20,171	2.00%	\$ 55,000	6,078	350,000	26,249	376,249
2006	1.85	300,000	12,525	2.45	55,000	4,978	355,000	17,503	372,503
2007	2.25	310,000	6,975	2.85	60,000	3,630	370,000	10,605	380,605
2008		-	-	3.20	60,000	1,920	60,000	1,920	61,920
Total		<u>\$ 905,000</u>	<u>39,671</u>		<u>\$ 230,000</u>	<u>16,606</u>	<u>1,135,000</u>	<u>56,277</u>	<u>1,191,277</u>

- (1) On March 15, 2004, the County issued \$905,000 of general obligation refunding notes for the purpose of refunding the remaining general obligation county courthouse bonds of \$1,155,000 dated March 1, 1997. The bonds had reached their call date.
- (2) On September 1, 2003, the County issued \$280,000 of general obligation E911 equipment notes for the purpose of paying costs of acquiring replacement equipment for use by the Webster County E911 Service Board. The note is to be paid from the General Fund. The balance of the note at June 30, 2004 totaled \$230,000.

Iowa Rural Community 2000 Loan

Webster County was awarded an Iowa Rural Community 2000 low interest loan for \$129,000 to construct two sewage lagoons. During the year ended June 30, 1990, the principal amount of \$129,000 was loaned to the County by the Iowa Department of Economic Development. In accordance with a 28E agreement entered into between the County and the Savage Sanitary Sewer District, dated August 8, 1989, the District agreed to make principal and interest payments to the County on the promissory note executed by the County to the State of Iowa. The County in turn makes annual payments to the Iowa Department of Economic Development. Details of the loan at June 30, 2004 are as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2005	5.00%	\$ 11,416	1,170	12,586
2006	5.00	11,987	599	12,586
Total		<u>\$ 23,403</u>	<u>1,769</u>	<u>25,172</u>

Capital Lease Purchase Agreement

The County retired \$33,921 on the previous lease purchase agreement during the year ended June 30, 2004.

Drainage Warrants Payable

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

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

(8) E911 Lease Receivable

The County entered into a lease agreement with the E911 Service Board. Under the agreement, the E911 Service Board is to make annual payments from the E911 Service Fund to the General Fund in amounts sufficient to pay the debt service on the general obligation E911 equipment notes issued by the County.

(9) 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.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$396,076, \$406,433 and \$391,785, respectively, equal to the required contributions for each year.

(10) Risk Management

Webster County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from 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 and inland marine. 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 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2004 were \$142,288.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks are also reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, 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 claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$5,000,000 and \$200,000, 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.

(11) 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 County contributions and Webster County has entered into a Wellmark health insurance plan with Alliance. In addition to the benefits provided by the policy, Webster County also reimburses employees directly for their portion of the deductible and co-insurance.

The payments for plan contributions to the Internal Service, Employee Group Health Fund are recorded as expenditures from the operating funds at the time of the payment to the Internal Service, Employee Group Health Fund maintained by the County Treasurer. Premiums and claim payments are made from the Internal Service, Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2004 was \$1,561,639.

The amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2004 for incurred but not reported (IBNR) and reported but not paid claims has been estimated but has not been actuarially determined since the County has not obtained an actuarial opinion as required by Chapter 509A.15 of the Code of Iowa.

(12) Pending Litigation

The County is a defendant in a lawsuit seeking damages of approximately \$575,000. The probability and amount of loss, if any, is indeterminable.

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, 2004

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 9,663,664	-	9,663,664
Interest and penalty on property tax	126,643	-	126,643
Intergovernmental	8,296,821	625	8,296,196
Licenses and permits	38,397	-	38,397
Charges for service	960,277	-	960,277
Use of money and property	239,503	-	239,503
Miscellaneous	684,892	438,652	246,240
Total receipts	<u>20,010,197</u>	<u>439,277</u>	<u>19,570,920</u>
Disbursements:			
Public safety and legal services	3,889,520	-	3,889,520
Physical health and social services	2,049,756	-	2,049,756
Mental health	3,845,637	-	3,845,637
County environment and education	863,190	-	863,190
Roads and transportation	4,638,698	-	4,638,698
Governmental services to residents	655,315	-	655,315
Administration	2,048,474	-	2,048,474
Non-program	917,691	384,484	533,207
Debt service	808,545	417,420	391,125
Capital projects	674,164	-	674,164
Total disbursements	<u>20,390,990</u>	<u>801,904</u>	<u>19,589,086</u>
Excess (deficiency) of receipts over (under) disbursements	(380,793)	(362,627)	(18,166)
Other financing sources, net	<u>653,798</u>	<u>367,053</u>	<u>286,745</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	273,005	4,426	268,579
Balance beginning of year	10,937,240	194,367	10,742,873
Balance end of year	<u>\$ 11,210,245</u>	<u>198,793</u>	<u>11,011,452</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
9,465,129	9,575,129	88,535
95,000	95,000	31,643
9,921,933	8,374,190	(77,994)
12,550	12,550	25,847
884,580	884,580	75,697
380,225	408,725	(169,222)
54,850	54,850	191,390
<u>20,814,267</u>	<u>19,405,024</u>	<u>165,896</u>
4,157,935	4,232,935	343,415
2,139,502	2,139,502	89,746
4,300,780	4,300,780	455,143
963,851	977,851	114,661
5,000,000	4,640,000	1,302
651,053	703,553	48,238
2,057,844	2,057,844	9,370
260,000	260,000	(273,207)
323,080	335,667	(55,458)
3,020,000	1,220,000	545,836
<u>22,874,045</u>	<u>20,868,132</u>	<u>1,279,046</u>
(2,059,778)	(1,463,108)	1,444,942
25,000	21,835	264,910
(2,034,778)	(1,441,273)	1,709,852
7,466,503	9,315,990	1,426,883
<u>5,431,725</u>	<u>7,874,717</u>	<u>3,136,735</u>

Webster County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2004

	Governmental Fund Types		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 20,010,197	234,421	20,244,618
Expenditures	20,390,990	416,055	20,807,045
Net	(380,793)	(181,634)	(562,427)
Other financing sources, net	653,798	-	653,798
Beginning fund balances	10,937,240	806,761	11,744,001
Ending fund balances	\$ 11,210,245	625,127	11,835,372

See accompanying independent auditor's report.

Webster County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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 and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment decreased budgeted disbursements by \$2,005,913. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the non-program and debt service functions and disbursements in one department exceeded the amount appropriated.

Webster County

Other Supplementary Information

Webster County
 Combining Balance Sheet
 Nonmajor Special Revenue Funds

June 30, 2004

	Public Health	Supplemental Environment Project	Public Health Resources	County Recorder's Records Management	Resource Enhancement and Protection
Assets					
Cash and pooled investments	\$ -	6,571	26,184	35,752	63,367
Receivables:					
Accounts	183,811	-	-	-	-
Accrued interest	-	8	-	49	79
Due from other governments	96,199	-	-	-	-
Total assets	\$ 280,010	6,579	26,184	35,801	63,446
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ 35,098	-	-	-	-
Salaries and benefits payable	8,525	-	-	-	-
Due to other governments	46,988	-	-	-	-
Deferred revenue	8,416	-	-	-	-
Total liabilities	99,027	-	-	-	-
Fund equity:					
Unreserved fund balances	180,983	6,579	26,184	35,801	63,446
Total liabilities and fund equity	\$ 280,010	6,579	26,184	35,801	63,446

See accompanying independent auditor's report.

Sheriff Confiscated Property	Attorney Confiscated Property	Conservation Land Acquisition	DARE	Canine	County Recorder's Electronic Transaction	Total
10,772	3,253	101,780	14,194	5,172	22,697	289,742
-	-	-	-	-	-	183,811
-	-	-	-	-	-	136
-	-	-	-	-	14,196	110,395
10,772	3,253	101,780	14,194	5,172	36,893	584,084
-	-	-	-	-	-	35,098
-	-	-	-	-	-	8,525
-	-	-	-	-	-	46,988
-	-	-	-	-	14,196	22,612
-	-	-	-	-	14,196	113,223
10,772	3,253	101,780	14,194	5,172	22,697	470,861
10,772	3,253	101,780	14,194	5,172	36,893	584,084

Webster County

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

Year ended June 30, 2004

	Public Health	Supplemental Environment Project	Public Health Resources	County Recorder's Records Management	Resource Enhancement and Protection
Revenues:					
Intergovernmental	\$ 259,863	-	-	-	18,397
Charges for service	11,733	-	-	10,187	-
Use of money and property	-	170	-	813	1,185
Miscellaneous	-	-	10,841	-	-
Total revenues	<u>271,596</u>	<u>170</u>	<u>10,841</u>	<u>11,000</u>	<u>19,582</u>
Expenditures:					
Operating:					
Public safety and legal services	-	-	-	-	-
Physical health and social services	90,613	-	880	-	-
County environment and education	-	10,494	-	-	21,427
Governmental services to residents	-	-	-	21,371	-
Capital projects	-	-	-	-	-
Total expenditures	<u>90,613</u>	<u>10,494</u>	<u>880</u>	<u>21,371</u>	<u>21,427</u>
Excess (deficiency) of revenues over (under) expenditures	180,983	(10,324)	9,961	(10,371)	(1,845)
Other financing sources:					
Operating transfers in	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	180,983	(10,324)	9,961	(10,371)	(1,845)
Fund balances beginning of year	-	16,903	16,223	46,172	65,291
Fund balances end of year	<u>\$ 180,983</u>	<u>6,579</u>	<u>26,184</u>	<u>35,801</u>	<u>63,446</u>

See accompanying independent auditor's report.

Sheriff Confiscated Property	Attorney Confiscated Property	Conservation Land Acquisition	DARE	Canine	County Recorder's Electronic Transaction	Total
-	601	15,565	-	-	22,691	317,117
-	-	-	-	-	-	21,920
-	-	-	-	-	6	2,174
309	-	46,343	15,476	6,794	-	79,763
309	601	61,908	15,476	6,794	22,697	420,974
418	-	-	1,282	1,622	-	3,322
-	-	-	-	-	-	91,493
-	-	-	-	-	-	31,921
-	-	-	-	-	-	21,371
-	-	20,000	-	-	-	20,000
418	-	20,000	1,282	1,622	-	168,107
(109)	601	41,908	14,194	5,172	22,697	252,867
-	-	4,435	-	-	-	4,435
(109)	601	46,343	14,194	5,172	22,697	257,302
10,881	2,652	55,437	-	-	-	213,559
10,772	3,253	101,780	14,194	5,172	22,697	470,861

Webster County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	2,863	135,993	299,331	13,307
Other County officials	24,621	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	964	1,845	98,203	4,477
Succeeding year	-	172,000	346,000	16,928,000	844,000
Accounts	528	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Drainage assessments:					
Current	-	-	-	-	-
Future	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	349	10,113	499
Total assets	\$ 25,149	175,827	484,187	17,335,647	862,283
Liabilities					
Accounts payable	\$ -	-	529	-	-
Salaries and benefits payable	-	-	2,858	-	-
Due to other funds	4,480	-	-	-	-
Due to other governments	18,010	175,827	461,285	17,335,647	862,283
Stamped warrants payable	-	-	-	-	-
Trusts payable	2,659	-	-	-	-
Compensated absences	-	-	19,515	-	-
Total liabilities	\$ 25,149	175,827	484,187	17,335,647	862,283

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Other	Total
227,045	4,186	654,185	240,312	1,577,222
-	-	-	-	24,621
103,504	242	-	71	209,306
11,107,000	257,000	-	35,000	29,689,000
-	-	-	30,197	30,725
-	-	-	58	58
-	-	-	132,499	132,499
-	-	-	11,926	11,926
-	-	-	27,806	27,806
-	-	-	4,480	4,480
7,733	96	-	6,040	24,830
11,445,282	261,524	654,185	488,389	31,732,473
-	-	-	2,626	3,155
-	-	-	401	3,259
-	-	-	-	4,480
11,445,282	261,524	654,185	445,801	31,659,844
-	-	-	23,630	23,630
-	-	-	10,318	12,977
-	-	-	5,613	25,128
11,445,282	261,524	654,185	488,389	31,732,473

Webster County
 Combining Schedule of Changes in Fiduciary Assets and Liabilities
 Agency Funds

Year ended June 30, 2004

Assets and Liabilities	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Balances beginning of year	\$ 43,877	169,842	483,616	17,696,588	791,183
Additions:					
Property and other county tax	-	172,440	346,687	16,950,143	844,424
E911 surcharge	-	-	-	-	-
State tax credits	-	9,304	18,020	973,450	43,739
Office fees and collections	626,272	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	481,703	-	-	-	-
Miscellaneous	-	-	535	-	-
Total additions	1,107,975	181,744	365,242	17,923,593	888,163
Deductions:					
Agency remittances:					
To other funds	391,237	-	-	-	-
To other governments	254,892	175,759	364,671	18,284,534	817,063
Trusts paid out	480,574	-	-	-	-
Total deductions	1,126,703	175,759	364,671	18,284,534	817,063
Balances end of year	\$ 25,149	175,827	484,187	17,335,647	862,283

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Other	Total
10,684,220	283,462	578,494	450,563	31,181,845
11,977,428	256,528	-	40,886	30,588,536
-	-	-	132,767	132,767
576,366	16,302	-	1,929	1,639,110
-	-	-	-	626,272
-	-	8,071,531	1,164	8,072,695
-	-	-	49,938	49,938
-	-	-	561,252	1,042,955
-	-	-	391,058	391,593
12,553,794	272,830	8,071,531	1,178,994	42,543,866
-	-	242,038	-	633,275
11,792,732	294,768	7,753,802	680,423	40,418,644
-	-	-	484,375	964,949
11,792,732	294,768	7,995,840	1,164,798	42,016,868
11,445,282	261,524	654,185	464,759	31,708,843

Schedule 5

Webster County

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

For the Last Five Years

	Modified Accrual Basis				
	2004	2003	2002	2001	2000
Revenues:					
Property and other county tax	\$ 9,612,231	9,224,170	9,006,850	8,453,628	7,834,444
Interest and penalty on property tax	126,424	147,030	116,397	98,387	85,980
Intergovernmental	8,523,465	8,221,990	7,917,842	8,273,336	8,192,705
Licenses and permits	37,467	34,870	21,258	11,705	12,586
Charges for service	960,634	936,357	855,576	725,322	653,288
Use of money and property	254,530	306,698	379,909	680,252	803,567
Miscellaneous	729,867	562,867	1,128,696	360,968	358,507
Total	\$ 20,244,618	19,433,982	19,426,528	18,603,598	17,941,077
Expenditures:					
Operating:					
Public safety and legal services	\$ 3,887,030	3,793,770	3,285,526	3,578,205	3,156,739
Physical health and social services	2,082,151	2,075,150	1,945,048	1,895,832	2,010,911
Mental health	4,113,502	3,666,856	3,776,587	3,635,593	3,466,260
County environment and education	849,307	874,326	817,688	851,146	747,434
Roads and transportation	4,584,459	4,518,209	4,405,928	4,469,849	4,401,075
Governmental services to residents	656,351	584,718	511,790	474,842	450,698
Administration	2,014,704	2,055,254	2,657,988	2,472,130	2,170,810
Non-program	1,004,592	216,946	377,345	147,783	170,271
Debt service	808,549	757,971	1,375,272	530,279	593,483
Capital projects	806,400	278,857	319,388	1,932,110	1,326,784
Total	\$ 20,807,045	18,822,057	19,472,560	19,987,769	18,494,465

See accompanying independent auditor's report.

Webster County

Schedule 6

Webster County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture:			
Wetlands Reserve Program	10.072	66-6114-0-334	\$ 220
Wetlands Reserve Program	10.072	66-6114-2-2478	15,565
Total direct			<u>15,785</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5883A050	94,252
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5884A050	214,018
			<u>308,270</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		<u>21,212</u>
Iowa Department of Agriculture and Land Stewardship:			
WIC Farmers' Market Nutrition Program (FMNP)	10.572	1191-03-50	512
WIC Farmers' Market Nutrition Program (FMNP)	10.572	1191-04-50	748
			<u>1,260</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	14.228	02-CF-047-01	<u>350,000</u>
U.S. Department of Justice:			
Iowa Department of Justice:			
Crime Victim Assistance	16.575	VA-04-2812	<u>22,000</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO94(45)--8J-94	<u>3,376</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Temporary Assistance for Needy Families	93.558		<u>27,366</u>
Refugee and Entrant Assistance - State Administered Programs	93.566		<u>99</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>4,973</u>
Foster Care - Title IV-E	93.658		<u>12,568</u>
Adoption Assistance	93.659		<u>3,337</u>
Medical Assistance Program	93.778		<u>27,563</u>

Webster County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Social Services Block Grant	93.667		18,002
Social Services Block Grant	93.667		191,422
			<u>209,424</u>
Iowa Department of Public Health:			
Elderbridge Agency on Aging, Inc.:			
Special Programs for the Aging - Title III Part D - Disease Prevention and Health Promotion Services	93.043	D90021	<u>8,000</u>
Cerro Gordo County Public Health Department:			
Childhood Lead Poisoning Prevention Projects- State and Local-Based Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	5883LP03	1,922
Childhood Lead Poisoning Prevention Projects- State and Local-Based Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	5884LP13	<u>17,214</u> <u>19,136</u>
Abstinence Education	93.235	5884AB51	<u>8,739</u>
Immunization Grants	93.268	5883I404	8,005
Immunization Grants	93.268	5884I404	<u>5,925</u> <u>13,930</u>
Centers for Disease Control and Prevention -			
Investigations and Technical Assistance	93.283	5883BT96	14,772
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5884BT01	39,159
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5884EHC9	<u>4,025</u> <u>57,956</u>
Mid-Iowa Community Action, Inc.:			
HIV Care Formula Grants	93.917	5883HCO3	21,648
HIV Care Formula Grants	93.917	5883HC04	<u>11,585</u> <u>33,233</u>
Calhoun County Department of Health:			
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	5884NB04	<u>11,090</u>

Schedule 6

Webster County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

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:			
Preventive Health and Health Services			
Block Grant	93.991	5883RR08	5,000
Preventive Health and Health Services			
Block Grant	93.991	5884HP07	14,533
			19,533
Maternal and Child Health Services			
Block Grant to the States	93.994	5883A050	19,085
Maternal and Child Health Services			
Block Grant to the States	93.994	5884A050	55,101
			74,186
Governor's Developmental Disabilities Council:			
State University of Iowa:			
Developmental Disabilities			
Basic Support and Advocacy Grants	93.630	GDDC-02-004	807
Developmental Disabilities			
Basic Support and Advocacy Grants	93.630	GDDC-04-004	1,137
			1,944
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency			
Management Division:			
State Domestic Preparedness Equipment Support Program	97.004		521
State and Local Homeland Security Training Program	97.005		1,076
Public Assistance Grants	97.036	FEMA DR-1518-IA	20,891
Emergency Management Performance Grants	97.042		17,296
State and Local All Hazards Emergency Operation			
Planning	97.051		2,000
Total indirect			1,280,979
Total			\$ 1,296,764

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 on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Officials of Webster County:

We have audited the financial statements of Webster County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated February 25, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that 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, 2004 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. Prior year statutory comments have been resolved except for items IV-J-04, IV-K-04 and IV-L-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Webster County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Webster County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. Prior year reportable conditions have been resolved except for items II-A-04, II-B-04, II-C-04, II-D-04, II-E-04, II-G-04 and II-H-04.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 25, 2005

**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance**

Webster County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
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Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance

To the Officials of Webster County:

Compliance

We have audited the compliance of Webster County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Webster County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Webster County's management. Our responsibility is to express an opinion on Webster County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, 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 provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Webster County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Webster County's compliance with those requirements.

In our opinion, Webster County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and is described as item III-A-04 in the accompanying Schedule of Findings and Questioned Costs.

Internal Control Over Compliance

The management of Webster County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Webster County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 25, 2005

Webster County
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, none of which were considered to be material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is 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 14.228 – Community Development Block Grants/State's Program.
- (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, 2004

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-04 Segregation of Duties – During our review of the 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 these offices 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.	Sheriff
(2) Bank reconciliations are not prepared by someone who doesn't sign checks, handle or record cash.	Recorder
(3) Bank reconciliations are not reviewed periodically by an independent person for propriety.	Recorder
(4) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting of cash.	Recorder and Sheriff
(5) The person who signs checks is not independent of the person preparing the checks, approving disbursements, recording cash disbursements and handling cash.	Recorder
(6) Accounting manuals are not maintained.	Auditor, Treasurer, Recorder and Sheriff
(7) Voided receipts are not reviewed by an independent person and the review is not evidenced by initials.	Recorder and Sheriff

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

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Responses –

County Auditor – We will begin immediately implementing an accounting procedures manual and it will be a work in progress.

County Treasurer – We will try to comply.

County Recorder – We will try to comply.

County Sheriff – Due to limited staff in the civil department, it is hard to segregate the duties, as we are a very busy office. We will try to have someone review our cash transactions when they can, and mark them with their initials. We will try and utilize office staff in performing the above duties when able to do so.

Conclusions –

County Auditor – Response accepted.

County Treasurer – Response accepted.

County Recorder – Response accepted.

County Sheriff – Response acknowledged. The County Sheriff should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

II-B-04 Information Systems – The County does not have a written disaster recovery plan.

Recommendation – A written disaster recovery plan should be developed.

Response – The IT department along with the Emergency Management Administrator are working on the finer details and we should have a recover plan in place on or before June 30, 2005.

Conclusion – Response accepted.

II-C-04 Board of Supervisors – Identifying tags are not placed on all capital assets.

Recommendation – Identification tags should be placed on all capital assets.

Response – To the best of our ability, we have addressed this matter.

Conclusion – Response accepted.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

II-D-04 County Sheriff –

Jail Inmate Account

The jail inmate account did not have a complete check register for the entire year, the book balance was not documented and a monthly general ledger of receipts, disbursements and balances was not maintained. Also, monthly bank reconciliations were not prepared, including an outstanding check list. In addition, monthly subsidiary ledger balances for individual inmate accounts were not totaled and reconciled to the jail inmate account balance.

Receipts were not deposited intact timely. Prenumbered receipts were not issued for all collections and copies of the prenumbered receipts were not kept in numerical sequence.

Reimbursements for inmate medical expenses were not remitted timely to the County Treasurer.

Weapons Permit Account

Collections for the weapons permit account were not deposited timely. Refunds issued for weapons permits are made by cash and the original receipt is marked void.

Commissary Account

The bank account was not reconciled to the checkbook balance at the end of each month and a complete list of outstanding checks was not prepared.

Recommendations –

Jail Inmate Account

The jail inmate account should have a complete check register for the entire year, a book balance should be documented and a monthly general ledger of receipts, disbursements and balances should be maintained. Also, monthly bank reconciliations should be prepared, including an outstanding check list. In addition, monthly subsidiary ledger balances for individual inmate accounts should be totaled and reconciled to the jail inmate account balance.

Receipts should be deposited intact timely. Prenumbered receipts should be issued for all collections and all prenumbered receipts should be kept in numerical sequence for future reference.

Reimbursements for inmate medical expenses should be remitted timely to the County Treasurer.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Weapons Permit Account

Weapons permit receipts should be deposited timely. Disbursement of weapons permit refunds should be made by check and the original receipts should not be marked void.

Commissary Account –

The bank account should be reconciled to the check book balance at the end of each month and a list of outstanding checks should be prepared.

Responses –

Jail Inmate Account – The recommendation for the Jail Inmate Account will be complied with.

Weapons Permit Account – We will try and make at least two deposits a week on weapons permits instead of once a month, and refunds will be made from the checking account instead of sending back the checks and cash to the person who was denied a permit.

Commissary Account – Reconciliations of the bank account will be made. We will try and use the civil department's way of doing the reconciliation.

Conclusions–

Jail Inmate Account – Response accepted.

Weapons Permit Account – Response accepted.

Commissary Account – Response accepted.

II-E-04 Timesheets and Payroll Records – All County personnel do not prepare and file timesheets.

Recommendation – Except for elected officials, timesheets should be prepared by all personnel in all departments, salaried as well as hourly, and should be submitted to the County Auditor's office prior to the processing of payroll each pay period. The timesheets should be signed by the employee and should be reviewed and signed by the employee's immediate supervisor prior to submission. The timesheets should support all hours worked and all hours taken as vacation, sick leave, compensatory time, holiday hours, and personal days. For internal control, as well as for potential legal claims (payroll dispute/grievance), timesheets would provide an accurate record of hours worked and leave time earned and taken.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Also, the County payroll records should include vacation, sick leave, compensatory, holiday hours and personal days earned, taken and the balances for all County departments.

Response – Effective on or about April 1, 2005 all required personnel will submit a signed timesheet to their department/supervisor. The County Board of Supervisors will adopt a “Timesheets and Payroll Records Policy” on March 22, 2005 which will become an amendment to the current County handbook.

Conclusion – Response accepted.

- II-F-04 Proper Classification of Grant Revenues by the Health Department – Certain grant revenues were not recorded to the proper account number in accordance with the Uniform Chart of Accounts issued by the County Finance Committee. Also, grant revenues collected by the Health Department were not reconciled to the County Treasurer’s revenue accounts monthly.

Recommendation – Grant revenues should be recorded to the proper account number. Also, grant revenues should be reconciled to the County Treasurer’s revenue accounts monthly and any discrepancies should be resolved between the County Treasurer and Health Department in order to provide proper classification of grant revenues.

Response – After many phone calls to state staff and ISAC staff obtaining assistance with setting up accounts we were given guidance to successfully work with the County officials and have assigned separate account numbers to each grant. Currently, we are reconciling all revenue accounts with the County Treasurer each month. We are reconciling all accounts to the Board of Health to review at least quarterly. Effective July 1, 2004 separate account numbers have been assigned to each grant.

Conclusion – Response accepted.

- II-G-04 Accounts Payable – Some accounts payable were not properly identified and other items were incorrectly identified as accounts payable. This matter was resolved for audit purposes.

Recommendation – Payables should be properly identified and included in the County’s financial statements.

Response – Accruals will be reviewed in the County Auditor’s office when processing claims for payment to ensure departments coded them appropriately.

Conclusion – Response accepted.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

II-H-04 Public Health Nurse Receivables – Accounts receivable listings were not retained at the end of each month for Medicare. Also, amounts billed for Medicare were not reconciled to collections and accounts receivable.

Recommendation – Accounts receivable listings should be retained and a reconciliation of billings, collections and accounts receivable should be prepared monthly for Medicare.

Response – We are creating a new spreadsheet that will give a monthly beginning balance, history of accounts, revenue charges, case receipt of how much we posted for each Medicare claim, our receipt, date of our receipt, treasurer's revenue receipt number, the date and ending monthly balance. We will have this available for next year's audit for the dates July 1, 2004 to June 30 2005.

Conclusion – Response accepted.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCE OF NON-COMPLIANCE:

CFDA Number 14.228: Community Development Block Grants/State's Program

Pass-through Agency Number: 02-CF-047-1

Federal Award Year: 2003

U.S. Department of Housing and Urban Development

Passed through the Iowa Department of Economic Development

III-A-04 Davis Bacon – Three subcontractors did not provide documentation of weekly payroll records for compliance with the Davis Bacon Act. The contracts with the subcontractors totaled \$15,931. The grant administrator contacted the Iowa Department of Economic Development to determine the Rabiner Treatment Center should withhold payments from the general contractor of \$19,914, which includes \$15,931 plus 25% of the \$15,931. These funds are currently being held by Rabiner Treatment Center pending further instructions from the Iowa Department of Economic Development.

Recommendation – The County should contact the Iowa Department of Economic Development to determine the appropriate final resolution of the questioned costs.

Response – The County will contact the Iowa Department of Economic Development to finalize this matter.

Conclusion – Response accepted.

REPORTABLE CONDITIONS:

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

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-04 Official Depositories – Resolutions naming official depositories have been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolutions were not exceeded during the year ended June 30, 2004, except as follows:

<u>Office</u>	<u>Depository</u>	<u>Maximum Authorized Deposit</u>
County Treasurer	Wells Fargo Bank	\$12,000,000

Recommendation – A new resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the Board or the County Treasurer should monitor the balances at Wells Fargo Bank to make sure the depository resolution is not exceeded.

Response – We will be careful in the future that it won't happen again. The funds were apportioned out the next day. I might even have the Board raise the depository resolution.

Conclusion – Response accepted.

IV-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the non-program and the debt service functions. Disbursements in one department exceeded the amount appropriated.

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

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

Response – Debt for the Iowa Rural Community 2000 Loan is now being budgeted and expended from Debt Service Fund. The proceeds from the sale of the general obligation E911 equipment notes were reported as an other financing source in the General Fund and the payment to E911 were reported as disbursements in the non-program function. Therefore, the disbursements for the non-program function exceeded the amended budget. In addition, \$50,000 of general obligation E911 equipment notes were retired and were reported as a disbursement from the General Fund. The disbursements for the debt service function were adjusted for the principal and interest paid. As

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

a result, disbursements for the debt service function exceeded budget. The receipt and payment for the retirement of the general obligation E911 equipment notes will be recorded in the General Fund in the future and necessary corresponding amendments to the budget for the fiscal year 2005 will be made.

Conclusion – Response accepted.

- IV-C-04 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-D-04 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-E-04 Business Transactions – No business transactions between the County and County officials or employees were noted.
- IV-F-04 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-G-04 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, all competitive bids on Secondary Road projects were not recorded in the Board minutes.

Recommendation – The Board minutes should include competitive bids on Secondary Road projects, including the name of the company submitting the bid and the amount of the bid.

Response – All bids received and opened will be noted in the minute book of the Board of Supervisors.

Conclusion – Response accepted.

- IV-H-04 Deposits and Investments – Except as noted above, 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-I-04 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-J-04 Health Insurance – The County provides employees health insurance and other benefits through partial self funding of the County's health insurance plan. Chapter 509A.15 of the Code of Iowa requires the County to obtain an actuarial opinion issued by a fellow of the Society of Actuaries which attests to the adequacy of reserves, rates and the financial condition of the plan.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Recommendation – The County should obtain an actuarial opinion issued by a fellow of the Society of Actuaries, as required. However, the County may be exempt from Chapter 509A.15 of the Code of Iowa, effective July 1, 2004, if the health insurance plan's yearly claims do not exceed one percent of the County's general fund budget. The County's request for exemption from Chapter 509A.15 should be made in writing to the Iowa Insurance Division each year.

Response – We will make every effort to comply.

Conclusion – Response accepted.

IV-K-04 Deficit Treasurer's Drainage District Balances – Thirteen drainage districts under the control of the Board of Supervisors and four under control of Drainage District Trustees have deficit Treasurer's Balances. Chapter 468.54 of the Code of Iowa does not permit expenditures on behalf of any district in excess of its share of the Special Revenue, Drainage Districts Fund or the Agency, Drainage Districts Fund.

Recommendation – The County Treasurer should not permit any drainage district to have a deficit Treasurer's balance. The County Board of Supervisors and Drainage District Trustees should take steps to make assessments for those districts that have deficit Treasurer's Balances.

Responses –

County Treasurer – We will not allow any drainage districts to have deficit balances in the future. The County Auditor's drainage clerk is already working to eliminate the deficit balances.

Board of Supervisors – Any district with a deficit Treasurer's balance has been or will be assessed in the near future unless there are installment payments due to pay the deficit.

Conclusion – Responses accepted.

IV-L-04 Payroll Calculation – The County Board of Supervisors approves an annual salary for the County Engineer and the annual salary is divided by 26 payroll to calculate the biweekly salary. 26 payrolls times ten working days in a biweekly period means there are 260 working days in a fiscal year. The actual number of working days in a fiscal year varies from 260 to 262 working days. There are 262 actual working days in fiscal year 2004.

Recommendation – The approved salary should be divided by the actual number of working days in the fiscal year times 10 working days to calculate a biweekly salary for the County Engineer.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Response – The Board of Supervisors will address this in their next contract with the County Engineer effective July 1, 2005.

Conclusion – Response accepted.

IV-M-04 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, 2004 for the County Extension Office did not exceed the amount budgeted.

Certain minutes of the County Agricultural Extension Council were not signed as required by Chapter 176A.14(3) of the Code of Iowa.

Certain invoices were not properly cancelled to prevent reuse.

Recommendation – All minutes should be signed to authenticate the record as required. Invoices should be properly cancelled to prevent reuse.

Response – We have reviewed and will comply.

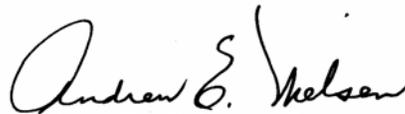
Conclusion – Response accepted.

Webster County

Staff

This audit was performed by:

K. David Voy, CPA, Manager
James L. Blekfeld, CPA, Senior Auditor
Heather B. Allen, Staff Auditor
Brad T. Holtan, Staff Auditor
Donna R. Neubauer, Assistant Auditor
Andrea M. Pothast, Assistant Auditor
Michael J. Gentry, Jr., Assistant Auditor
Jake P. Keegan, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State