



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

March 25, 2008

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 \$42,965,693 for the year ended June 30, 2007, which included \$1,961,337 in tax credits from the state. The County forwarded \$32,661,655 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$10,304,038 of the local tax revenue to finance County operations, a 3.6% increase over the prior year. Other revenues included charges for service of \$3,023,426, operating grants and contributions of \$6,824,583, capital grants and contributions of \$2,295,147, local option sales tax of \$811,552, unrestricted investment earnings of \$603,858 and other general revenues of \$190,257.

Expenses for County operations totaled \$23,336,597, a 0.3% decrease under the prior year. Expenses included \$7,789,185 for roads and transportation, \$4,428,898 for public safety and legal services and \$4,398,081 for mental health.

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

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**WEBSTER COUNTY**

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

**JUNE 30, 2007**

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**Webster County**

**Officials**

**(Before January 2007)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James Gill	Board of Supervisors	Jan 2007
Floyd Magnusson	Board of Supervisors	Jan 2007
Phil Condon	Board of Supervisors	Jan 2009
Joel Lizer	Board of Supervisors	Jan 2009
Greg Nolting	Board of Supervisors	Jan 2009
Carol Messerly	County Auditor	Jan 2009
Janice Horton	County Treasurer	Jan 2007
Judy Cosgrove	County Recorder	Jan 2007
Brian Mickelson	County Sheriff	Jan 2009
Timothy N. Schott	County Attorney	Jan 2007
Jeanette Thanupakorn	County Assessor	Jan 2010

**(After January 2007)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Phil Condon	Board of Supervisors	Jan 2009
Joel Lizer	Board of Supervisors	Jan 2009
Greg Nolting	Board of Supervisors	Jan 2009
Keith Dencklau	Board of Supervisors	Jan 2011
Kim Motl	Board of Supervisors	Jan 2011
Carol Messerly	County Auditor	Jan 2009
Janice Horton	County Treasurer	Jan 2011
Judy Cosgrove	County Recorder	Jan 2011
Brian Mickelson	County Sheriff	Jan 2009
Timothy N. Schott	County Attorney	Jan 2011
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, 2007, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Webster County's management. Our responsibility is to express opinions on these financial statements based on our audit.

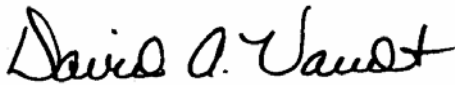
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Webster County at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 21, 2008 on our consideration of Webster County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 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 required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Webster County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 21, 2008



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 3%, or approximately \$706,000, from fiscal 2006 to fiscal 2007. Property tax revenue increased approximately \$454,000, or 4.8%.
- Program expenses of the County's governmental activities decreased 0.3%, or approximately \$70,000, from fiscal 2006 to fiscal 2007. Roads and transportation expenses increased approximately \$929,000 and non-program expenses decreased approximately \$1,537,000.
- The County's net assets increased 1.6%, or approximately \$716,000, from June 30, 2006 to June 30, 2007.

### **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 nonmajor governmental 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, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

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

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

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

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

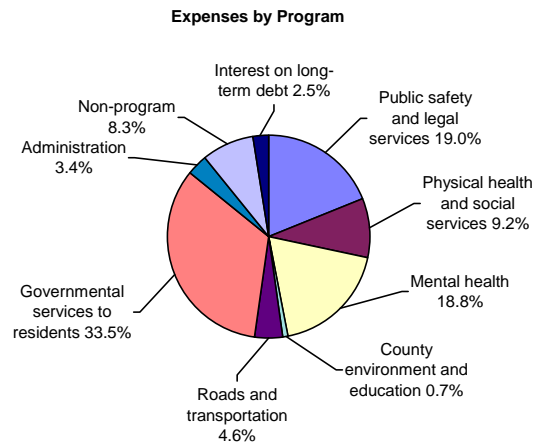
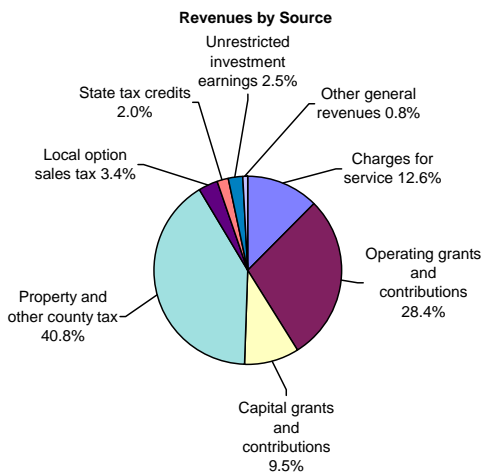
As noted earlier, net assets may serve over time as a useful indicator of financial position. Webster County's combined net assets remained constant at approximately \$45 million during the year ended June 30, 2007. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities		
(Expressed in Thousands)		
	June 30,	
	2007	2006
Current and other assets	\$ 24,292	24,310
Capital assets	36,602	35,367
Total assets	60,894	59,677
Long-term liabilities	3,857	3,493
Other liabilities	11,309	11,172
Total liabilities	15,166	14,665
Net assets:		
Invested in capital assets	36,602	35,057
Restricted	9,154	8,905
Unrestricted	(28)	1,050
Total net assets	\$ 45,728	45,012

Net assets of Webster County's governmental activities remained constant from FY06. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased approximately \$1,078,000, primarily due to the purchase of capital assets.

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

	Year ended June 30,	
	2007	2006
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 3,023	3,260
Operating grants and contributions	6,825	7,758
Capital grants and contributions	2,295	750
<b>General revenues:</b>		
Property and other county tax	9,814	9,446
Local option sales tax	812	803
State tax credits	490	500
Unrestricted investment earnings	604	500
Other general revenues	190	330
<b>Total revenues</b>	<b>24,053</b>	<b>23,347</b>
<b>Program expenses:</b>		
Public safety and legal services	4,429	4,189
Physical health and social services	2,151	2,049
Mental health	4,398	4,121
County environment and education	1,069	771
Roads and transportation	7,789	6,861
Governmental services to residents	801	786
Administration	1,941	2,421
Non-program	590	2,127
Interest on long-term debt	169	82
<b>Total expenses</b>	<b>23,337</b>	<b>23,407</b>
<b>Increase (decrease) in net assets</b>	<b>716</b>	<b>(60)</b>
<b>Net assets beginning of year</b>	<b>45,012</b>	<b>45,072</b>
<b>Net assets end of year</b>	<b>\$ 45,728</b>	<b>45,012</b>



Webster County's net assets of governmental activities increased approximately \$716,000 during the year. Revenues for governmental activities increased approximately \$706,000 over the prior year, with property tax revenue increasing from the prior year approximately \$454,000, or 4.8%.

The cost of all governmental activities this year was approximately \$23.3 million compared to approximately \$23.4 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 \$11.4 million.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Webster County completed the year, its governmental funds reported a combined fund balance of approximately \$12,450,000, a decrease of approximately \$98,000 below last year's total of approximately \$12,548,000. 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 \$119,000 and expenditures increased approximately \$239,000 from the prior year. The ending fund balance showed a modest decrease of approximately \$88,000 from the prior year to approximately \$3,917,000. This maintains a comfortable day-to-day operating balance during the first quarter of FY08 prior to the receipt of the first half of property tax. The majority of the increase in revenues is due to an increase in investment earnings from the prior year.
- Mental Health Fund revenues increased approximately \$228,000 from the previous year due to an increase in mental health funding from the State and property tax. During FY07, there was an increase in the mental health levy compared to FY06. For the year, expenditures increased approximately \$280,000, or 6.8%, from the prior year. The Mental Health Fund balance at year end decreased approximately \$238,000 from the prior year. The fund balance includes a designated balance for an assertive community treatment program of \$272,696 which will be included in the fiscal year 2008 budget.
- Rural Services Fund revenues decreased approximately \$7,900 from the previous fiscal year and expenditures increased approximately \$31,000. Transfers from the Rural Services Fund to the Secondary Roads Fund increased approximately \$94,000. The Rural Services Fund balance decreased approximately \$81,000. The increase in expenditures is due to an increase of library expenditures compared to the previous year.
- Revenues in the Secondary Roads Fund decreased approximately \$1,311,000 from the previous year. Secondary Roads Fund expenditures decreased approximately \$1,000,000 from the prior year. Expenditures for capital projects decreased from the prior year due to the scheduling of the projects. Revenues decreased primarily due to grants for bridges and roads projects for which reimbursements were received in the previous year.

Transfers to the Secondary Roads Fund decreased approximately \$190,000. The decrease is due to a decrease in transfers of \$265,000 in FY06 relating to the Frontier Ethanol Urban Renewal Tax Increment Financing Fund. The Secondary Roads Fund balance decreased approximately \$266,000.

- The Drainage Districts Fund ended the year with a \$336,769 balance compared to a \$271,726 balance at the end of the previous year. Proceeds from stamped warrants increased approximately \$87,000 and expenditures for major projects increased approximately \$129,000 during the year. As a result, the ending fund balance increased \$65,043.
- Revenues in the Debt Service Fund decreased approximately \$22,000 from the previous year. Debt Service Fund expenditures decreased approximately \$8,000. As a result, the ending fund balance decreased approximately \$33,000.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Webster County amended its budget once. The amendment was made in May 2007 and resulted in an increase in budgeted receipts and other financing sources and a decrease in budgeted disbursements due to the purchase of real estate and re-estimating of mental health and secondary roads current year receipts and disbursements.

The County's actual receipts were \$130,854 less than budgeted receipts due to intergovernmental receipts not received on construction projects not started until after June 30, 2007.

Total disbursements were \$1,383,377 less than the final amended budget. Capital projects actual disbursements were \$386,045 less than budgeted due to planned construction projects not started until after June 30, 2007. Additionally, anticipated disbursements for the purchase of real estate did not occur until fiscal year 2008. The remaining \$997,332 was accomplished by reduced spending in all areas.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2007, Webster County had approximately \$36,602,000 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 \$1,235,000, or 8%, over FY06.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2007	2006
Land	\$ 1,071	987
Construction in progress	585	43
Buildings and improvements	6,161	6,366
Machinery and equipment	4,027	3,843
Infrastructure	24,758	24,128
Totals	\$ 36,602	35,367

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

Secondary roads infrastructure and land	\$ 2,750
Secondary roads equipment	726
Vehicles for the Sheriff's Office	119
Conservation equipment	20
Total	\$ 3,615

The County had depreciation expense of approximately \$2,540,000 in FY07 and total accumulated depreciation of \$32,679,797 at June 30, 2007.

The County's fiscal year 2007 capital projects budget totaled \$1,150,000, principally for Secondary Roads Fund projects and the Frontier Ethanol Plant. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

## Long-Term Debt

At June 30, 2007, Webster County had approximately \$3,480,000 in general obligation notes and other debt outstanding, compared to approximately \$3,123,000 at June 30, 2006, as shown below:

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2007	2006
General obligation refunding notes	\$ -	310
General obligation capital loan notes	720	-
General obligation E911 equipment notes	60	120
Drainage warrants	299	292
Tax increment revenue bonds	2,401	2,401
Totals	\$ 3,480	3,123

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 of \$3,480,317 is significantly below its constitutional debt limit of \$91.5 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Webster County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 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 1999-2007. Unemployment in the County now stands at 4.1 percent versus 3.9 percent a year ago. This compares with the State's unemployment rate of 3.8 percent and is below the national rate of 4.5 percent.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The National CPI was 2.7 percent for 2007 compared with the prior year rate of 3.2 percent. Inflation has been modest here due, in part, to the slowing of the residential housing market and modest increases in energy prices in 2006-2007.

These indicators were taken into account when adopting the budget for fiscal year 2008. Amounts available for appropriation in the operating budget are \$26.4 million, an increase \$2.7 million over the final 2007 budget, which included construction projects not started in FY07. Modest wage and cost-of-living adjustments are included in the fiscal year 2008 budget. The County has added no major new programs or initiatives to the 2008 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of 2008.

## 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.

**Webster County**



## **Basic Financial Statements**

**Exhibit A**

Webster County  
Statement of Net Assets  
June 30, 2007

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 11,711,301
Cash held by escrow agent	150,183
Deposit with escrow agent	460,000
Receivables:	
Property tax:	
Delinquent	48,005
Succeeding year	9,914,000
Accounts	196,115
Accrued interest	19,415
E911 lease	60,000
Drainage assessments:	
Current	79,581
Future	239,314
Due from other governments	803,037
Inventories	448,865
Prepaid insurance	161,953
Capital assets (net of accumulated depreciation)	<u>36,602,008</u>
<b>Total assets</b>	<u>60,893,777</u>
<b>Liabilities</b>	
Accounts payable	734,146
Accrued interest payable	53,511
Salaries and benefits payable	155,206
Due to other governments	451,639
Deferred revenue:	
Succeeding year property tax	9,914,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan notes	115,000
General obligation E911 equipment notes	60,000
Drainage warrants	299,241
Compensated absences	376,597
Frontier Ethanol tax increment financing revenue bonds	126,493
Portion due or payable after one year:	
General obligation capital loan notes	605,000
Frontier Ethanol tax increment financing revenue bonds	<u>2,274,583</u>
<b>Total liabilities</b>	<u>15,165,416</u>
<b>Net Assets</b>	
Invested in capital assets	36,602,008
Restricted for:	
Supplemental levy purposes	837,486
Mental health purposes	343,683
Secondary roads purposes	5,258,851
Drainage district purposes	609,068
Debt service	1,653
Capital projects	679,906
Other purposes	1,423,855
Unrestricted	<u>(28,149)</u>
<b>Total net assets</b>	<u>\$ 45,728,361</u>

See notes to financial statements.

Webster County  
Statement of Activities  
Year ended June 30, 2007

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 4,428,898	212,600	479,319	-	(3,736,979)
Physical health and social services	2,150,672	888,691	987,660	-	(274,321)
Mental health	4,398,081	634,110	1,690,208	-	(2,073,763)
County environment and education	1,068,594	107,282	80,580	-	(880,732)
Roads and transportation	7,789,185	128,916	3,528,077	2,295,147	(1,837,045)
Governmental services to residents	800,712	554,455	2,300	-	(243,957)
Administration	1,941,275	125,473	-	-	(1,815,802)
Non-program	590,621	371,899	56,439	-	(162,283)
Interest on long-term debt	168,559	-	-	-	(168,559)
<b>Total</b>	<b>\$ 23,336,597</b>	<b>3,023,426</b>	<b>6,824,583</b>	<b>2,295,147</b>	<b>(11,193,441)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					9,813,717
Debt service					330
Penalty and interest on property tax					137,344
State tax credits					489,991
Local option sales tax					811,552
Unrestricted investment earnings					603,858
Rent					37,575
Miscellaneous					15,338
<b>Total general revenues</b>					<b>11,909,705</b>
Change in net assets					716,264
Net assets beginning of year					45,012,097
Net assets end of year					<b>\$ 45,728,361</b>

See notes to financial statements.

Webster County  
Balance Sheet  
Governmental Funds

June 30, 2007

	Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Drainage Districts
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ 3,938,465	1,045,725	489,237	4,525,484	336,769
Cash held by escrow agent	-	-	-	-	-
Deposit with escrow agent	55,000	-	-	-	-
Receivables:					
Property tax:					
Delinquent	35,255	10,708	469	-	-
Succeeding year	6,115,000	2,042,000	1,757,000	-	-
Accounts	56,742	34,628	758	1,742	-
Accrued interest	17,185	-	-	1,878	-
E911 lease	60,000	-	-	-	-
Drainage assessments:					
Current	-	-	-	-	79,581
Future	-	-	-	-	239,314
Due from other governments	125,125	14,760	-	510,001	-
Inventories	-	-	-	448,865	-
Prepaid insurance	94,469	536	212	61,747	-
<b>Total assets</b>	<b>\$ 10,497,241</b>	<b>3,148,357</b>	<b>2,247,676</b>	<b>5,549,717</b>	<b>655,664</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 226,662	328,435	1,431	116,633	-
Salaries and benefits payable	89,278	12,860	764	38,284	-
Due to other governments	21,713	406,730	-	12,756	-
Deferred revenue:					
Succeeding year property tax	6,115,000	2,042,000	1,757,000	-	-
Other	127,551	85,636	469	-	318,895
Total liabilities	6,580,204	2,875,661	1,759,664	167,673	318,895
Fund balances:					
Reserved for:					
Supplemental levy purposes	825,370	-	-	-	-
Drainage warrants	-	-	-	-	336,769
Debt service	-	-	-	-	-
Deposit with escrow agent for real estate purchase	55,000	-	-	-	-
Unreserved, designated for:					
Highway project	-	-	-	1,449,636	-
Assertive community treatment program	-	272,696	-	-	-
Unreserved, undesignated, reported in:					
General fund	3,036,667	-	-	-	-
Special revenue funds	-	-	488,012	3,932,408	-
Capital projects fund	-	-	-	-	-
Total fund balances	3,917,037	272,696	488,012	5,382,044	336,769
<b>Total liabilities and fund balances</b>	<b>\$ 10,497,241</b>	<b>3,148,357</b>	<b>2,247,676</b>	<b>5,549,717</b>	<b>655,664</b>

See notes to financial statements.

Debt Service	Nonmajor	Total
2,334	1,301,037	11,639,051
-	150,183	150,183
-	405,000	460,000
1,573	-	48,005
-	-	9,914,000
-	102,245	196,115
-	169	19,232
-	-	60,000
-	-	79,581
-	-	239,314
-	153,151	803,037
-	-	448,865
-	4,989	161,953
<u>3,907</u>	<u>2,116,774</u>	<u>24,219,336</u>
-	32,434	705,595
-	14,020	155,206
-	10,440	451,639
-	-	9,914,000
1,573	9,163	543,287
<u>1,573</u>	<u>66,057</u>	<u>11,769,727</u>
-	-	825,370
-	-	336,769
2,334	150,183	152,517
-	405,000	460,000
-	-	1,449,636
-	-	272,696
-	-	3,036,667
-	1,275,628	5,696,048
-	219,906	219,906
<u>2,334</u>	<u>2,050,717</u>	<u>12,449,609</u>
<u>3,907</u>	<u>2,116,774</u>	<u>24,219,336</u>

**Webster County**

Webster County

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

June 30, 2007

**Total governmental fund balances (page 19)**

**Amounts reported for governmental activities in the Statement of Net Assets are different because:** \$ 12,449,609

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$69,281,805 and the accumulated depreciation is \$32,679,797. 36,602,008

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 543,287

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. 43,882

Long-term liabilities, including bonds and notes payable, drainage warrants payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (3,910,425)

**Net assets of governmental activities (page 16)** \$ 45,728,361

See notes to financial statements.

Webster County

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

Year ended June 30, 2007

	Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Drainage Districts
Revenues:					
Property and other county tax	\$ 5,969,865	1,814,058	1,765,585	805,931	-
Interest and penalty on property tax	137,344	-	-	-	-
Intergovernmental	1,443,158	2,319,620	86,000	3,602,325	-
Licenses and permits	34,294	-	-	5,470	-
Charges for service	756,455	12,288	-	116	-
Use of money and property	576,412	-	5,832	53,946	-
Miscellaneous	36,348	8,527	-	49,081	321,472
Total revenues	8,953,876	4,154,493	1,857,417	4,516,869	321,472
Expenditures:					
Operating:					
Public safety and legal services	4,289,353	-	-	-	-
Physical health and social services	639,926	-	-	-	-
Mental health	-	4,392,210	-	-	-
County environment and education	709,401	-	287,979	-	-
Roads and transportation	-	-	-	6,255,432	-
Governmental services to residents	706,483	-	-	-	-
Administration	2,328,777	-	-	-	-
Non-program	273,653	-	-	-	233,229
Debt service	64,030	-	-	-	246,354
Capital projects	-	-	-	280,908	-
Total expenditures	9,011,623	4,392,210	287,979	6,536,340	479,583
Excess (deficiency) of revenues over (under) expenditures	(57,747)	(237,717)	1,569,438	(2,019,471)	(158,111)
Other financing sources (uses):					
Sale of capital assets	3,505	-	-	3,220	-
Operating transfers in	-	-	-	1,750,000	-
Operating transfers out	(250,512)	-	(1,650,000)	-	-
General obligation capital loan notes issued	220,000	-	-	-	-
Discount on notes issued	(3,540)	-	-	-	-
Drainage warrants issued	-	-	-	-	223,154
Total other financing sources (uses)	(30,547)	-	(1,650,000)	1,753,220	223,154
Net change in fund balances	(88,294)	(237,717)	(80,562)	(266,251)	65,043
Fund balances beginning of year	4,005,331	510,413	568,574	5,648,295	271,726
Fund balances end of year	\$ 3,917,037	272,696	488,012	5,382,044	336,769

See notes to financial statements.



Debt		
Service	Nonmajor	Total
271,146	-	10,626,585
-	-	137,344
13,375	1,444,125	8,908,603
-	-	39,764
-	154,147	923,006
-	11,625	647,815
-	9,640	425,068
<u>284,521</u>	<u>1,619,537</u>	<u>21,708,185</u>
-	59,800	4,349,153
-	1,473,752	2,113,678
-	-	4,392,210
-	12,158	1,009,538
-	-	6,255,432
-	20,000	726,483
-	-	2,328,777
-	-	506,882
317,275	132,059	759,718
-	23,046	303,954
<u>317,275</u>	<u>1,720,815</u>	<u>22,745,825</u>
(32,754)	(101,278)	(1,037,640)
-	-	6,725
-	150,512	1,900,512
-	-	(1,900,512)
-	500,000	720,000
-	(7,094)	(10,634)
-	-	223,154
-	<u>643,418</u>	<u>939,245</u>
(32,754)	542,140	(98,395)
<u>35,088</u>	<u>1,508,577</u>	<u>12,548,004</u>
<u>2,334</u>	<u>2,050,717</u>	<u>12,449,609</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, 2007

**Net change in fund balances - Total governmental funds (page 23)** \$ (98,395)

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

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

Expenditures for capital assets	\$ 1,481,643	
Capital assets contributed by the Iowa Department of Transportation	2,295,147	
Depreciation expense	<u>(2,539,583)</u>	1,237,207

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (2,080)

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	(6,607)	
Other	<u>(25,483)</u>	(32,090)

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

Issued	(943,154)	
Repaid	<u>586,198</u>	(356,956)

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

Compensated absences	(6,863)	
Interest on long-term debt	<u>4,961</u>	(1,902)

The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. (29,520)

**Change in net assets of governmental activities (page 17)** \$ 716,264

See notes to financial statements.

Webster County  
Statement of Net Assets  
Proprietary Fund

June 30, 2007

	<u>Internal Service - Employee Group Health</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 72,250
Accrued interest receivable	<u>183</u>
Total assets	72,433
<b>Liabilities</b>	
Accounts payable	<u>28,551</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ 43,882</u></u>

See notes to financial statements.

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

Year ended June 30, 2007

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,405,066
COBRA reimbursements		<u>20,075</u>
Total operating revenues		1,425,141
Operating expenses:		
Insurance premiums	\$ 1,284,794	
Medical claims	141,186	
Administration fees	<u>34,302</u>	<u>1,460,282</u>
Operating loss		(35,141)
Non-operating revenues:		
Interest income		<u>5,621</u>
Net loss		(29,520)
Net assets beginning of year		<u>73,402</u>
Net assets end of year		<u><u>\$ 43,882</u></u>

See notes to financial statements.

Webster County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2007

	Internal Service - Employee Group Health
Cash flows for operating activities:	
Cash received from operating fund contributions	\$ 1,405,066
Cash received from COBRA reimbursements	20,075
Cash paid for insurance premiums	(1,284,794)
Cash paid for medical claims	(135,580)
Cash paid for administrative expenses	(34,302)
Net cash used for operating activities	(29,535)
Cash flows from investing activities:	
Interest on investments	5,846
Net decrease in cash and cash equivalents	(23,689)
Cash and cash equivalents beginning of year	95,939
Cash and cash equivalents end of year	\$ 72,250
<b>Reconciliation of operating loss to net cash used for operating activities:</b>	
Operating loss	\$ (35,141)
Adjustment to reconcile operating loss to net cash used for operating activities:	
Increase in accounts payable	5,606
Net cash used by operating activities	\$ (29,535)

See notes to financial statements.

## Webster County

Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2007

**Assets**

## Cash and pooled investments:

County Treasurer	\$ 1,870,785
Other County officials	37,778

## Receivables:

## Property tax:

Delinquent	214,258
Succeeding year	31,220,000

Accounts	38,289
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Accrued interest	68
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Special assessments	129,848
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Future drainage assessments	17
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<b>Total assets</b>	<u>33,511,043</u>
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**Liabilities**

Accounts payable	2,883
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Salaries and benefits payable	5,262
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Due to other governments	33,467,478
--------------------------	------------

Stamped warrants payable	1,173
--------------------------	-------

Trusts payable	9,129
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Compensated absences	25,118
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<b>Total liabilities</b>	<u>33,511,043</u>
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<b>Net assets</b>	<u><u>\$ -</u></u>
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See notes to financial statements.

Webster County

Notes to Financial Statements

June 30, 2007

**(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 a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Webster County Auditor's office.

Jointly Governed Organizations – The County 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* consists of capital assets, net of accumulated depreciation.

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

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

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



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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

The Secondary Roads Fund is used to account for 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-reimbursement 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 financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for 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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

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 2007.

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, 2007, 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 acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County) are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Buildings and improvements	\$ 25,000
Land and improvements	5,000
Equipment and vehicles	5,000
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, 2007. 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.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2007 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.

At June 30, 2007, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,814,563 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 100,000
	Special Revenue:	
	Rural Services	1,650,000
Conservation Land		
Acquisition	General	18,512
Capital Projects	General	<u>132,000</u>
Total		<u><u>\$ 1,900,512</u></u>

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

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 987,007	84,000	-	1,071,007
Construction in progress	42,800	2,832,118	(2,289,489)	585,429
Total capital assets not being depreciated	1,029,807	2,916,118	(2,289,489)	1,656,436
Capital assets being depreciated:				
Buildings	15,044,366	73,198	(54,000)	15,063,564
Improvements other than buildings	150,000	-	-	150,000
Equipment and vehicles	7,932,322	865,073	(48,173)	8,749,222
Infrastructure, road network	41,446,292	2,216,291	-	43,662,583
Total capital assets being depreciated	64,572,980	3,154,562	(102,173)	67,625,369
Less accumulated depreciation for:				
Buildings	8,708,191	257,338	(47,519)	8,918,010
Improvements other than buildings	120,000	15,000	-	135,000
Equipment and vehicles	4,089,642	680,273	(48,173)	4,721,742
Infrastructure, road network	17,318,073	1,586,972	-	18,905,045
Total accumulated depreciation	30,235,906	2,539,583	(95,692)	32,679,797
Total capital assets being depreciated, net	34,337,074	614,979	(6,481)	34,945,572
Governmental activities capital assets, net	\$ 35,366,881	3,531,097	(2,295,970)	36,602,008

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 177,268
Physical health and social services	35,287
Mental health	3,866
County environment and education	56,490
Roads and transportation	2,092,128
Governmental services to residents	70,000
Administration	104,544
Total depreciation expense - governmental activities	<u>\$ 2,539,583</u>

**(5) Due to Other Governments**

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

Fund	Description	Amount
General	Services	\$ 21,713
Special Revenue:		
Mental Health	Services	406,730
Secondary Roads	Services	12,756
Public Health	Services	5,940
Sheriff Confiscated Property	Services	4,500
		<u>429,926</u>
Total for governmental funds		<u>\$ 451,639</u>
Agency:		
Agricultural Extension Education	Collections	\$ 203,709
County Assessor		450,810
Schools		17,937,345
Community Colleges		815,110
Corporations		12,373,325
Townships		305,798
Auto License and Use Tax		730,270
Special Districts		208,948
All other		442,163
Total for agency funds		<u>\$ 33,467,478</u>

**(6) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	General Obligation Refunding Notes	General Obligation Capital Loan Notes	General Obligation E911 Equipment Notes	Drainage Warrants	Compen- sated Absences	Frontier Ethanol Tax Increment Revenue Bonds	Total
Balance beginning of year	\$ 310,000	-	120,000	292,285	369,734	2,401,076	3,493,095
Increases	-	720,000	-	223,154	397,261	-	1,340,415
Decreases	310,000	-	60,000	216,198	390,398	-	976,596
Balance end of year	\$ -	720,000	60,000	299,241	376,597	2,401,076	3,856,914
Due within one year	\$ -	115,000	60,000	299,241	376,597	126,493	977,331



## General Obligation Debt

A summary of the County's June 30, 2007 general obligation indebtedness is as follows:

Year Ending June 30,	General Obligation Capital Loan Notes			General Obligation E911 Equipment Notes			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2008	3.85%	\$ 115,000	27,043	3.20%	\$ 60,000	1,920	175,000	28,963	203,963
2009	3.85	160,000	23,710	-	-	-	160,000	23,710	183,710
2010	3.85	165,000	17,550	-	-	-	165,000	17,550	182,550
2011	3.85	170,000	11,115	-	-	-	170,000	11,115	181,115
2012	3.85	110,000	4,400	-	-	-	110,000	4,400	114,400
Total		<u>\$ 720,000</u>	<u>83,818</u>		<u>\$ 60,000</u>	<u>1,920</u>	<u>780,000</u>	<u>85,738</u>	<u>865,738</u>

## General Obligation Capital Loan Notes

On June 28, 2007, the County issued \$720,000 of general obligation capital loan notes, Series 2007A, which were dated June 15, 2007, for the purpose of paying the costs of improvements and equipment for County buildings, including the acquisition and installation of equipment for emergency telecommunications and E911 response services, and acquiring, equipping, and furnishing real property purchased. The general obligation capital loan notes are split among two issuances; \$500,000 for the real property and \$220,000 for equipment in County buildings.

## 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.

## Frontier Ethanol Tax Increment Revenue Bonds

The County sold \$2,500,000 of urban renewal tax increment revenue bonds dated April 18, 2006 for an urban renewal project to improve certain County roads, provide an economic development grant to Frontier Ethanol and pay capitalized interest and costs of issuance of this bond. The bonds are payable solely from the income and proceeds of the urban renewal tax revenue fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa.

The bonds bear interest at 5.5% per annum with final maturity on December 1, 2016. On June 1, 2011 and on June 1, 2016 the interest rate on the bonds shall be adjusted to a rate 75 basis points higher than the five year U.S. Treasury rate. Principal and interest on the bonds shall be payable in semi annual payments of \$185,000 on June 1 and December 1, beginning June 1, 2008 and continuing through and including December 1, 2015, with an additional payment on June 1, 2016 in the amount of one half of the principal and interest remaining unpaid on that date and a final payment of all remaining principal and interest on December 1, 2016.

Since repayment of the bonds is dependent upon the amount of tax increment financing revenues collected each year, a formal repayment schedule has not been established for the tax increment urban renewal revenue bonds.

The County entered into an escrow agreement with First National Bank, Manning, Iowa to provide for the payment of capitalized interest to pay interest on the bond. The escrow account is to be used to pay interest in two semi annual payments of \$68,750 from December 1, 2007 through and including June 1, 2008. The balance in the Special Revenue, Frontier Ethanol Urban Renewal Tax Increment Financing Fund is \$150,183 at June 30, 2007.

**(7) 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 discussed in Note 6 above.

**(8) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$433,242, \$407,281 and \$395,369, respectively, equal to the required contributions for each year.

**(9) 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 556 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, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 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, 2007 were \$174,978.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage 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, 2007, no liability has been recorded in the County's financial statements. As of June 30, 2007, 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 \$500,000 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.

**(10) Employee Health Insurance Plan**

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

The payments of plan contributions to the Internal Service, Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments are made to Group Services for service fees and for contributions into a Safe-T fund. Claims are processed from the Safe-T fund to ensure timely payment. The County’s contribution to the fund for the year ended June 30, 2007 was \$1,405,066.

The amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2007 for incurred but not reported (IBNR) and reported but not paid claims has been estimated but has not been actuarially determined since the County is exempt from obtaining an actuarial opinion under Chapter 509A.15(4) of the Code of Iowa. The combined County liability for unpaid claims is as follows:

Unpaid claims beginning of year	\$ 22,945
Incurred claims (including claims incurred but not reported at June 30, 2007	141,186
Payment on claims during the fiscal year	<u>135,580</u>
Unpaid claims end of year	<u><u>\$ 28,551</u></u>

**(11) Industrial Development Revenue Bonds**

The County has issued a total of \$670,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$657,815 is outstanding at June 30, 2007. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the County.

**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, 2007

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 10,625,628	-	10,625,628
Interest and penalty on property tax	138,754	-	138,754
Intergovernmental	9,244,571	-	9,244,571
Licenses and permits	36,868	-	36,868
Charges for service	668,875	-	668,875
Use of money and property	921,724	-	921,724
Miscellaneous	601,080	321,472	279,608
Total receipts	<u>22,237,500</u>	<u>321,472</u>	<u>21,916,028</u>
<b>Disbursements:</b>			
Public safety and legal services	4,312,052	-	4,312,052
Physical health and social services	2,140,902	-	2,140,902
Mental health	4,373,072	-	4,373,072
County environment and education	1,008,969	-	1,008,969
Roads and transportation	5,913,213	-	5,913,213
Governmental services to residents	740,326	-	740,326
Administration	2,333,899	-	2,333,899
Non-program	509,966	233,229	276,737
Debt service	759,718	246,354	513,364
Capital projects	763,955	-	763,955
Total disbursements	<u>22,856,072</u>	<u>479,583</u>	<u>22,376,489</u>
Excess (deficiency) of receipts over (under) disbursements	(618,572)	(158,111)	(460,461)
Other financing sources, net	932,520	223,154	709,366
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	313,948	65,043	248,905
Balance beginning of year	<u>11,475,286</u>	<u>271,726</u>	<u>11,203,560</u>
Balance end of year	<u>\$ 11,789,234</u>	<u>336,769</u>	<u>11,452,465</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
10,562,405	10,632,405	(6,777)
110,500	110,500	28,254
9,403,871	9,766,252	(521,681)
29,400	29,400	7,468
953,425	971,425	(302,550)
476,750	478,750	442,974
58,150	58,150	221,458
<u>21,594,501</u>	<u>22,046,882</u>	<u>(130,854)</u>
4,554,212	4,569,212	257,160
2,203,150	2,228,150	87,248
4,056,463	4,373,210	138
1,088,603	1,088,603	79,634
5,970,000	5,970,000	56,787
792,550	792,550	52,224
2,489,036	2,489,036	155,137
580,000	580,000	303,263
381,605	519,105	5,741
1,800,000	1,150,000	386,045
<u>23,915,619</u>	<u>23,759,866</u>	<u>1,383,377</u>
(2,321,118)	(1,712,984)	1,252,523
<u>26,353</u>	<u>562,231</u>	<u>147,135</u>
(2,294,765)	(1,150,753)	1,399,658
<u>9,940,013</u>	<u>9,940,013</u>	<u>1,263,547</u>
<u>7,645,248</u>	<u>8,789,260</u>	<u>2,663,205</u>

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Webster County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 22,237,500	(529,315)	21,708,185
Expenditures	22,856,072	(110,247)	22,745,825
Net	(618,572)	(419,068)	(1,037,640)
Other financing sources, net	932,520	6,725	939,245
Beginning fund balances	11,475,286	1,072,718	12,548,004
Ending fund balances	\$ 11,789,234	660,375	12,449,609

See accompanying independent auditor's report.



Webster County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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

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

Formal and legal budgetary control is based upon 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, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment decreased budgeted disbursements by \$155,753. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted by function.

Webster County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2007

	Public Health	Supplemental Environment Project	County Recorder's Records Management	Resource Enhancement and Protection
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ 759,842	784	31,724	103,156
Cash held by escrow agent	-	-	-	-
Deposit with escrow agent	-	-	-	-
Receivables:				
Accounts	102,245	-	-	-
Accrued interest	-	7	45	117
Due from other governments	145,873	-	-	4,698
Prepaid insurance	4,989	-	-	-
<b>Total assets</b>	<b>\$ 1,012,949</b>	<b>791</b>	<b>31,769</b>	<b>107,971</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 19,772	-	-	-
Salaries and benefits payable	14,020	-	-	-
Due to other governments	5,940	-	-	-
Deferred revenue	6,583	-	-	-
Total liabilities	46,315	-	-	-
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Deposit with escrow agent for real estate purchase	-	-	-	-
Unreserved	966,634	791	31,769	107,971
Total fund balances	966,634	791	31,769	107,971
<b>Total liabilities and fund balances</b>	<b>\$ 1,012,949</b>	<b>791</b>	<b>31,769</b>	<b>107,971</b>

See accompanying independent auditor's report.

Special Revenue							
Sheriff Confiscated Property	Attorney Confiscated Property	Conservation Land Acquisition	DARE	Canine	Frontier Ethanol Urban Renewal Tax Increment Financing	Capital Projects	Total
29,032	11,759	138,676	4,943	1,215	-	219,906	1,301,037
-	-	-	-	-	150,183	-	150,183
-	-	-	-	-	-	405,000	405,000
-	-	-	-	-	-	-	102,245
-	-	-	-	-	-	-	169
2,580	-	-	-	-	-	-	153,151
-	-	-	-	-	-	-	4,989
<b>31,612</b>	<b>11,759</b>	<b>138,676</b>	<b>4,943</b>	<b>1,215</b>	<b>150,183</b>	<b>624,906</b>	<b>2,116,774</b>
12,558	-	-	84	20	-	-	32,434
-	-	-	-	-	-	-	14,020
4,500	-	-	-	-	-	-	10,440
2,580	-	-	-	-	-	-	9,163
<b>19,638</b>	<b>-</b>	<b>-</b>	<b>84</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>66,057</b>
-	-	-	-	-	150,183	-	150,183
-	-	-	-	-	-	405,000	405,000
11,974	11,759	138,676	4,859	1,195	-	219,906	1,495,534
11,974	11,759	138,676	4,859	1,195	150,183	624,906	2,050,717
<b>31,612</b>	<b>11,759</b>	<b>138,676</b>	<b>4,943</b>	<b>1,215</b>	<b>150,183</b>	<b>624,906</b>	<b>2,116,774</b>

Webster County

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

Year ended June 30, 2007

	Public Health	Supplemental Environment Project	County Recorder's Records Management	Resource Enhancement and Protection
Revenues:				
Intergovernmental	\$ 1,401,922	-	-	23,351
Charges for service	146,319	-	7,828	-
Use of money and property	-	41	1,484	3,662
Miscellaneous	4,125	-	-	-
Total revenues	1,552,366	41	9,312	27,013
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Physical health and social services	1,473,752	-	-	-
County environment and education	-	1,958	-	10,200
Governmental services to residents	-	-	20,000	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	1,473,752	1,958	20,000	10,200
Excess (deficiency) of revenues over (under) expenditures	78,614	(1,917)	(10,688)	16,813
Other financing sources (uses):				
Operating transfers in	-	-	-	-
General obligation capital loan notes issued	-	-	-	-
Discount on notes issued	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	78,614	(1,917)	(10,688)	16,813
Fund balances beginning of year	888,020	2,708	42,457	91,158
Fund balances end of year	\$ 966,634	791	31,769	107,971

See accompanying independent auditor's report.

Special Revenue							
Sheriff Confiscated Property	Attorney Confiscated Property	Conservation Land Acquisition	DARE	Canine	Frontier Ethanol Urban Renewal Tax Increment Financing	Capital Projects	Total
1,733	4,856	11,500	-	763	-	-	1,444,125
-	-	-	-	-	-	-	154,147
-	-	550	-	-	5,888	-	11,625
-	-	-	-	5,515	-	-	9,640
1,733	4,856	12,050	-	6,278	5,888	-	1,619,537
44,262	2,062	-	1,381	12,095	-	-	59,800
-	-	-	-	-	-	-	1,473,752
-	-	-	-	-	-	-	12,158
-	-	-	-	-	-	-	20,000
-	-	-	-	-	132,059	-	132,059
-	-	23,046	-	-	-	-	23,046
44,262	2,062	23,046	1,381	12,095	132,059	-	1,720,815
(42,529)	2,794	(10,996)	(1,381)	(5,817)	(126,171)	-	(101,278)
-	-	18,512	-	-	-	132,000	150,512
-	-	-	-	-	-	500,000	500,000
-	-	-	-	-	-	(7,094)	(7,094)
-	-	18,512	-	-	-	624,906	643,418
(42,529)	2,794	7,516	(1,381)	(5,817)	(126,171)	624,906	542,140
54,503	8,965	131,160	6,240	7,012	276,354	-	1,508,577
11,974	11,759	138,676	4,859	1,195	150,183	624,906	2,050,717

Webster County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds  
 June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ -	3,612	121,797	340,059
Other County officials	37,778	-	-	-
Receivables:				
Property tax:				
Delinquent	-	1,097	2,117	97,286
Succeeding year	-	199,000	356,000	17,500,000
Accounts	532	-	-	-
Accrued interest	-	-	-	-
Special assessments	-	-	-	-
Future drainage assessments	-	-	-	-
<b>Total assets</b>	<b>\$ 38,310</b>	<b>203,709</b>	<b>479,914</b>	<b>17,937,345</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	364	-
Salaries and benefits payable	-	-	4,457	-
Due to other governments	29,181	203,709	450,810	17,937,345
Stamped warrants payable	-	-	-	-
Trusts payable	9,129	-	-	-
Compensated absences	-	-	24,283	-
<b>Total liabilities</b>	<b>\$ 38,310</b>	<b>203,709</b>	<b>479,914</b>	<b>17,937,345</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Special Districts	Other	Total
15,427	296,367	3,709	730,270	2,100	357,444	1,870,785
-	-	-	-	-	-	37,778
4,683	108,958	89	-	-	28	214,258
795,000	11,968,000	302,000	-	77,000	23,000	31,220,000
-	-	-	-	-	37,757	38,289
-	-	-	-	-	68	68
-	-	-	-	129,848	-	129,848
-	-	-	-	-	17	17
<b>815,110</b>	<b>12,373,325</b>	<b>305,798</b>	<b>730,270</b>	<b>208,948</b>	<b>418,314</b>	<b>33,511,043</b>
-	-	-	-	-	2,519	2,883
-	-	-	-	-	805	5,262
815,110	12,373,325	305,798	730,270	208,948	412,982	33,467,478
-	-	-	-	-	1,173	1,173
-	-	-	-	-	-	9,129
-	-	-	-	-	835	25,118
<b>815,110</b>	<b>12,373,325</b>	<b>305,798</b>	<b>730,270</b>	<b>208,948</b>	<b>418,314</b>	<b>33,511,043</b>

Webster County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 34,743	189,257	476,210	17,596,196
Additions:				
Property and other county tax	-	199,605	356,492	17,529,940
E911 surcharge	-	-	-	-
State tax credits	-	9,317	18,000	858,235
Office fees and collections	705,097	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	560,722	-	-	-
Miscellaneous	-	-	4,588	-
Total additions	1,265,819	208,922	379,080	18,388,175
Deductions:				
Agency remittances:				
To other funds	356,329	-	-	-
To other governments	327,769	194,470	375,376	18,047,026
Trusts paid out	578,154	-	-	-
Total deductions	1,262,252	194,470	375,376	18,047,026
Balances end of year	\$ 38,310	203,709	479,914	17,937,345

See accompanying independent auditor's report.



Community Colleges	Corporations	Townships	Auto License and Use Tax	Special Districts	Other	Total
815,009	11,804,370	301,246	686,872	145,970	324,549	32,374,422
795,107	11,894,807	302,289	-	95,704	16,365	31,190,309
-	-	-	-	-	416,756	416,756
39,795	529,245	14,977	-	1,544	233	1,471,346
-	-	-	-	-	-	705,097
-	-	-	8,010,314	-	361	8,010,675
-	-	-	-	22,465	1,834	24,299
-	-	-	-	-	649,963	1,210,685
-	-	-	-	-	54,400	58,988
834,902	12,424,052	317,266	8,010,314	119,713	1,139,912	43,088,155
-	-	-	253,844	-	-	610,173
834,801	11,855,097	312,714	7,713,072	56,735	1,047,320	40,764,380
-	-	-	-	-	-	578,154
834,801	11,855,097	312,714	7,966,916	56,735	1,047,320	41,952,707
815,110	12,373,325	305,798	730,270	208,948	417,141	33,509,870

Webster County

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

For the Last Eight Years

	Modified Accrual				
	2007	2006	2005	2004	2003
<b>Revenues:</b>					
Property and other county tax	\$ 10,626,585	10,232,642	9,420,176	9,612,231	9,224,170
Interest and penalty on property tax	137,344	112,680	126,175	126,424	147,030
Intergovernmental	8,908,603	10,424,458	9,287,058	8,523,465	8,221,990
Licenses and permits	39,764	36,289	37,961	37,467	34,870
Charges for service	923,006	996,223	943,330	960,634	936,357
Use of money and property	647,815	539,678	298,314	254,530	306,698
Miscellaneous	425,068	610,787	524,791	729,867	562,867
<b>Total</b>	<b>\$ 21,708,185</b>	<b>22,952,757</b>	<b>20,637,805</b>	<b>20,244,618</b>	<b>19,433,982</b>
<b>Expenditures:</b>					
<b>Operating:</b>					
Public safety and legal services	\$ 4,349,153	4,203,515	4,006,398	3,887,030	3,793,770
Physical health and social services	2,113,678	2,037,675	2,002,786	2,082,151	2,075,150
Mental health	4,392,210	4,112,304	4,144,544	4,113,502	3,666,856
County environment and education	1,009,538	797,784	743,513	849,307	874,326
Roads and transportation	6,255,432	5,639,429	4,663,415	4,584,459	4,518,209
Governmental services to residents	726,483	1,030,812	611,466	656,351	584,718
Administration	2,328,777	2,312,763	2,101,383	2,014,704	2,055,254
Non-program	506,882	2,049,461	989,983	1,004,592	216,946
Debt service	759,718	752,223	599,097	808,549	757,971
Capital projects	303,954	1,899,019	1,105,800	806,400	278,857
<b>Total</b>	<b>\$ 22,745,825</b>	<b>24,834,985</b>	<b>20,968,385</b>	<b>20,807,045</b>	<b>18,822,057</b>

See accompanying independent auditor's report.

Basis		
2002	2001	2000
9,006,850	8,453,628	7,834,444
116,397	98,387	85,980
7,917,842	8,273,336	8,192,705
21,258	11,705	12,586
855,576	725,322	653,288
379,909	680,252	803,567
1,128,696	360,968	358,507
<u>19,426,528</u>	<u>18,603,598</u>	<u>17,941,077</u>

3,285,526	3,578,205	3,156,739
1,945,048	1,895,832	2,010,911
3,776,587	3,635,593	3,466,260
817,688	851,146	747,434
4,405,928	4,469,849	4,401,075
511,790	474,842	450,698
2,657,988	2,472,130	2,170,810
377,345	147,783	170,271
1,375,272	530,279	593,483
319,388	1,932,110	1,326,784
<u>19,472,560</u>	<u>19,987,769</u>	<u>18,494,465</u>

**Schedule 6**

## Webster County

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice: Byrne Formula Grant Program	16.579	04B-1361	\$ 22,653
U. S. Department of Homeland Security: Commercial Equipment Direct Assistance Program (CEDAP)	97.096	CEDAP-16528	44,804
Total Direct			<u>67,457</u>
Indirect:			
U.S. Department of Agriculture: Iowa Department of Public Health: Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5886A050	92,125
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5887A050	260,823
			<u>352,948</u>
Iowa Department of Human Services: Human Services Administrative Reimbursements: State Administrative Matching Grants for Food Stamp Program	10.561		<u>20,446</u>
Iowa Department of Agriculture and Land Stewardship: WIC Farmers' Market Nutrition Program	10.572	1191-05-50	<u>1,053</u>
U.S. Department of Housing and Urban Development: Iowa Department of Economic Development: Community Development Block Grants/State's Program	14.228	06-CF-030	<u>13,939</u>
U.S. Department of Justice: Iowa Department of Justice: Crime Victim Assistance	16.575	VA-07-32	<u>15,371</u>
Governor's Office of Drug Control Policy: Byrne Formula Grant Program	16.579	06JAG-E33	<u>31,927</u>
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction	20.205	BROS-2690(613)--60-94	124,421
Highway Planning and Construction	20.205	BROS-CO94(68)-5F-94	18,792
Highway Planning and Construction	20.205	STP-C094(63)--53-94	1,200,000
			<u>1,343,213</u>
U.S. Election Assistance Commission: Iowa Secretary of State: Help America Vote Act Requirements Payments	90.401	06-HAVA-94-SA1	<u>2,300</u>

Webster County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2007

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Elderbridge Agency on Aging, Inc.:			
Special Programs for the Aging - Title III Part D - Disease Prevention and Health Promotion Services	93.043	D90021	8,000
Special Programs for the Aging - Title III Part D - Disease Prevention and Health Promotion Services	93.043	SL90022	8,262
			<u>16,262</u>
Cerro Gordo County Public Health Department:			
Childhood Lead Poisoning Prevention Projects- State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	5887LP01	13,897
Abstinence Education Program	93.235	5886AB51	471
Abstinence Education Program	93.235	5887AB51	16,142
			<u>16,613</u>
Immunization Grants	93.268	5885I404	4,861
Immunization Grants	93.268	5887I404	7,352
			<u>12,213</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5886BT01	8,161
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5885BT01	31,844
			<u>40,005</u>
Iowa Secretary of State:			
Voting Access for Individuals with Disabilities- Grants to States	93.617	06-HAVA-94-004	2,500
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		27,922
Refugee and Entrant Assistance - State Administered Programs	93.566		44
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		6,241
Foster Care - Title IV-E	93.658		15,193
Adoption Assistance	93.659		3,105
State Children's Insurance Program	93.767		188
Medical Assistance Program	93.778		36,359
Social Services Block Grant	93.667		18,355
Social Services Block Grant	93.667		179,283
			<u>197,638</u>

**Schedule 6**

## Webster County

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Mid-Iowa Community Action, Inc.:			
HIV Care Formula Grants	93.917	5885HCO3	28,540
Calhoun County Department of Health:			
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs			
	93.919	5887NB04	15,698
Maternal and Child Health Services			
Block Grant to the States	93.994	5886MH31	12,140
Maternal and Child Health Services			
Block Grant to the States	93.994	5887MH31	70,621
			82,761
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Emergency Management Performance Grants	97.042		16,549
Homeland Security Grant Program	97.067		1,911
			2,314,836
Total indirect			2,314,836
Total			\$ 2,382,293

**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

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

To the Officials of Webster County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Webster County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 21, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Webster County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Webster County's financial statements that is more than inconsequential will not be prevented or detected by Webster County's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Webster County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-B-07 and II-F-07 are material weaknesses.

#### Compliance and Other Matters

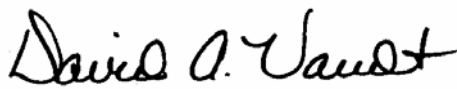
As part of obtaining reasonable assurance about whether Webster County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters 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, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

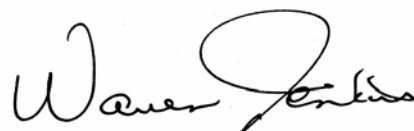
Webster County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Webster County's responses and, accordingly, we express no opinion on them.

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.

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 21, 2008



**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

**Webster County**



**OFFICE OF AUDITOR OF STATE**  
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Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Officials of Webster County:

Compliance

We have audited 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, 2007. Webster County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Webster County's management. Our responsibility is to express an opinion on Webster County's compliance based on our audit.

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

In our opinion, Webster County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

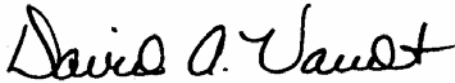
The management of Webster County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Webster County's internal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

A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. .

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Webster County and other parties to whom Webster County may report, including federal awarding agencies and pass-through entities. 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 21, 2008

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including 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 no 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 20.205 – Highway Planning and Construction.
- (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, 2007

**Part II: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

II-A-07 Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. Generally, one or two individuals in these offices may have control over the following areas for which no compensating controls exist:

	Applicable Offices
(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 and Treasurer
(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 for 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 and Sheriff
(6) Accounting manuals are not maintained.	Recorder and Sheriff
(7) Voided receipts are not reviewed by an independent person and the review is not evidenced by initials.	Recorder

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, 2007

Responses –

County Treasurer – Since the Treasurer’s Office is split between two departments, it is hard to segregate since all individuals make entries to the accounting records, but we will try segregate as much as possible.

County Recorder – We only have five people working in the Recorder’s Office so we are not able to segregate duties as well as I know we should. If I had more employees, I could respond better to this problem. We do the best we can with the numbers we have.

We will work on an accounting manual for next year.

County Sheriff – Due to a limited number of staff, segregation of duties is achieved in the most acceptable way possible, but not all duties can be entirely segregated. The Sheriff’s Office has also introduced an accounting procedure manual that will also be implemented during FY08 in our office policy and procedure book.

Conclusion – Responses accepted.

II-B-07 Financial Reporting – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the County’s financial statements.

Response – The County will ensure receivables, payables and capital asset additions are reviewed during July, August and September for proper accruals.

Conclusion – Response accepted.

II-C-07 Information Systems – The County has prepared a written disaster recovery plan. However, the plan has not been tested and approved by the Board of Supervisors.

Recommendation – The written disaster recovery plan should be discussed, tested and approved by the Board of Supervisors.

Response – The County will review with the department heads the plan at its next meeting. All components not previously tested will be tested and the plan will be adopted by the Board on or before April 15, 2008.

Conclusion – Response accepted.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

II-D-07 County Sheriff Jail Intake Account – Monthly subsidiary ledger balances for individual intake accounts were not reconciled to the jail inmate bank account balance.

Recommendations – Monthly subsidiary ledger balances for individual inmate accounts should be reconciled to the jail inmate bank account balance.

Response – We are working on resolving the problem. This has not yet been implemented.

Conclusion – Response accepted.

II-E-07 County Sheriff - The Sheriff's Office does not prepare a year-to-date spreadsheet of receipts and disbursements reconciled to the beginning and ending book balances.

Recommendation – The Sheriff's Office should prepare a year-to-date spreadsheet of receipts and disbursements which should reconcile to the beginning and ending book balances.

Response – Spreadsheets and better records should be available with a software upgrade from the vendor.

Conclusion – Response accepted.

II-F-07 Sheriff's Civil Account – The Sheriff's Office had approximately \$45,000 of un-deposited checks dating from August to November of 2007.

Recommendation – The Sheriff's office should ensure checks are deposited timely.

Response – The Sheriff's Office has now photocopied the checks not yet deposited and prepared deposit sheets and receipts for all of the civil checks and deposited them into the civil account.

Conclusion – Response accepted.

II-G-07 Public Health Nurse Receivables – Accounts receivable listings were not prepared and retained at the end of each month. Also, amounts billed for Medicare, Medicaid and other were not reconciled to collections and accounts receivable.

Recommendation – Accounts receivable listings should be prepared and retained and billings, collections and accounts receivable should be reconciled monthly.

Response – The Webster County Health Department has purchased a new computer system with the capability to generate monthly billings, record collections and generate an accounts receivable listing. This system was implemented on January 2, 2008.

Conclusion – Response accepted.



Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

II-H-07 Credit Card Usage Policy – The County uses credit cards, but does not have a credit card usage policy.

Recommendation – The County should adopt a credit card usage policy to ensure the proper use of credit cards.

Response – The County is in the process of adopting a credit card usage policy with the intent to have said policy officially adopted on or before March 1, 2008.

Conclusion – Response accepted.

II-I-07 Sheriff Fees – Chapter 331.655 of the Code of Iowa allows the Sheriff's Office to collect fees for serving certain legal documents, including notices, warrants, subpoenas and summons. The Code also allows the Sheriff's Office to collect fees for mileage incurred while serving the legal documents.

The Sheriff's Office has two part-time civil employees who serve most of the legal documents for the Office. The employees are referred to as civil processors. The civil processors are paid an hourly wage for 35 hours per week. As part-time employees, they also receive pro-rated vacation and sick leave benefits. In addition, the civil processors receive \$4 for each legal document served and mileage reimbursement because they use their personal vehicles. The mileage reimbursements have been established by the Sheriff's Office based on the location of where the legal document was served.

For each attempt to serve legal documents to a specified party, the civil processors document the date and location on a small piece of scratch paper. Once the document is successfully served to the appropriate party, the scratch paper is signed by the civil processor and submitted to a staff member in the Sheriff's Office. The attempted and successful service information is recorded in an electronic database and a Return of Service form is generated. The form is signed by the civil processor and sent to the plaintiff with a billing statement for services provided. In certain cases, the Sheriff's Office requires a pre-payment to serve legal documents. The pre-payment is attached to the legal documents and remains in the possession of the civil processor until the legal documents have been served, at which time the pre-payment is returned to the office to be processed. During our review of the processes used by the Sheriff's Office for serving legal documents, we identified the following concerns:

- The Sheriff's Offices does not have written policies and procedures for serving legal documents.
- Logs are not maintained by the civil processors to substantiate the number of attempts to serve the legal documents or the location of the attempts.

## Webster County

### Schedule of Findings and Questioned Costs

Year ended June 30, 2007

- Cash and checks received by the Sheriff's Office as pre-payment for services are given to the civil processor along with the related documentation. The payments are not returned to the Sheriff's Office until the document(s) are successfully served. As a result, the civil processors often have cash and checks payable to the Sheriff's Office in their vehicles.

We obtained a detailed listing of papers served by the civil processors for the period July 1, 2005 through August 31, 2007. We selected certain transactions to review and identified the following concerns:

- Fifty-seven instances where the Sheriff's Office did not retain adequate supporting documentation for determining the appropriate mileage reimbursement and subsequent billing for the service. Of the 57 instances, 18 had no supporting documentation such as the scratch paper, receipts for payment and the "Bill for Civil Papers Served" could not be located.
- Six instances in which the civil processor was paid mileage for serving two legal documents in the same town at the same time of day. For these instances, the civil processors were reimbursed for mileage not actually incurred.
- Twenty instances in which the amount reimbursed to the civil processor for mileage did not agree with available supporting documentation. In some cases, this involved paying \$1 to the civil processor for serving an employee at the Sheriff's Office for court related appearances.

Recommendation – The Sheriff's Office should develop written policies for the process of serving legal documents. At a minimum, the policies should establish:

- The maximum number of attempts that should be made to serve legal documents (including the number of trips to the same town within 1 day which will be reimbursed).
- The mileage to be paid and the maximum daily mileage to be claimed for trips within Fort Dodge.
- Appropriate documentation, such as a log, which documents the dates, locations and times of the attempted service.
- Procedures for the safeguarding of prepayments made to the Sheriff's Office for service. The prepayments should be maintained in the Sheriff's Office.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

In addition, the Sheriff's Office should ensure all claims for mileage reimbursement are properly supported before payment is made and supporting documentation is retained.

The Sheriff's Office should determine if it is cost beneficial to provide previously used patrol vehicles for use by the civil processors. If this is not feasible, at a minimum, the Sheriff's Office should ensure verifiable mileage logs are maintained by the civil processors for the business use of their personal vehicles. The mileage logs maintained should be periodically reviewed by an independent party for reasonableness and odometer readings recorded in the log should be compared to the odometer in the vehicle.

Response – It is our intention to develop and implement a policy for the process of serving legal documents. The purpose of the policy will be to address mileage, appropriate documentation and prepayments.

It is also the intention of our office to perform a cost benefit analysis to determine the feasibility of providing used patrol vehicles for use by the civil processors, verses verifiable mileage logs.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

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

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted by function.
- IV-B-07 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-07 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-07 Business Transactions – No business transactions between the County and County officials or employees were noted.
- IV-E-07 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-07 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-H-07 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-07 Electronic Checks – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check.

The Sheriff’s Office did not obtain an image of the back of each cancelled check as required.

Recommendation – The Sheriff’s Office should obtain and retain check images as required.

Response – The Sheriff’s Office will contact the banks to request both the front and back sides of the checks.

Conclusion – Response accepted.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

IV-J-07 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, 2007 for the County Extension Office did not exceed the amount budgeted.

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

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the County Extension Office should review the control activities to obtain the maximum internal control possible under the circumstances. The County Extension Office should utilize current personnel 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.

Response – Collections will be segregated from recording and accounting for cash.

Conclusion – Response accepted.

IV-K-07 Assessor Vehicle – The County Assessor's Office purchased a vehicle to be used by the Assessor's office. The County Assessor also uses the vehicle to commute to and from work.

Recommendation – As required by the IRS Taxable Fringe Benefit Guide, unless the County Conference Board requires the County Assessor to commute in a county vehicle, the fair market value of the personal use portion of the vehicle is a taxable fringe benefit to the employee. The IRS provides a commuting rule of \$1.50 each way if the employer requires the employee to commute in the vehicle for a valid non-compensatory business reason. However, the County Conference Board has not done this.

Response – County Assessor does not have a problem in complying with the IRS commuting rule of \$1.50 each way. Effective 1/1/2008 this procedure will be followed.

Conclusion – Response acknowledged. Unless the County Conference Board requires the County Assessor to commute in the vehicle for a valid non-compensatory business reason, the fair market value of the personal use portion of the vehicle is a taxable fringe benefit to the employee as required by the IRS.

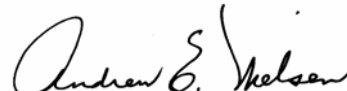
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Webster County

Staff

This audit was performed by:

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