



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ April 22, 2004

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

The County has implemented new reporting standards for the year ended June 30, 2003, with significant changes in content and structure of the financial statements. The new financial statements include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Also included is Management's Discussion and Analysis of the County's financial statements.

The County had local tax revenue of \$40,385,683 for the year ended June 30, 2003, which included \$2,334,546 in tax credits from the state. The County forwarded \$31,030,877 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$9,354,806 of the local tax revenue to finance County operations. Other revenues included charges for services of \$2,798,415, operating grants and contributions of \$5,684,195, capital grants and contributions of \$852,194, local option sales tax of \$659,509, unrestricted investment earnings of \$290,834, and other general revenues of \$51,823.

Expenses for County operations totaled \$17,605,483, and included \$3,983,843 for roads and transportation, \$3,922,387 for public safety and legal services and \$3,605,186 for mental health.

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

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WEBSTER COUNTY

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

JUNE 30, 2003

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Webster County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2003)		
Dennis O'Farrell	Board of Supervisors	Jan 2003
Jill Kirkberg	Board of Supervisors	Jan 2003
Floyd Magnusson	Board of Supervisors	Jan 2003
Phil Condon	Board of Supervisors	Jan 2005
Eddie Peterson	Board of Supervisors	Jan 2005
Carol Messerly	County Auditor	Jan 2005
Janice Horton	County Treasurer	Jan 2003
Judy Cosgrove	County Recorder	Jan 2003
Charles Griggs	County Sheriff	Jan 2005
Ronald E. Robertson	County Attorney	Deceased
Timothy N. Schott (Appointed)	County Attorney	Nov 2002
Jeanette Thanupakorn	County Assessor	Jan 2004
(After January 2003)		
Phil Condon	Board of Supervisors	Jan 2005
Greg Nolting	Board of Supervisors	Jan 2005
Eddie Peterson	Board of Supervisors	Jan 2005
James Gill	Board of Supervisors	Jan 2007
Floyd Magnusson	Board of Supervisors	Jan 2007
Carol Messerly	County Auditor	Jan 2005
Janice Horton	County Treasurer	Jan 2007
Judy Cosgrove	County Recorder	Jan 2007
Charles Griggs	County Sheriff	Resigned (Sep 2003)
James Stubbs (Appointed)	County Sheriff	Dec 2003
Brian Mickelson (Elected)	County Sheriff	Jan 2005
Timothy N. Schott	County Attorney	Jan 2007
Jeanette Thanupakorn	County Assessor	Jan 2004

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, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Webster County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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, 2003, 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.

As described in Note 10 to the financial statements, during the year ended June 30, 2003, Webster County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated January 13, 2004 on our consideration of Webster County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 46 through 49 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Webster County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed qualified opinions on those financial statements for the omission of the material and supplies inventory, pertaining primarily to the Special Revenue Funds. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, 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

January 13, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Webster County provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2003. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Because Webster County is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the County's financial position and results of operations.

2003 FINANCIAL HIGHLIGHTS

- Webster County's total governmental funds revenue remained approximately the same in FY 2003 as in FY 2002 at \$19.4 million. Property tax revenue increased to \$9.2 million in FY03 over \$9 million in FY02, a two percent increase.
- Webster County's governmental fund expenditures decreased approximately \$700,000, from \$19.5 million in FY02 to \$18.8 million in FY03.
- Webster County's net assets increased approximately \$2.3 million from June 30, 2002 to June 30, 2003.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Webster County as a whole and present an overall view of the County's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report Webster County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Webster County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The statements are followed by a section of Required Supplementary Information that 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 Special Revenue and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY AS A WHOLE:

The Statement of Net Assets and the Statement of Activities

One of the most important questions 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 this information about activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus. This 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 fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Therefore, 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 other non-program activities. Property tax and state and federal grants finance most of these activities.

The Fund Financial Statements

The fund financial statements provide detailed information about individual, significant funds, not the County as a whole. Some funds are required to be established by Iowa law or by bond covenants. The County establishes other funds to help it control and manage money for particular purposes.

The County has two 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. These governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services, Secondary Roads and Drainage Districts and, 3) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The financial statements required 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 Funds for health insurance and county insurance. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The proprietary funds required financial statements 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 and cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services, and the County Assessor to name a few.

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

Reconciliations between the government-wide statements and the fund financial statements follows 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 net assets for FY03 totaled approximately \$23.7 million. This compares to FY02 at approximately \$21.4 million. The analysis that follows focuses on the changes of the net assets of the governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)	
	<u>June 30, 2003</u>
Current and other assets	\$ 22,244
Capital assets	<u>13,269</u>
Total assets	<u>35,513</u>
Long-term debt outstanding	1,935
Other liabilities	<u>9,844</u>
Total liabilities	<u>11,779</u>
Net assets:	
Invested in capital assets, net of debt	12,114
Restricted	8,596
Unrestricted	<u>3,024</u>
Total net assets	<u>\$ 23,734</u>

Net assets of Webster County's governmental activities at June 30, 2003 increased by approximately \$2.3 million over June 30, 2002. The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are 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, legislation, or other legal requirements, is approximately \$3.0 million.

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

	Year Ended June 30, 2003
Revenues:	
Program revenues:	
Charges for service	\$ 2,798
Operating grants and contributions	5,684
Capital grants and contributions	852
General revenues:	
Property tax-general purposes	8,517
Property tax-debt service	298
Penalty and interest on property tax	147
State tax credits	539
Local option sales tax	660
Unrestricted investment earnings	291
Gain on sale of capital assets	38
Other general revenues	67
Total revenues	19,891
Program expenses:	
Public safety and legal services	3,922
Physical health and social services	2,114
Mental health	3,605
County environment and education	818
Roads and transportation	3,984
Governmental services to residents	592
Administration	2,168
Non-program	304
Interest on long-term debt	99
Total expenses	17,605
Increase in net assets	2,286
Net assets beginning of year, as restated	21,448
Net assets end of year	\$ 23,734

Webster County increased property taxes by 19.7 cents per \$1,000 of taxable valuation for the rural levy and 15.9 cents per \$1,000 of taxable valuation for the countywide levy for a total increase of 35.6 cents per \$1,000 of taxable valuation in FY03. This was necessary due to a decrease in total assessed property valuation of over 28 million dollars from FY02. However, the increase in levies resulted in generating approximately \$290,000 more property tax revenues in FY03 than in FY02. As a result of State budget cuts, Webster County's revenues from the State of Iowa in the form of property tax credits and replacements decreased in the midst of the fiscal year. This resulted in less actual State revenues than were included in the FY03 budget.

INDIVIDUAL MAJOR FUND ANALYSIS

As Webster County completed the fiscal year, its governmental funds reported a combined fund balance of \$11,744,001, which is \$810,811 more than the \$10,933,190 combined fund balance at the end of FY02. This is due primarily to secondary roads department carry over of capital projects to the next fiscal year.

The General Fund ended FY03 with a slight decrease in the ending fund balance totaling approximately \$3.8 million. There were no significant changes in revenues and expenditures. This maintains a comfortable day-to-day operating balance during the first quarter of FY04 prior to the receipt of the first half of property tax to be received in September.

The County has continued to look for ways to effectively manage the cost of mental health services. The Mental Health Fund ended FY03 and FY02 with a \$2.4 million balance, of which \$618,622 is restricted at June 30, 2003 for an assertive community treatment program. There were no significant changes in revenues and expenditures.

The Rural Services Fund ended FY03 with a \$559,150 balance compared to the prior year's \$709,861 balance. FY03's budget planned to reduce the ending fund balance in the Rural Services Fund. There were no significant changes in revenues, expenditures and transfers to the Secondary Roads Fund.

The Secondary Roads Fund ended with a \$4,445,572 balance compared to the prior year's \$3,478,628 balance, due to pending capital projects carried over into FY04. Revenues increased \$334,030 primarily due to an increase in highway planning and construction program reimbursements, federal emergency highway planning and construction program reimbursements and federal emergency management assistance program reimbursements. Transfers were down slightly due to a decrease in operating transfers. There were no significant changes in expenditures.

The Drainage Districts Fund ended FY03 with a \$189,341 balance compared to a \$163,614 balance at the end of FY02. Revenues and expenditures were down due to assessments on major projects that were collected in FY02, stamped warrants were redeemed and interest was paid for those projects in FY02.

There were no significant changes in revenues, expenditures and the fund balance of the Debt Service Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, the County amended the budget once to provide for the pass through of Community Development Block Grant funding for the Rabiner Treatment Center building project. However, no funds were received or expended during FY03. The project is still pending and funds will be received in FY04 and FY05. Also, capital projects for the Secondary Roads Department were over estimated in the original budget. As a result the capital project budgeted disbursements were reduced.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY03, the County had approximately \$13.3 million invested in a broad range of capital assets (net of accumulated depreciation), including public safety equipment, buildings, park facilities, roads and bridges.

The County had depreciation expense of \$797,552 in FY03 and total accumulated depreciation of \$11,333,247 at June 30, 2003. Additional information about the County's capital assets is included in Note 4 to the financial statements.

Long-term Debt

At the end of FY03, the County had \$1,155,000 in general obligation bonds payable compared to \$1,410,000 at June 30, 2002. The decrease is due to a \$255,000 payment on the general obligation bonds for the courthouse renovation project.

The County's continues to carry a general obligation bond rating of Aa3 assigned by Moody's Investors Service, a national rating agency. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 per cent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this limit of \$89 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials and citizens considered many factors when setting the 2004 fiscal year budget. One of those factors is the economy. The County's total assessed valuations have continued to decrease, affecting the County's ability to maintain previous levels of revenues. This is coupled with the State's budget constraints. The County anticipates a large reduction in agricultural land values, which may affect the County's ability to maintain the same level of revenues in the future.

Property taxes are expected to increase slightly in FY04 as compared to FY03. The General Fund balance is expected to decrease modestly by the close of FY04.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the County's finances and to show the County's accountability for the funds 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

Exhibit A

Webster County
Statement of Net Assets
June 30, 2003

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 11,041,022
Receivables:	
Property tax:	
Delinquent	40,976
Succeeding year	8,915,000
Interest and penalty on property tax	368
Accounts	183,804
Accrued interest	357
Drainage assessments:	
Current	273,779
Future	209,643
Due from other governments	743,816
Inventories	768,053
Prepaid insurance	66,965
Capital assets (net of accumulated depreciation) (note 4)	13,268,893
	<u>35,512,676</u>
Total assets	
Liabilities	
Accounts payable	457,316
Accrued interest payable	66,668
Salaries and benefits payable	32,176
Due to other governments	372,869
Deferred revenue:	
Succeeding year property tax	8,915,000
Long-term liabilities (note 6):	
Portion due or payable within one year:	
General obligation bonds	270,000
Iowa Rural Community 2000 Loan	10,872
Capital lease purchase agreement	33,921
Drainage warrants	314,890
Compensated absences	396,720
Portion due or payable after one year:	
General obligation bonds	885,000
Iowa Rural Community 2000 Loan	23,403
	<u>11,778,835</u>
Total liabilities	

Webster County
Statement of Net Assets
June 30, 2003

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	12,113,893
Restricted for:	
Supplemental levy purposes	647,881
Mental health purposes	2,428,489
Secondary roads purposes	4,374,445
Drainage district purposes	832,311
Debt service	98,380
Other purposes	214,068
Unrestricted	<u>3,024,374</u>
Total net assets	<u><u>\$ 23,733,841</u></u>

See notes to financial statements.

Webster County

Statement of Activities

Year ended June 30, 2003

	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Governmental activities:				
Public safety and legal services	\$ 3,922,387	195,246	498,096	-
Physical health and social services	2,113,541	1,015,879	816,561	-
Mental health	3,605,186	444,561	1,475,424	-
County environment and education	817,874	263,055	7,382	-
Roads and transportation	3,983,843	51,298	2,885,543	852,194
Governmental services to residents	591,780	556,744	-	-
Administration	2,167,937	139,431	-	-
Non-program	304,414	132,201	1,189	-
Interest on long-term debt	98,521	-	-	-
Total	\$ 17,605,483	2,798,415	5,684,195	852,194

General Revenues:

- Property and other county tax levied for:
 - General purposes
 - Debt service
- Penalty and interest on property tax
- State tax credits
- Local option sales tax
- Unrestricted investment earnings
- Rent
- Gain on sale of capital assets
- Miscellaneous
- Total general revenues
- Change in net assets
- Net assets beginning of year, as restated (note 10)
- Net assets end of year

See notes to financial statements.

Net (Expense)
Revenue and Changes
in Net Assets

(3,229,045)
(281,101)
(1,685,201)
(547,437)
(194,808)
(35,036)
(2,028,506)
(171,024)
(98,521)

(8,270,679)

8,517,439
298,174
147,030
539,193
659,509
290,834
18,248
38,192
47,856

10,556,475

2,285,796

21,448,045

\$ 23,733,841

Webster County
Balance Sheet
Governmental Funds

June 30, 2003

	Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Drainage Districts
Assets					
Cash and pooled investments	\$ 3,728,556	2,765,692	561,900	3,402,412	194,367
Receivables:					
Property tax:					
Delinquent	27,519	9,178	2,649	-	-
Succeeding year	5,588,000	1,424,000	1,617,000	-	-
Interest and penalty on property tax	368	-	-	-	-
Accounts	160,230	23,166	-	-	-
Accrued interest	306	-	-	41	-
Drainage assessments:					
Current	-	-	-	-	273,779
Future	-	-	-	-	209,643
Due from other governments	285,942	8,226	-	414,638	601
Inventories	-	-	-	768,053	-
Prepaid insurance	49,903	-	682	16,380	-
Total assets	\$ 9,840,824	4,230,262	2,182,231	4,601,524	678,390
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 219,930	139,596	1,574	79,817	5,628
Salaries and benefits payable	21,596	1,990	1,707	6,883	-
Due to other governments	90,797	225,565	200	56,307	-
Deferred revenue:					
Succeeding year property tax	5,588,000	1,424,000	1,617,000	-	-
Other	81,907	10,934	2,600	12,945	483,421
Total liabilities	6,002,230	1,802,085	1,623,081	155,952	489,049
Fund balances:					
Reserved for:					
Inventories	-	-	-	768,053	-
Prepaid insurance	49,903	-	682	16,380	-
Supplemental levy purposes	610,455	-	-	-	-
Drainage warrants	-	-	-	-	29,380
Debt service	-	-	-	-	-
Unreserved:					
Designated for highway project	-	-	-	1,312,437	-
Designated for assertive community treatment program	-	618,622	-	-	-
Unreserved, reported in:					
General fund	3,178,236	-	-	-	-
Special revenue funds	-	1,809,555	558,468	2,348,702	159,961
Total fund balances	3,838,594	2,428,177	559,150	4,445,572	189,341
Total liabilities and fund balances	\$ 9,840,824	4,230,262	2,182,231	4,601,524	678,390

See notes to financial statements.

Debt Service	Nonmajor Special Revenue	Total
69,602	214,711	10,937,240
1,630	-	40,976
286,000	-	8,915,000
-	-	368
-	408	183,804
-	4	351
-	-	273,779
-	-	209,643
34,275	134	743,816
-	-	768,053
-	-	66,965
<u>391,507</u>	<u>215,257</u>	<u>22,139,995</u>
-	1,698	448,243
-	-	32,176
-	-	372,869
286,000	-	8,915,000
35,899	-	627,706
<u>321,899</u>	<u>1,698</u>	<u>10,395,994</u>
-	-	768,053
-	-	66,965
-	-	610,455
-	-	29,380
69,608	-	69,608
-	-	1,312,437
-	-	618,622
-	-	3,178,236
-	213,559	5,090,245
<u>69,608</u>	<u>213,559</u>	<u>11,744,001</u>
<u>391,507</u>	<u>215,257</u>	<u>22,139,995</u>

Webster County

Webster County

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

June 30, 2003

Total governmental fund balances (page 19) \$ 11,744,001

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$24,602,140 and the accumulated depreciation is \$11,333,247. 13,268,893

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 627,706

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. 94,715

Long-term liabilities, including bonds payable, loan payable, capital lease purchase agreement payable, drainage warrants payable, accrued interest payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (2,001,474)

Net assets of governmental activities (page 15) \$ 23,733,841

See notes to financial statements.

Webster County

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

Year ended June 30, 2003

	Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Drainage Districts
Revenues:					
Property and other county tax	\$ 4,942,796	1,648,038	1,675,098	659,509	-
Interest and penalty on property tax	147,030	-	-	-	-
Intergovernmental	2,883,488	2,012,125	108,817	3,148,613	47,291
Licenses and permits	33,940	-	-	930	-
Charges for service	916,966	8,321	-	475	-
Use of money and property	267,895	-	1,245	34,331	-
Miscellaneous	35,580	806	-	27,597	475,131
Total revenues	9,227,695	3,669,290	1,785,160	3,871,455	522,422
Expenditures:					
Operating:					
Public safety and legal services	3,792,993	-	-	-	-
Physical health and social services	2,075,150	-	-	-	-
Mental health	-	3,666,856	-	-	-
County environment and education	518,750	-	351,158	-	-
Roads and transportation	-	-	-	4,518,209	-
Governmental services to residents	584,433	-	-	-	-
Administration	2,055,254	-	-	-	-
Non-program	-	-	-	-	216,646
Debt service	-	-	-	-	426,330
Capital projects	-	-	-	245,898	-
Total expenditures	9,026,580	3,666,856	351,158	4,764,107	642,976
Excess (deficiency) of revenues over (under) expenditures	201,115	2,434	1,434,002	(892,652)	(120,554)
Other financing sources (uses):					
Sale of capital assets	889	-	-	26,950	-
Operating transfers in	267	-	-	1,798,300	-
Operating transfers out	(214,126)	-	(1,584,174)	-	-
Drainage warrant proceeds	-	-	-	-	146,281
Total other financing sources (uses)	(212,970)	-	(1,584,174)	1,825,250	146,281
Net change in fund balances	(11,855)	2,434	(150,172)	932,598	25,727
Fund balances beginning of year, as restated (note 10)	3,858,776	2,426,457	709,861	3,478,628	163,614
Increase (decrease) in reserve for:					
Inventories	-	-	-	46,592	-
Prepaid insurance	(8,327)	(714)	(539)	(12,246)	-
Fund balances end of year	\$ 3,838,594	2,428,177	559,150	4,445,572	189,341

See notes to financial statements.

Debt Service	Nonmajor Special Revenue	Total
298,729	-	9,224,170
-	-	147,030
18,323	3,333	8,221,990
-	-	34,870
-	10,595	936,357
-	3,227	306,698
12,586	11,167	562,867
329,638	28,322	19,433,982
-	777	3,793,770
-	-	2,075,150
-	-	3,666,856
-	4,418	874,326
-	-	4,518,209
-	285	584,718
-	-	2,055,254
300	-	216,946
331,641	-	757,971
-	32,959	278,857
331,941	38,439	18,822,057
(2,303)	(10,117)	611,925
-	-	27,839
-	-	1,798,567
-	(267)	(1,798,567)
-	-	146,281
-	(267)	174,120
(2,303)	(10,384)	786,045
71,911	223,943	10,933,190
-	-	46,592
-	-	(21,826)
69,608	213,559	11,744,001

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, 2003

Net change in fund balances - Total governmental funds (page 23) \$ 786,045

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

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

Expenditures for capital assets	\$ 1,417,880	
Capital assets contributed by the Iowa Department of Transportation	839,249	
Depreciation expense	(797,552)	
		1,459,577

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. 10,353

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

Property tax	(12,082)	
Other	(499,474)	
		(511,556)

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

Proceeds from drainage warrants	(146,281)	
Drainage warrants paid	365,370	
Principal payments	297,359	
		516,448

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

Compensated absences	10,083	
Interest on long-term debt	28,725	
		38,808

Prepaid expenditures and inventories in the governmental funds have been recorded as expenditures when paid. However, the Statement of Activities reports these items as expenses in the period that the corresponding net asset is exhausted. 24,766

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. (38,645)

Change in net assets of governmental activities (page 17) \$ 2,285,796

See notes to financial statements.

Webster County
Statement of Net Assets
Proprietary Fund
June 30, 2003

	<u>Internal Service</u>
Assets	
Cash and cash equivalents	\$ 103,782
Accrued interest receivable	<u>6</u>
Total assets	103,788
Liabilities	
Accounts payable	<u>9,073</u>
Net Assets	
Unrestricted	<u><u>\$ 94,715</u></u>

See notes to financial statements.

Exhibit H

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

Proprietary Fund

Year ended June 30, 2003

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,397,058
Operating expenses:		
Insurance premiums	\$ 1,420,872	
Medical claims	19,305	1,440,177
Operating loss		<u>(43,119)</u>
Non-operating revenues:		
Interest income		4,474
Net loss		<u>(38,645)</u>
Net assets beginning of year		<u>133,360</u>
Net assets end of year		<u>\$ 94,715</u>

See notes to financial statements.

Webster County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2003

	Internal Service
Cash flows for operating activities:	
Cash received from operating fund contributions	\$ 1,402,814
Cash payments for insurance premiums	(1,420,872)
Cash payments for medical claims	(74,667)
Net cash used for operating activities	(92,725)
Cash flows from investing activities:	
Interest on investments	4,592
Net decrease in cash and cash equivalents	(88,133)
Cash and cash equivalents beginning of year	191,915
Cash and cash equivalents end of year	\$ 103,782
 Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (43,119)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Decrease in amounts due from other funds	5,757
(Decrease) in accounts payable	(55,363)
Net cash used for operating activities	\$ (92,725)

See notes to financial statements

Webster County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2003

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,547,236
Other County officials	43,617
Receivables:	
Property tax:	
Delinquent	192,642
Succeeding year	29,218,000
Accounts	29,306
Accrued interest	4
Special assessments	121,176
Drainage assessments:	
Current	19,681
Future	2,632
Due from other governments	7,551
Total assets	<u>31,181,845</u>

Liabilities

Accounts payable	51,436
Salaries and benefits payable	1,034
Due to other governments	31,070,711
Trusts payable	39,629
Compensated absences	19,035
Total liabilities	<u>31,181,845</u>

Net assets \$ -

See notes to financial statements.

Webster County

Notes to Financial Statements

June 30, 2003

(1) Summary of Significant Accounting Policies

Webster County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

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

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

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

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

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Webster County Assessor’s Conference Board, Webster County Emergency Management Commission, and Webster County Joint E911 Service Board. Financial transactions of these organizations are included in the County’s financial statements only to the extent of the County’s fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

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

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are 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 other 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 that are 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 that are 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 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.

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 and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using 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 judgements 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund is charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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, 2001 assessed property valuations; is for the tax accrual period July 1, 2002 through June 30, 2003 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2002.

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 2003.

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.

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 amounts assessed to individuals for work done that benefit their property. These assessments are payable by individuals in not less than ten nor more than twenty annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which are due and payable but have not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. In the governmental fund financial statements, the cost is recorded as an expenditure at the time individual inventory items are purchased and reported inventories are equally offset by a fund balance reserve which indicates they are not available to liquidate current obligations.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs 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.

<u>Asset Class</u>	<u>Amount</u>
Buildings and improvements	\$ 25,000
Land and improvements	5,000
Machinery and equipment	5,000
Infrastructure	50,000

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

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Buildings and improvements	25 - 50
Land and improvements	10 - 50
Machinery and equipment	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 represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current 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 on 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 that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2003. 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 financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net assets.

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2003, disbursements did not exceed the amounts budgeted. However, the total amount appropriated exceeded the total of the functional budgets.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2003 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County's investments are categorized to give an indication of the level of risk assumed by the County at year end. The County's investments are all Category 1, which means the investments are insured or registered or the securities are held by the County or its agent in the County's name.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The County's investments at June 30, 2003 are as follows:

Type	Fair Value
U.S. government securities	<u>\$ 13,266</u>

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$550,227 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2003 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Federal Revenue Sharing Trust	\$ 267
Special Revenue: Secondary Roads	General Special Revenue: Rural Services	214,126 1,584,174
Total		<u>\$ 1,798,567</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, 2003 was as follows:

	Balance Beginning of Year (as restated, note 10)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 509,194	87,795	-	596,989
Construction in progress	1,355,548	618,118	(1,887,682)	85,984
Total capital assets not being depreciated	<u>1,864,742</u>	<u>705,913</u>	<u>(1,887,682)</u>	<u>682,973</u>
Capital assets being depreciated:				
Buildings	14,851,058	78,261	-	14,929,319
Improvements other than buildings	150,000	-	-	150,000
Machinery and equipment	5,733,976	615,471	(272,876)	6,076,571
Infrastructure, road network	-	2,763,277	-	2,763,277
Total capital assets being depreciated	<u>20,735,034</u>	<u>3,457,009</u>	<u>(272,876)</u>	<u>23,919,167</u>
Less accumulated depreciation for:				
Buildings	7,686,474	254,094	-	7,940,568
Improvements other than buildings	60,000	15,000	-	75,000
Machinery and equipment	3,054,339	477,357	(265,118)	3,266,578
Infrastructure, road network	-	51,101	-	51,101
Total accumulated depreciation	<u>10,800,813</u>	<u>797,552</u>	<u>(265,118)</u>	<u>11,333,247</u>
Total capital assets being depreciated, net	<u>9,934,221</u>	<u>2,659,457</u>	<u>(7,758)</u>	<u>12,585,920</u>
Governmental activities capital assets, net	<u>\$ 11,798,963</u>	<u>3,365,370</u>	<u>(1,895,440)</u>	<u>13,268,893</u>

Equipment includes \$150,000 of assets acquired under a capital lease purchase agreement.

Depreciation expense was charged to the following the functions:

Governmental activities:	
Public safety and legal services	\$ 168,854
Physical health and social services	29,902
Mental health	11,370
County environment and education	47,210
Roads and transportation	419,451
Governmental services to residents	7,228
Administration	<u>113,537</u>
Total depreciation expense - governmental activities	<u>\$ 797,552</u>

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

(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	\$ 90,797
Special Revenue:		
Mental Health	Services	225,565
Rural Services	Services	200
Secondary Roads	Services	56,307
		<u>282,072</u>
Total for governmental funds		<u>\$ 372,869</u>
Agency:		
Agricultural Extension Education	Collections	\$ 169,842
County Assessor		429,147
Schools		17,696,588
Community Colleges		791,183
Corporations		10,684,220
Townships		283,462
Auto License and Use Tax		578,494
Special Districts		155,497
All other		282,278
Total for agency funds		<u>\$ 31,070,711</u>

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2003 is as follows:

	General Obligation Bonds	Iowa Rural Community 2000 Loan	Capital Lease Purchase Agreement	Drainage Warrants	Compen- sated Absences	Total
Balance beginning of year, as restated (note 10)	\$ 1,410,000	44,629	65,926	533,979	406,803	2,461,337
Increases	-	-	-	146,281	442,438	588,719
Decreases	255,000	10,354	32,005	365,370	452,521	1,115,250
Balance end of year	<u>\$ 1,155,000</u>	<u>34,275</u>	<u>33,921</u>	<u>314,890</u>	<u>396,720</u>	<u>1,934,806</u>
Due within one year	<u>\$ 270,000</u>	<u>10,872</u>	<u>33,921</u>	<u>314,890</u>	<u>396,720</u>	<u>1,026,403</u>

Bonds Payable

A summary of the County's June 30, 2003, general obligation bonded indebtedness is as follows:

Year ending June 30,	Courthouse Renovation		
	General Obligation County		
	Courthouse Bonds		
	Interest Rates	Principal	Interest
2004	4.50%	\$ 270,000	52,580
2005	4.50	280,000	40,430
2006	4.60	295,000	27,830
2007	4.60	310,000	14,260
Total		<u>\$ 1,155,000</u>	<u>135,100</u>

During the year ended June 30, 2003, the County retired \$255,000 of general obligation bonds.

Iowa Rural Community 2000 Loan

Webster County was awarded an Iowa Rural Community 2000 low interest loan for \$129,000 to construct two sewage lagoons. During the year ended June 30, 1990, the principal amount of \$129,000 was loaned to the County by the Iowa Department of Economic Development. In accordance with a 28E agreement entered into between the County and the Savage Sanitary Sewer District, dated August 8, 1989, the District agreed to make principal and interest payments to the County on the promissory note executed by the County to the State of Iowa. The County in turn makes annual payments to the Iowa Department of Economic Development. Details of the loan at June 30, 2003 are as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2004	5.00%	\$ 10,872	1,714	12,586
2005	5.00	11,416	1,170	12,586
2006	5.00	11,987	599	12,586
Total		<u>\$ 34,275</u>	<u>3,483</u>	<u>37,758</u>

Capital Lease Purchase Agreement

The County has entered into a capital lease purchase agreement for a communication tower and radio equipment at an annual rate of interest of 5.985%. The following is a schedule of the future minimum lease payment and the present value of the net minimum lease payment under the agreement in effect at June 30, 2003:

Year ending June 30,		Amount
2004	Total minimum lease payment	\$ 35,951
	Less amount representing interest	<u>(2,030)</u>
	Present value of net minimum lease payment	<u>\$ 33,921</u>

Payments under the capital lease purchase agreement for the year ended June 30, 2003 totaled \$35,951.

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.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages are 5.37% and 8.05%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$406,433, \$391,785 and \$381,519, respectively, equal to the required contributions for each year.

(8) 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 400 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the

first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2003 were \$132,828.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks are also reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that 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 that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2003, no liability has been recorded in the County's financial statements. As of June 30, 2003, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$5,000,000 and \$250,000, 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.

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

The payments for plan contributions to the Internal Service, Employee Group Health Fund are recorded as expenditures from the operating funds at the time of the payment to the Internal Service, Employee Group Health Fund maintained by the County Treasurer. Premiums and claim payments are made from the Internal Service, Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2003 was \$1,397,058.

The amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2003 for incurred but not reported (IBNR) and reported but not paid claims has been estimated but has not been actuarially determined since the County has not obtained an actuarial opinion as required by Chapter 509A.15 of the Code of Iowa.

(10) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2003. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented during the year ended June 30, 2003. The statements create new basic financial statements for reporting the County's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The beginning balance of inventory has been increased by \$721,461 to include materials and supplies inventory not previously reported. Also, the beginning balances of drainage district assessments receivable and deferred revenue were both reduced by \$338,672 to correct an error. This correction had no effect on the net assets of the governmental funds at June 30, 2002, but did reduce deferred revenue from \$1,477,934 to \$1,139,262.

The government-wide financial statements report the County's governmental activities. Beginning net assets for governmental activities has been restated to include capital assets, the Internal Service Fund and the changes in assets and liabilities at July 1, 2002 resulting from the conversion to the accrual basis of accounting, as follows:

	<u>Total</u>
Net assets, June 30, 2002, as previously reported	\$ 10,106,228
GASB Interpretation 6 adjustments	105,501
Inventory not previously reported	721,461
Net assets, July 1, 2002, as restated for governmental funds	<u>10,933,190</u>
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$ 10,800,813	11,798,963
Internal Service Fund	133,360
Change in long-term liabilities	(2,556,730)
Change in deferral of long-term assets	1,139,262
Net assets, July 1, 2002, as restated	<u>\$ 21,448,045</u>

(11) Special Investigation

As a result of the nature of certain disbursements identified during the audit of Webster County's financial statements, a special investigation of the Webster County Sheriff's Office was conducted for the period July 1, 1997 through February 28, 2003. The special investigation identified \$10,004 of improper disbursements approved by Sheriff Charles Griggs. Sheriff Griggs has repaid \$358 of this amount.

On May 27, 2003, the Attorney General's Office charged Sheriff Griggs with second degree theft, misconduct and tampering with records. Sheriff Griggs pled not guilty. He subsequently resigned as Sheriff in September 2003.

On December 9, 2003, the Second Judicial District Court of the State of Iowa determined Griggs was suffering from a mental disorder that prevents him from appreciating the charge, understanding the proceeding and effectively assisting in his defense. Therefore, further proceedings against Griggs were suspended until such time, if ever, his capacity is restored.

(12) Pending Litigation

The County is a defendant in a lawsuit seeking damages of approximately \$573,387. The probability and amount of loss, if any, is indeterminable.

(13) Restatement of Beginning Balance Agency Fund Balance

The beginning asset and liability balances of the Agency, Special Districts Fund have been restated at July 1, 2002 as follows:

Balances at June 30, 2002, as previously reported	\$ 186,516
Adjustment to reduce special assessments receivable to delete interest previously included	<u>(28,734)</u>
Balances at July 1, 2002, as restated	<u>\$ 157,782</u>

Webster County

Required Supplementary Information

Webster County
 Budgetary Comparison Schedule of
 Receipts, Disbursements and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds
 Required Supplementary Information
 Year ended June 30, 2003

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 9,143,412	-
Interest and penalty on property tax	146,686	-
Intergovernmental	7,973,160	46,690
Licenses and permits	34,369	-
Charges for service	1,036,230	-
Use of money and property	324,664	-
Miscellaneous	566,145	491,274
Total receipts	<u>19,224,666</u>	<u>537,964</u>
Disbursements:		
Public safety and legal services	3,742,155	-
Physical health and social services	2,050,314	-
Mental health	3,876,307	-
County environment and education	870,546	-
Roads and transportation	4,522,490	-
Governmental services to residents	587,094	-
Administration	2,059,952	-
Non-program	252,389	252,089
Debt service	757,972	438,417
Capital projects	331,676	-
Total disbursements	<u>19,050,895</u>	<u>690,506</u>
Excess (deficiency) of receipts over (under) disbursements	173,771	(152,542)
Other financing sources, net	<u>174,121</u>	<u>146,281</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	347,892	(6,261)
Balance beginning of year	<u>10,589,348</u>	<u>201,128</u>
Balance end of year	<u>\$ 10,937,240</u>	<u>194,867</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
9,143,412	9,026,085	9,026,085	117,327
146,686	85,500	85,500	61,186
7,926,470	8,248,162	8,437,162	(510,692)
34,369	13,000	13,000	21,369
1,036,230	711,850	711,850	324,380
324,664	531,395	531,395	(206,731)
74,871	60,600	60,600	14,271
<u>18,686,702</u>	<u>18,676,592</u>	<u>18,865,592</u>	<u>(178,890)</u>
3,742,155	4,186,478	4,186,478	444,323
2,050,314	2,314,798	2,314,798	264,484
3,876,307	4,303,558	4,141,566	265,259
870,546	954,586	929,586	59,040
4,522,490	4,660,000	4,630,000	107,510
587,094	617,670	617,670	30,576
2,059,952	2,063,119	2,113,119	53,167
300	-	150,000	149,700
319,555	319,555	319,555	-
331,676	1,800,000	564,000	232,324
<u>18,360,389</u>	<u>21,219,764</u>	<u>19,966,772</u>	<u>1,606,383</u>
326,313	(2,543,172)	(1,101,180)	(1,427,493)
<u>27,840</u>	<u>25,000</u>	<u>25,000</u>	<u>(2,840)</u>
354,153	(2,518,172)	(1,076,180)	(1,430,333)
<u>10,388,220</u>	<u>9,984,675</u>	<u>9,984,675</u>	<u>(403,545)</u>
<u>10,742,373</u>	<u>7,466,503</u>	<u>8,908,495</u>	<u>(1,833,878)</u>

Webster County
 Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2003

	Governmental Fund Types		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 19,224,666	209,316	19,433,982
Expenditures	19,050,895	(228,838)	18,822,057
Net	173,771	438,154	611,925
Other financing sources, net	174,121	(1)	174,120
Beginning fund balances, as restated	10,589,348	343,842	10,933,190
Increase (decrease) in reserve for:			
Inventories	-	46,592	46,592
Prepaid insurance	-	(21,826)	(21,826)
Ending fund balances	\$ 10,937,240	806,761	11,744,001

See accompanying independent auditor's report.

Webster County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2003

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. 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, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment decreased budgeted disbursements by \$1,252,992. This 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, 2003, disbursements did not exceed the amounts budgeted. However, the total amount appropriated exceeded the total of the functional budgets.

Webster County

Other Supplementary Information

Webster County
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2003

	Supplemental Environment Project	Public Health Resources	County Recorder's Records Management
Assets			
Cash and pooled investments	\$ 18,600	15,815	46,171
Receivables:			
Accounts	-	408	-
Accrued interest	1	-	1
Due from other governments	-	-	-
Total assets	\$ 18,601	16,223	46,172
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 1,698	-	-
Fund equity:			
Unreserved fund balances	16,903	16,223	46,172
Total liabilities and fund equity	\$ 18,601	16,223	46,172

See accompanying independent auditor's report.

Resource Enhancement and Protection	Sheriff Confiscated Property	Attorney Confiscated Property	Conservation Land Acquisition Trust	Total
65,289	10,881	2,518	55,437	214,711
-	-	-	-	408
2	-	-	-	4
-	-	134	-	134
65,291	10,881	2,652	55,437	215,257
-	-	-	-	1,698
65,291	10,881	2,652	55,437	213,559
65,291	10,881	2,652	55,437	215,257

Webster County

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

Year ended June 30, 2003

	Federal Revenue Sharing Trust	Supplemental Environment Project	Public Health Resources
Revenues:			
Intergovernmental	\$ -	2,870	-
Charges for service	-	-	-
Use of money and property	-	472	-
Miscellaneous	-	-	8,717
Total revenues	-	3,342	8,717
Expenditures:			
Operating:			
Public safety and legal services	42	-	-
County environment and education	-	4,418	-
Governmental services to residents	-	-	-
Capital projects	-	-	-
Total expenditures	42	4,418	-
Excess (deficiency) of revenues over (under) expenditures	(42)	(1,076)	8,717
Other financing uses:			
Operating transfers out	(267)	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(309)	(1,076)	8,717
Fund balances beginning of year	309	17,979	7,506
Fund balances end of year	\$ -	16,903	16,223

See accompanying independent auditor's report.

County Recorder's Records Management	Resource Enhancement and Protection	Sheriff Confiscated Property	Attorney Confiscated Property	Conservation Land Acquisition Trust	Total
-	-	-	463	-	3,333
10,595	-	-	-	-	10,595
1,044	1,711	-	-	-	3,227
-	-	-	-	2,450	11,167
11,639	1,711	-	463	2,450	28,322
-	-	325	410	-	777
-	-	-	-	-	4,418
285	-	-	-	-	285
-	-	-	-	32,959	32,959
285	-	325	410	32,959	38,439
11,354	1,711	(325)	53	(30,509)	(10,117)
-	-	-	-	-	(267)
11,354	1,711	(325)	53	(30,509) -	(10,384)
34,818	63,580	11,206	2,599	85,946	223,943
46,172	65,291	10,881	2,652	55,437	213,559

Webster County

Combining Schedule of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2003

	County Offices		Agricultural
	County	County	Extension
	Recorder	Sheriff	Education
Assets			
Cash and pooled investments:			
County Treasurer	\$ -	-	2,927
Other County officials	20,354	23,263	-
Receivables:			
Property tax:			
Delinquent	-	-	915
Succeeding year	-	-	166,000
Accounts	260	-	-
Accrued interest	-	-	-
Special assessments	-	-	-
Drainage assessments:			
Current	-	-	-
Future	-	-	-
Due from other governments	-	-	-
Total assets	\$ 20,614	23,263	169,842
Liabilities			
Accounts payable	\$ -	-	-
Salaries and benefits payable	-	-	-
Due to other governments	20,614	-	169,842
Trusts payable	-	23,263	-
Compensated absences	-	-	-
Total liabilities	\$ 20,614	23,263	169,842

County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax
163,865	317,114	13,856	226,467	4,117	578,494
-	-	-	-	-	-
1,751	94,474	4,327	90,753	345	-
318,000	17,285,000	773,000	10,367,000	279,000	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
483,616	17,696,588	791,183	10,684,220	283,462	578,494
36,693	-	-	-	-	-
903	-	-	-	-	-
429,147	17,696,588	791,183	10,684,220	283,462	578,494
-	-	-	-	-	-
16,873	-	-	-	-	-
483,616	17,696,588	791,183	10,684,220	283,462	578,494

Webster County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2003

	Brucellosis and Tuberculosis Eradication	Drainage Districts	Special Districts
Assets			
Cash and pooled investments:			
County Treasurer	1,711	22,804	9,271
Other County officials	-	-	-
Receivables:			
Property tax:			
Delinquent	27	-	50
Succeeding year	5,000	-	25,000
Accounts	-	-	-
Accrued interest	-	-	-
Special assessments	-	-	121,176
Drainage assessments:			
Current	-	19,681	-
Future	-	2,632	-
Due from other governments	-	-	-
	6,738	45,117	155,497
Liabilities			
Accounts payable	-	12,534	-
Salaries and benefits payable	-	-	-
Due to other governments	6,738	32,583	155,497
Trusts payable	-	-	-
Compensated absences	-	-	-
	6,738	45,117	155,497

See accompanying independent auditor's report.

Tax Sale Redemp- tion	E911	State Tax Credit	Emergency Manage- ment Commission	Advance Tax	Future Property Tax Collections	Total
16,366	64,998	3,731	77,671	4,146	39,698	1,547,236
-	-	-	-	-	-	43,617
-	-	-	-	-	-	192,642
-	-	-	-	-	-	29,218,000
-	29,046	-	-	-	-	29,306
-	4	-	-	-	-	4
-	-	-	-	-	-	121,176
-	-	-	-	-	-	19,681
-	-	-	-	-	-	2,632
-	-	-	7,551	-	-	7,551
16,366	94,048	3,731	85,222	4,146	39,698	31,181,845
-	1,695	-	514	-	-	51,436
-	131	-	-	-	-	1,034
-	90,407	3,731	84,361	4,146	39,698	31,070,711
16,366	-	-	-	-	-	39,629
-	1,815	-	347	-	-	19,035
16,366	94,048	3,731	85,222	4,146	39,698	31,181,845

Webster County

Combining Schedule of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year ended June 30, 2003

	County Offices			Agricultural
	County	County	County	Extension
	Auditor	Recorder	Sheriff	Education
Assets and Liabilities				
Balances beginning of year, as restated (note 13)	\$ 75	79,894	47,191	167,713
Additions:				
Property and other county tax	-	-	-	165,891
E911 surcharge	-	-	-	-
State tax credits	-	-	-	10,265
State allocation	-	-	-	-
Office fees and collections	-	555,819	76,520	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	469,562	-
Miscellaneous	-	-	-	-
Total additions	-	555,819	546,082	176,156
Deductions:				
Agency remittances:				
To other funds	75	370,714	93,331	-
To other governments	-	244,385	833	174,027
Trusts paid out	-	-	475,846	-
Total deductions	75	615,099	570,010	174,027
Balances end of year	\$ -	20,614	23,263	169,842

County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax
481,875	17,875,912	792,502	11,442,728	284,036	664,639
317,752	17,289,134	773,066	10,376,453	278,130	-
-	-	-	-	-	-
19,668	1,093,182	48,585	603,420	18,250	-
6,291	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	7,449,649
-	-	-	-	-	-
-	-	-	-	-	-
215	-	-	-	-	-
343,926	18,382,316	821,651	10,979,873	296,380	7,449,649
-	-	-	-	-	267,134
342,185	18,561,640	822,970	11,738,381	296,954	7,268,660
-	-	-	-	-	-
342,185	18,561,640	822,970	11,738,381	296,954	7,535,794
483,616	17,696,588	791,183	10,684,220	283,462	578,494

Webster County
 Combining Schedule of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year ended June 30, 2003

	Brucellosis and Tuberculosis Eradication	Drainage Districts	Special Districts	Tax Sale Redemp- tion
Assets and Liabilities				
Balances beginning of year, as restated (note 13)	6,200	71,103	157,782	32,198
Additions:				
Property and other county tax	4,856	-	25,023	-
E911 surcharge	-	-	-	-
State tax credits	305	-	1,678	-
State allocation	-	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	180,407	21,042	-
Trusts	-	-	-	416,382
Miscellaneous	-	25,917	-	-
Total additions	5,161	206,324	47,743	416,382
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	4,623	232,310	50,028	-
Trusts paid out	-	-	-	432,214
Total deductions	4,623	232,310	50,028	432,214
Balances end of year	6,738	45,117	155,497	16,366

See accompanying independent auditor's report.

E911	State Tax Credit	Emergency Manage- ment Commission	Advance Tax	State General Fund	Future Property Tax Collections	Total
130,530	3,670	82,347	4,146	-	26,739	32,351,280
-	61	-	-	5,158	-	29,235,524
135,553	-	-	-	-	-	135,553
-	-	-	-	-	-	1,795,353
-	-	-	-	-	-	6,291
-	-	-	-	-	-	632,339
-	-	-	-	-	-	7,449,649
-	-	-	-	-	-	201,449
-	-	-	-	-	42,622	928,566
3,246	-	45,745	-	-	-	75,123
138,799	61	45,745	-	5,158	42,622	40,459,847
-	-	-	-	-	-	731,254
175,281	-	42,870	-	5,158	29,663	39,989,968
-	-	-	-	-	-	908,060
175,281	-	42,870	-	5,158	29,663	41,629,282
94,048	3,731	85,222	4,146	-	39,698	31,181,845

Schedule 5

Webster County

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

For the Last Four Years

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

See accompanying independent auditor's report.

Webster County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2003

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture: Wetlands Reserve Program	10.072	66-6114-0-334	\$ 2,062
U.S. Department of Justice: Bulletproof Vest Partnership Program	16.607		<u>2,910</u>
Total Direct			<u>4,972</u>
Indirect:			
U.S. Department of Agriculture: Iowa Department of Public Health: Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5882A050	75,701
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5883A050	<u>195,334</u>
			<u>271,035</u>
Iowa Department of Agriculture and Land Stewardship: Women, Infants, and Children Farmers' Market Nutrition Program	10.572	1191-02-50	668
Women, Infants, and Children Farmers' Market Nutrition Program	10.572	1191-03-50	<u>676</u>
			<u>1,344</u>
U.S. Department of Justice: Iowa Department of Justice: Crime Victim Assistance	16.575		<u>19,893</u>
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction	20.205	BROS-C094(3)-8J-94	<u>25,384</u>
Federal Emergency Management Agency: Iowa Department of Public Defense: State Emergency Mangement Division: Emergency Management Performance Grant Program	83.552		<u>16,544</u>
Public Assistance Grants	83.544	FEMA-1367-DR-IA	<u>87,839</u>
State and Local All Hazards Emergency Operation Planning	83.562	EMK-2003-GR-2535	<u>4,201</u>

Schedule 6

Webster County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		21,719
Temporary Assistance for Needy Families Refugee and Entrant Assistance - State Administered Programs	93.558		32,378
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.566		90
Foster Care - Title IV-E	93.596		6,215
Adoption Assistance	93.658		10,996
Medical Assistance Program	93.659		3,600
Social Services Block Grant	93.778		31,347
Social Services Block Grant	93.667		21,020
Social Services Block Grant	93.667		197,669
			218,689
Iowa Department of Public Health:			
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	5883L905	9,077
Abstinence Education	93.235	5883AB51	8,729
Immunization Grants	93.268	5882I404	5,676
Immunization Grants	93.268	5883I404	10,621
			16,297
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5883BT96	10,632
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5883BT71	16,653
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5883EHC3	6,176
			33,461
State Children's Insurance Program	93.767	MED-03-098	8,155
HIV Care Formula Grants	93.917	5882HC04	19,457
HIV Care Formula Grants	93.917	5883HC03	9,733
			29,190

Webster County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2003

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Governor's Developmental Disabilities Council:			
State University of Iowa:			
Developmental Disabilities Basic Support and Advocacy Grants	93.630	GDDC-02-004	1,888
Calhoun County Department of Health:			
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs			
	93.919	5882NB04	1,800
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs			
	93.919	5883NB04	7,350
			<u>9,150</u>
Preventive Health and Health Services			
Block Grant	93.991	5883RR08	10,272
Maternal and Child Health Services			
Block Grant to the States	93.994	5882A050	19,353
Maternal and Child Health Services			
Block Grant to the States	93.994	5883A050	64,378
			<u>83,731</u>
Total indirect			<u>961,224</u>
Total			<u>\$ 966,196</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Webster County and is presented on the modified accrual basis of accounting. The information 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.

Webster County



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 Compliance
and on Internal Control over Financial Reporting

To the Officials of Webster County:

We have audited the financial statements of Webster County, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated January 13, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Webster County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items IV-J-03 and IV-K-03.

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. Prior year reportable conditions have been resolved except for items II-A-03, II-B-03, II-C-03, II-D-03, II-E-03, II-F-03, II-I-03 and II-J-03.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 13, 2004

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

Webster County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

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

To the Officials of Webster County:

Compliance

We have audited the compliance of Webster County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. Webster County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Webster County's management. Our responsibility is to express an opinion on Webster County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Webster County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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.

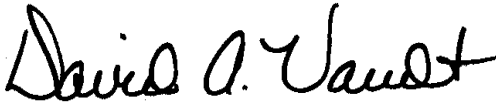
In our opinion, Webster County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

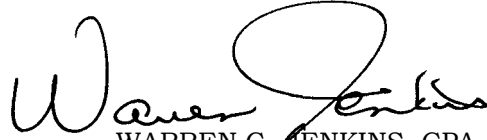
The management of Webster County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Webster County's internal control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

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 13, 2004

Webster County
Schedule of Findings and Questioned Costs
Year ended June 30, 2003

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, none of which were considered to be material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children.
 - CFDA Number 93.667 – Social Services Block Grant
- (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, 2003

Part II: Findings Related to the Financial Statements:

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-03 Segregation of Duties – During our review of the internal control, the existing control activities are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. Generally, one or two individuals in these offices may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared.	Sheriff
(2) Bank reconciliations are not prepared by someone who doesn't sign checks, handle or record cash.	Recorder
(3) Bank reconciliations are not reviewed periodically by an independent person for propriety.	Recorder
(4) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting of cash.	Recorder, 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

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. 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.

Responses:

County Recorder – We will try to do the best we can with our limited staff members.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

County Sheriff – The recommendation will be complied with.

Conclusion – Responses accepted.

- II-B-03 Payment of Claims – Claims submitted by the County Sheriff's Office for purchases from discount stores with which the Office had a charge account were supported by either store receipts or charge receipts.

Recommendation – For vendors that provide more than one copy of a receipt for a single purchase, the County Auditor's Office should establish a policy that identifies which receipt(s) are required to be attached to the claim for payment. Requiring departments to submit both the original merchandise receipt and the billing statement copy when paying these vendors would help prevent duplicate payment of a single purchase.

Response – This is currently being done and will work on developing a policy.

Conclusion – Response accepted.

- II-C-03 Information Systems – The County does not have a written disaster recovery plan.

Recommendation – A written disaster recovery plan should be developed.

Response – We will get this policy adopted by the Board of Supervisors.

Conclusion – Response accepted.

- II-D-03 Board of Supervisors – Identifying tags are not placed on all capital assets.

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

Response – Efforts are ongoing to identify and address this concern.

Conclusion – Response accepted.

- II-E-03 County Treasurer – Receipts were not deposited intact.

Recommendation – Receipts should be deposited intact.

Response – We started depositing intact on July 30, 2003

Conclusion – Response accepted.

- II-F-03 County Sheriff – Jail Inmate/Commissary Account – The Sheriff maintains a jail inmate/commissary account. However, since a complete check register is not maintained, a book balance is not documented. Also, a monthly reconciliation is not prepared, including an outstanding check listing. In addition, monthly ledger balances for individual inmate accounts were not totaled and reconciled to the commissary bank account balance.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Receipts were not deposited intact daily, resulting in overdraft charges. Prenumbered receipts were not issued for all collections received and copies of the prenumbered receipts were not kept in numerical sequence.

The County Sheriff receives appearance bonds from inmates coming into the jail. However, the County Sheriff does not obtain a receipt from the County Clerk of Court when the bonds are remitted to the Clerk.

Recommendation – A complete check register, including a book balance should be maintained. Also, a monthly reconciliation should be prepared, including a list of outstanding checks and other reconciling items. In addition, individual inmate accounts at the end of the month should be listed, retained and reconciled to the commissary bank account balance.

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

The County Sheriff should receive a receipt from the County Clerk of Court for each appearance bond remitted to the Clerk.

Response – The recommendation will be complied with.

Conclusion – Response accepted.

II-H-03 Sheriff's DARE Account – The County Sheriff receives revenues for the DARE program and certain expenditures made for the DARE program did not have invoices or other supporting documentation.

Also, these collections were not reflected in the County's accounting system and have not been included in the County's annual budget or monthly financial reports.

Recommendation – Invoices and other supporting documentation should be retained to document the purpose.

Also, this activity should be included in the County's annual budget and financial statements in a separate Special Revenue Fund. All proceeds disbursed should be charged to the appropriate expenditure account in accordance with the Uniform Chart of Accounts for County Governments in Iowa.

Response – The recommendation will be complied with. The Dare and Canine account funds have been remitted to the County Treasurer.

Conclusion – Response accepted.

II-I-03 Public Health Nurse Receivables – Accounts receivable listings were not retained at the end of each month for Medicare. Also, amounts billed for Medicare were not reconciled to collections and accounts receivable.

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

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Response – The Webster County Health Department will follow the suggested recommendations. The collections and accounts receivable will be prepared monthly to the best of our ability for Medicare.

Conclusion – Response accepted.

II-J-03 Timesheets – Salaried personnel, other than elected officials, of the County do not prepare and file timesheets.

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

Response – We have taken this under advisement and are working towards positive results.

Conclusion – Response accepted.

II-K-03 Chart of Accounts – Certain revenues were not classified to the proper account number, program revenue code, and function program number as specified in the Uniform Chart of Accounts for Iowa County Governments.

Recommendation – To provide better financial information and control the County should follow the Uniform Chart of Accounts for Iowa County Governments.

Response – We will be addressing this concern.

Conclusion – Response accepted.

II-L-03 Employee Fund – The Webster County Courthouse Employee bank account had a balance of \$2,961 at June 30, 2003. The bank account is derived from profits from the vending machines. Also, the social services building has vending machines.

Recommendation – The bank account balance should be remitted to the County Treasurer for deposit in the General Fund and future profits should be recorded in the General Fund.

Response – This has been addressed and all future profits are deposited directly into the General Fund.

Conclusion – Response accepted.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

II-M-03 Receivables and Payables – Certain receivables were not properly entered in the accounting system and others were not properly recorded as receivables. The accounts payable were not properly identified and included in the financial statements. This matter was resolved for audit purposes.

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

Response:

County Auditor – MIS has implemented a procedure for year-end to avoid such interferences in the future.

County Treasurer – This will be done.

Conclusion – Response accepted.

II-N-03 Current and Delinquent Tax Reconciliations – Current and delinquent tax reconciliations were prepared by the County Treasurer’s office. However, there were various errors in both. This matter was resolved for audit purposes.

Recommendation – The County Treasurer should prepare the current and delinquent tax reconciliations after the end of the year and should reconcile the abstract of property tax receivable with actual property tax collections and other reconciling items. In addition, the property tax and state credits received as per the reconciliations should be reconciled to the general ledger revenues at the end of the year.

Response – This will be done

Conclusion – Response accepted.

Webster County
Schedule of Findings and Questioned Costs
Year ended June 30, 2003

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-03 Official Depositories – Resolutions naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolutions were not exceeded during the year ended June 30, 2003.

IV-B-03 Certified Budget – Disbursements during the year ended June 30, 2003 did not exceed the amounts budgeted. The County reduced the original budget, but the appropriations by department were not reduced accordingly. Therefore, the total amount appropriated exceeded the total of the functional budgets.

Recommendation – Appropriations should have been reduced at the time of the budget amendment.

Response – This oversight will not be overlooked in the future.

Conclusion – Response accepted.

IV-C-03 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-D-03 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-E-03 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-F-03 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-G-03 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-H-03 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-I-03 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).

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

IV-J-03 Health Insurance – The County provides employees health insurance and other benefits through partial self funding of the County’s health insurance plan. Chapter 509A.15 of the Code of Iowa requires the County to obtain an actuarial opinion issued by a fellow of the Society of Actuaries which attests to the adequacy of reserves, rates and the financial condition of the plan.

Recommendation – The County should obtain an actuarial opinion, issued by a fellow of the Society of Actuaries, as required. However, the County may be exempt from Chapter 509A.15 of the Code of Iowa, effective July 1, 2003, if the health insurance plan’s yearly claims do not exceed one percent of the County’s general fund budget. The County’s request for exemption from Chapter 509A.15 should be made in writing to the Iowa Insurance Division each year.

Response – We will take under advisement. Self funding portion will not exist after June 30, 2004.

Conclusion – Response accepted.

IV-K-03 Deficit Treasurer’s Drainage District Balances – Thirteen drainage districts under the control of the Board of Supervisors and two under control of Drainage District Trustees have deficit Treasurer’s Balances. Chapter 468.54 of the Code of Iowa does not permit expenditures on behalf of any district in excess of its share of the Special Revenue, Drainage Districts Fund or Agency Fund, Drainage Districts Fund.

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

Responses –

Treasurer – This will be taken care of.

Board of Supervisors – This will be taken care of.

Conclusion – Responses accepted.

IV-L-03 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows County Officials to retain cancelled checks in an electronic format and requires retention in this manner to include an image of the both the front and back of each cancelled check. The County Treasurer, Recorder and Sheriff retain some cancelled checks through electronic image, but do not obtain an image of the back of each cancelled check as required.

Recommendation – The County Officials should obtain and retain an image of both the front and back of each cancelled check as required.

Response – We will request that the banks furnish an image of both the front and back of each cancelled check.

Conclusion – Response accepted.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

IV-M-03 Payroll Calculation – The County Board of Supervisors approves an annual salary for the County Engineer and the annual salary is divided by 26 payroll to calculate the biweekly salary. 26 payrolls times ten working days in a biweekly period means there are 260 working days in a fiscal year. The actual number of working days in a fiscal year varies from 260 to 262 working days. There are 261 actual working days in fiscal year 2003.

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

Response – This will be addressed in the near future.

Conclusion – Response accepted.

IV-N-03 Inactive Funds – The Agency Advance Tax and State Tax Credit Funds have balances that been inactive for an extended period of time.

Recommendation – The funds should be closed in accordance with Chapter 24.21 of the Code of Iowa.

Response – These funds were transferred to the General Fund on January 9, 2004.

Conclusion – Response accepted.

II-O-03 County Assessor Board of Review Minutes – Minutes of the Board of Review were not signed.

Recommendation – All minutes should be signed to authenticate action taken.

Response – Assessor will make sure Board of Review follows through with signing minutes.

Conclusion – Response accepted.

IV-P-03 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, B, C and E.

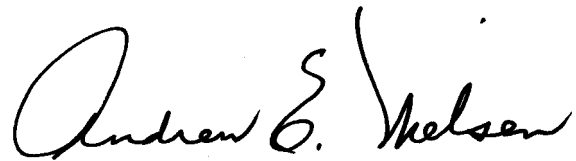
Disbursements during the year ended June 30, 2003 for the County Extension Office did not exceed the amount budgeted.

Webster County

Staff

This audit was performed by:

K. David Voy, CPA, Manager
James L. Blekfeld, CPA, Senior Auditor
Nicholas A. Freymann, CGFM, Senior Auditor
Julie J. Lyon, CPA, Staff Auditor
Heather B. Allen, Staff Auditor
Billie Jo Heth, Staff Auditor
Dustin S. Boxa, CPA, Assistant Auditor
Ryan J. Johnson, Assistant Auditor
Jake P. Keegan, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State