



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

June 14, 2013

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515/281-5834

The Office of Auditor of State today released an audit report on Webster County, Iowa.

The County had local tax revenue of \$50,739,119 for the year ended June 30, 2012, which included \$1,392,472 in tax credits from the state. The County forwarded \$38,254,371 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$12,484,748 of the local tax revenue to finance County operations, a less than 1% increase over the prior year. Other revenues included charges for service of \$4,216,563, operating grants and contributions of \$9,401,390, capital grants and contributions of \$4,250,106, tax increment financing of \$385,208, local option sales tax of \$1,531,060, unrestricted investment earnings of \$146,129 and other general revenues of \$520,730.

Expenses for County operations totaled \$28,166,293, a 6.6% increase over the prior year. Expenses included \$8,458,960 for roads and transportation, \$5,760,709 for mental health and \$4,984,786 for public safety and legal services.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1210-0094-B00F.pdf>.

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WEBSTER COUNTY

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

JUNE 30, 2012

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Webster County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Phil Condon	Board of Supervisors	Jan 2013
Eddie Peterson	Board of Supervisors	Jan 2013
Robert Singer	Board of Supervisors	Jan 2013
Keith Dencklau	Board of Supervisors	Jan 2015
Clark Fletcher	Board of Supervisors	Jan 2015
Carol Messerly	County Auditor	Jan 2013
Jan Messerly	County Treasurer	Jan 2015
Judy Cosgrove	County Recorder	Jan 2015
Brian Mickelson	County Sheriff	Jan 2013
Ricki L. Osborn	County Attorney	Jan 2015
Jeanette Thanupakorn	County Assessor	Jan 2016

Webster County



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Independent Auditor's Report

To the Officials of Webster County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Webster County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Webster County's management. Our responsibility is to express opinions on these financial statements based on our audit.


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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Webster County at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 26, 2013 on our consideration of Webster County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 14 and 46 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Webster County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 26, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Webster County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 1.3%, or approximately \$446,000, from fiscal year 2011 to fiscal year 2012. Property tax revenue increased approximately \$41,000, or 0.3% while local option sales tax revenue decreased approximately \$254,000 and capital grants and contributions decreased approximately \$365,000.
- Program expenses of the County's governmental activities were 6.6%, or approximately \$1,732,000, more in fiscal year 2012 than in fiscal year 2011. Mental health expenses increased approximately \$1,856,000, non-program expenses increased approximately \$332,000 and public safety and legal services expenses increased approximately \$316,000 while roads and transportation expenses decreased approximately \$1,073,000.
- The County's net assets increased 8.1%, or approximately \$4,769,000, from June 30, 2011 to June 30, 2012.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services, Secondary Roads and Drainage Districts, 3) the Capital Projects Fund and 4) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.

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

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Webster County's combined net assets increased approximately 8.1% over a year ago, increasing from approximately \$58.7 million to approximately \$63.5 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

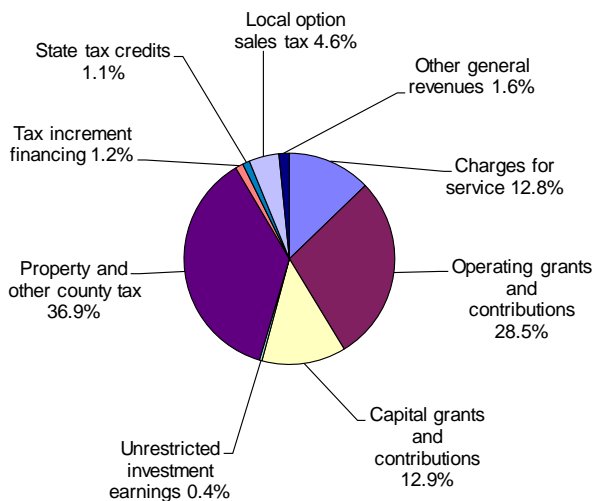
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2012	2011
Current and other assets	\$ 31,745	36,358
Capital assets	56,114	48,040
Total assets	<u>87,859</u>	<u>84,398</u>
Long-term liabilities	10,196	10,866
Other liabilities	14,205	14,843
Total liabilities	<u>24,401</u>	<u>25,709</u>
Net assets:		
Invested in capital assets, net of related debt	50,388	45,079
Restricted	10,644	11,630
Unrestricted	2,426	1,980
Total net assets	<u>\$ 63,458</u>	<u>58,689</u>

Net assets of Webster County's governmental activities increased 8.1% (approximately \$63.5 million compared to approximately \$58.7 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets — the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements — increased approximately \$446,000 as a result of fiscal year 2012 operations.

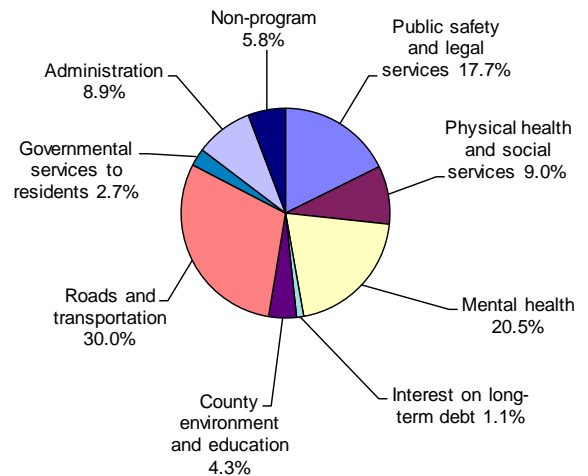
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2012	2011
Revenues:		
Program revenues:		
Charges for service	\$ 4,217	3,114
Operating grants and contributions	9,401	10,617
Capital grants and contributions	4,250	4,615
General revenues:		
Property and other county tax	12,120	12,079
Tax increment financing	385	415
State tax credits	365	373
Local option sales tax	1,531	1,785
Unrestricted investment earnings	146	42
Other general revenues	520	341
Total revenues	32,935	33,381
Program expenses:		
Public safety and legal services	4,985	4,669
Physical health and social services	2,522	2,364
Mental health	5,760	3,904
County environment and education	1,211	1,146
Roads and transportation	8,459	9,532
Governmental services to residents	769	667
Administration	2,519	2,597
Non-program	1,644	1,312
Interest on long-term debt	297	243
Total expenses	28,166	26,434
Increase in net assets	4,769	6,947
Net assets beginning of year	58,689	51,742
Net assets end of year	\$ 63,458	58,689

Revenues by Source



Expenses by Program



Webster County's net assets of governmental activities increased approximately \$4,769,000 during the year. Revenues for governmental activities increased approximately \$446,000 over the prior year, with property tax revenue increasing approximately \$41,000, or 0.3%, compared to the prior year. Operating grants and contributions decreased approximately \$1,216,000 while charges for service increased approximately \$1,103,000.

The cost of all governmental activities this year was approximately \$28.2 million compared to approximately \$26.4 million last year. However, as shown in the Statement of Activities in Exhibit B, the amount taxpayers ultimately financed for these activities was only approximately \$10.3 million.

INDIVIDUAL MAJOR FUND ANALYSIS

As Webster County completed the year, its governmental funds reported a combined fund balance of approximately \$15,969,000, a decrease of approximately \$3,858,000 from last year's total of approximately \$19,827,000. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$417,000 and expenditures increased approximately \$983,000 over the prior year. The ending fund balance increased \$1,069,868 over the prior year to approximately \$7,002,000. The majority of the increase is due to additional funding received for public health expenditures and an increase in property and other County tax.
- The County has continued to look for ways to effectively manage the cost of mental health services. Special Revenue, Mental Health Fund revenues increased approximately \$1,298,000 over the previous year due to the receipt of allowable growth funds from the State. Expenditures for the year increased approximately \$1,840,000, or 47.2%, over the prior year, primarily due to the continued rise in health care service costs, including increased expenditures for intermediate care facilities and supported community service beds and the hiring of additional case managers. The Mental Health Fund balance at year end decreased approximately \$227,000 from the prior year.
- Special Revenue, Rural Services Fund revenues decreased approximately \$65,000 from the previous fiscal year and expenditures increased approximately \$21,000. The decrease in revenues is attributable to a decrease in rural property tax. Transfers from other County funds increased \$250,000 over the prior fiscal year. The Rural Services Fund balance increased approximately \$282,000 from the prior year.
- Revenues in the Special Revenue, Secondary Roads Fund decreased approximately \$1,737,000 from the previous year. Secondary Roads Fund expenditures increased approximately \$1,390,000 over the prior year. Revenues decreased due to less funding received from Iowa Department of Transportation grants, transfer of jurisdiction funding and the receipt of FEMA money for bridge and road maintenance compared to fiscal year 2011. Expenditures for capital projects increased from the prior year, primarily due to granular surfacing projects to repair the damage to the County's roads due to flooding. The Secondary Roads Fund balance decreased approximately \$1,089,000 from the prior year.
- The Special Revenue, Drainage Districts Fund ended the year with a \$431,646 balance compared to a \$381,255 balance at the end of the previous year. Flood damage repair expenditures increased approximately \$255,000. Drainage warrants paid increased approximately \$450,000 during the fiscal year compared to the prior fiscal year. Proceeds from stamped warrants increased approximately \$216,000 during fiscal year 2012.

- The Capital Projects Fund ended the year with a \$1,233,443 balance compared to a \$5,204,622 balance at the end of the previous year. Proceeds of a \$7,500,000 general obligation sales and services tax bond issuance and IJOBS funding of approximately \$953,000 were provided and expended for construction and remodeling of the law enforcement center.

BUDGETARY HIGHLIGHTS

Over the course of the year, Webster County amended its budget one time. The amendment was made November 8, 2011 and resulted in an increase in budgeted receipts and disbursements due to additional intergovernmental funding provided for public safety and mental health.

The County’s actual receipts were \$614,548 more than budgeted receipts, due primarily to FEMA grant funds received during fiscal year 2012.

Total disbursements were \$1,523,830 less than the final amended budget. Capital projects disbursements were \$580,010 less than budgeted due to the timing of disbursements and completion of the County Sheriff’s Law Enforcement Center project during the fiscal year. Disbursements for several other functions were less than budgeted due to less than anticipated spending in all areas.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, Webster County had approximately \$56,114,000 invested (net of depreciation) in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$8,074,000, or 16.8%, over fiscal year 2011.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2012	2011
Land	\$ 1,118	1,117
Construction in progress	3,548	3,162
Buildings and improvements	9,945	5,220
Machinery and equipment	3,654	3,708
Infrastructure	37,849	34,833
Totals	\$ 56,114	48,040

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

Capital assets contributed by the Iowa Department of Transportation	\$ 3,265
Secondary Roads infrastructure	1,644
Law Enforcement Center project	2,597
Secondary Roads equipment and vehicles	298
Sheriff's Office equipment and vehicles	230
Total	\$ 8,034

The County had depreciation expense of \$2,884,501 in fiscal year 2012 and total accumulated depreciation of \$45,545,804 at June 30, 2012.

The County's fiscal year 2012 capital projects budget totaled \$7,770,000, principally for the County Sheriff's Law Enforcement Center and Secondary Roads Fund projects. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2012, Webster County had approximately \$9,437,000 of general obligation bonds and other debt outstanding, compared to approximately \$10,131,000 at June 30, 2011, as shown below:

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2012	2011
General obligation capital loan notes	\$ -	110
General obligation local option sales and services tax bonds	6,960	7,250
Tax increment revenue bonds	1,062	1,421
Drainage warrants	1,415	1,350
Totals	<u>\$ 9,437</u>	<u>10,131</u>

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Webster County's outstanding debt of approximately \$9,437,000 is significantly below its constitutional debt limit of approximately \$114.9 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Webster County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 7.5% versus 8.5% a year ago. This compares with the State's unemployment rate of 5.1% and is below the national rate of 8.2%.

Inflation in the State was comparable to the national Consumer Price Index decrease at the close of the fiscal year. The Midwest Region of the Department of Labor, of which Iowa is a member, CPI rate was 1.4% for fiscal year 2012 compared with the national rate of 1.7%. After the end of fiscal year 2012, the Consumer Price Index remained unchanged due to a decrease in gasoline costs coupled with an increase in food and shelter costs. As of December 2012, the Midwest Region of the Department of Labor CPI was 1.8% compared with the national rate of 1.7%.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are approximately \$27.4 million, a decrease of approximately \$.9 million from the final fiscal year 2012 budget. The County considered the effect inflation and consumer demands for services have on program costs. Modest wage and cost-of-living adjustments are included in the fiscal year 2013 budget. The County has added no major new programs or initiatives to the fiscal year 2013 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$3.1 million by the close of fiscal year 2013.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Exhibit A

Webster County
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
Assets	
Cash, pooled investments and cash equivalents	\$ 15,976,599
Receivables:	
Property tax:	
Delinquent	37,726
Succeeding year	12,209,000
Accounts	68,132
Drainage assessments:	
Current	434,804
Future	980,420
Due from other governments	1,034,366
Inventories	773,786
Prepaid insurance	229,872
Capital assets, net of accumulated depreciation	56,114,275
Total assets	<u>87,858,980</u>
Liabilities	
Accounts payable	1,154,805
Accrued interest payable	21,511
Salaries and benefits payable	161,179
Due to other governments	658,014
Deferred revenue:	
Succeeding year property tax	12,209,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan notes	
General obligation local option sales and services tax bonds	300,000
Tax increment revenue bonds	367,740
Drainage warrants	434,804
Compensated absences	354,617
Portion due or payable after one year:	
General obligation local option sales and services tax bonds	6,660,000
Tax increment revenue bonds	694,193
Drainage warrants	980,420
Net OPEB liability	404,419
Total liabilities	<u>24,400,702</u>
Net Assets	
Invested in capital assets, net of related debt	50,387,718
Restricted for:	
Supplemental levy purposes	1,909,361
Mental health purposes	1,497,214
Rural services purposes	1,103,447
Secondary roads purposes	3,082,272
Drainage district purposes	431,646
Debt service	289
Other purposes	2,620,351
Unrestricted	2,425,980
Total net assets	<u>\$ 63,458,278</u>

See notes to financial statements.

Webster County

Statement of Activities

Year ended June 30, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 4,984,786	478,392	712,844	-	(3,793,550)
Physical health and social services	2,521,752	851,021	1,536,837	-	(133,894)
Mental health	5,760,709	555,215	2,637,410	-	(2,568,084)
County environment and education	1,211,025	243,866	94,144	-	(873,015)
Roads and transportation	8,458,960	60,864	4,332,420	4,250,106	184,430
Governmental services to residents	769,074	565,403	-	-	(203,671)
Administration	2,519,155	114,787	87,735	-	(2,316,633)
Non-program	1,644,038	1,347,015	-	-	(297,023)
Interest on long-term debt	296,794	-	-	-	(296,794)
Total	\$ 28,166,293	4,216,563	9,401,390	4,250,106	(10,298,234)
General Revenues:					
Property and other county tax levied for general purposes					12,119,773
Tax increment financing					385,208
Penalty and interest on property tax					110,909
State tax credits					364,975
Local option sales and services tax					1,531,060
Unrestricted investment earnings					146,129
Gain on disposition of capital assets					10,000
Rent					361,659
Miscellaneous					38,162
Total general revenues					15,067,875
Change in net assets					4,769,641
Net assets beginning of year					58,688,637
Net assets end of year					\$ 63,458,278
See notes to financial statements.					

Webster County
Balance Sheet
Governmental Funds

June 30, 2012

	General	Mental Health	Special Rural Services
Assets			
Cash, pooled investments and cash equivalents:			
County Treasurer	\$ 6,721,125	2,187,363	1,104,912
Receivables:			
Property tax:			
Delinquent	27,966	7,685	2,075
Succeeding year	7,250,000	2,041,000	2,528,000
Accounts	62,798	-	1,750
Drainage assessments:			
Current	-	-	-
Future	-	-	-
Due from other governments	453,377	46,288	6,094
Inventories	-	-	-
Prepaid insurance	229,872	-	-
Total assets	\$ 14,745,138	4,282,336	3,642,831
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 262,043	115,175	3,841
Salaries and benefits payable	100,565	15,115	1,461
Due to other governments	79,136	568,813	-
Deferred revenue:			
Succeeding year property tax	7,250,000	2,041,000	2,528,000
Other	51,790	7,684	2,140
Total liabilities	7,743,534	2,747,787	2,535,442
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid insurance	229,872	-	-
Restricted for:			
Supplemental levy purposes	1,735,708	-	-
Mental health purposes	-	1,534,549	-
Rural services purposes	-	-	1,107,389
Secondary roads purposes	-	-	-
Drainage warrants	-	-	-
Capital projects	-	-	-
Other purposes	1,520,267	-	-
Unassigned	3,515,757	-	-
Total fund balances	7,001,604	1,534,549	1,107,389
Total liabilities and fund balances	\$ 14,745,138	4,282,336	3,642,831

See notes to financial statements.

Revenue				
Secondary Roads	Drainage Districts	Capital Projects	Nonmajor	Total
2,918,114	431,646	1,234,423	1,233,855	15,831,438
-	-	-	-	37,726
-	-	-	390,000	12,209,000
3,584	-	-	-	68,132
-	434,804	-	-	434,804
-	980,420	-	-	980,420
409,759	-	-	118,848	1,034,366
773,786	-	-	-	773,786
-	-	-	-	229,872
4,105,243	1,846,870	1,234,423	1,742,703	31,599,544
741,156	-	980	2,233	1,125,428
44,038	-	-	-	161,179
10,065	-	-	-	658,014
-	-	-	390,000	12,209,000
-	1,415,224	-	-	1,476,838
795,259	1,415,224	980	392,233	15,630,459
773,786	-	-	-	773,786
-	-	-	-	229,872
-	-	-	-	1,735,708
-	-	-	-	1,534,549
-	-	-	-	1,107,389
2,536,198	-	-	-	2,536,198
-	431,646	-	-	431,646
-	-	1,233,443	-	1,233,443
-	-	-	1,350,470	2,870,737
-	-	-	-	3,515,757
3,309,984	431,646	1,233,443	1,350,470	15,969,085
4,105,243	1,846,870	1,234,423	1,742,703	31,599,544

Webster County

Webster County

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

June 30, 2012

Total governmental fund balances (page 19)	\$ 15,969,085
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$101,660,079 and the accumulated depreciation is \$45,545,804	56,114,275
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	1,476,838
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.	115,784
Long-term liabilities, including bonds and notes payable, drainage warrants payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental	<u>(10,217,704)</u>
Net assets of governmental activities (page 16)	<u><u>\$ 63,458,278</u></u>

See notes to financial statements.

Webster County

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

Year ended June 30, 2012

	Special		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 7,497,935	2,057,453	2,558,166
Tax increment financing	-	-	-
Local option sales and services tax	-	-	-
Interest and penalty on property tax	110,909	-	-
Intergovernmental	3,551,945	3,448,956	151,250
Licenses and permits	263	-	99,057
Charges for service	976,876	8,021	3,700
Use of money and property	361,988	-	7,504
Miscellaneous	79,447	553	10
Total revenues	12,579,363	5,514,983	2,819,687
Expenditures:			
Operating:			
Public safety and legal services	5,047,832	-	-
Physical health and social services	2,471,858	-	36,490
Mental health	-	5,741,501	-
County environment and education	654,309	-	501,006
Roads and transportation	-	-	-
Governmental services to residents	749,220	-	-
Administration	2,451,572	-	-
Non-program	104,343	-	-
Debt service	114,900	-	-
Capital projects	165,461	-	-
Total expenditures	11,759,495	5,741,501	537,496
Excess (deficiency) of revenues over (under) expenditures	819,868	(226,518)	2,282,191
Other financing sources (uses):			
Operating transfers in	272,464	-	-
Operating transfers out	(22,464)	-	(2,000,000)
Drainage warrants issued	-	-	-
Total other financing sources (uses)	250,000	-	(2,000,000)
Change in fund balances	1,069,868	(226,518)	282,191
Fund balances beginning of year	5,931,736	1,761,067	825,198
Fund balances end of year	\$ 7,001,604	1,534,549	1,107,389

See notes to financial statements.

Revenue				
Secondary Roads	Drainage Districts	Capital Projects	Nonmajor	Total
-	-	-	-	12,113,554
-	-	-	385,208	385,208
824,705	-	-	824,705	1,649,410
-	-	-	-	110,909
4,519,890	146,996	658,071	21,668	12,498,776
12,085	-	-	-	111,405
35	-	-	7,192	995,824
18,723	-	-	2,421	390,636
99,785	1,346,221	-	-	1,526,016
5,475,223	1,493,217	658,071	1,241,194	29,781,738
-	-	-	-	5,047,832
-	-	-	-	2,508,348
-	-	-	-	5,741,501
-	-	-	27,950	1,183,265
7,028,654	-	-	-	7,028,654
-	-	-	13,842	763,062
-	-	-	-	2,451,572
-	1,411,887	-	-	1,516,230
-	1,392,594	-	923,623	2,431,117
1,535,087	-	4,629,250	-	6,329,798
8,563,741	2,804,481	4,629,250	965,415	35,001,379
(3,088,518)	(1,311,264)	(3,971,179)	275,779	(5,219,641)
2,000,000	-	-	555,601	2,828,065
-	-	-	(805,601)	(2,828,065)
-	1,361,655	-	-	1,361,655
2,000,000	1,361,655	-	(250,000)	1,361,655
(1,088,518)	50,391	(3,971,179)	25,779	(3,857,986)
4,398,502	381,255	5,204,622	1,324,691	19,827,071
3,309,984	431,646	1,233,443	1,350,470	15,969,085

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, 2012

Change in fund balances - Total governmental funds (page 23) \$(3,857,986)

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

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

Expenditures for capital assets	\$ 7,683,319	
Capital assets contributed by the Iowa Department of Transportation	3,265,186	
Depreciation expense	<u>(2,884,501)</u>	8,064,004

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 10,000

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

Property tax	6,219	
Other	<u>(254,915)</u>	(248,696)

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

Issued	(1,361,655)	
Repaid	<u>2,056,164</u>	694,509

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

Compensated absences	31,840	
Other postemployment benefits	(56,346)	
Interest on long-term debt	<u>78,157</u>	53,651

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 54,159

Change in net assets of governmental activities (page 17) \$ 4,769,641

See notes to financial statements.

Webster County
Statement of Net Assets
Proprietary Fund
June 30, 2012

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 145,161
Liabilities	
Accounts payable	<u>29,377</u>
Net Assets	
Unrestricted	<u>\$ 115,784</u>

See notes to financial statements.

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

Year ended June 30, 2012

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,808,215
Reimbursements from employees and others		203,256
COBRA reimbursements		<u>42,505</u>
Total operating revenues		2,053,976
Operating expenses:		
Insurance premiums	\$ 1,951,104	
Medical claims	15,275	
Administrative fees	<u>34,505</u>	<u>2,000,884</u>
Operating income		53,092
Non-operating revenues:		
Interest income		<u>1,067</u>
Net income		54,159
Net assets beginning of year		<u>61,625</u>
Net assets end of year		<u>\$ 115,784</u>

See notes to financial statements.

Webster County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2012

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund contributions	\$ 1,808,215
Cash received from employees and others	203,256
Cash received from COBRA reimbursements	42,505
Cash paid for insurance premiums	(1,951,104)
Cash paid for medical claims	(1,750)
Cash paid for administrative expenses	(34,505)
Net cash provided by operating activities	66,617
Cash flows from investing activities:	
Interest on investments	1,067
Net increase in cash and cash equivalents	67,684
Cash and cash equivalents beginning of year	77,477
Cash and cash equivalents end of year	\$ 145,161
 Reconciliation of operating income to net cash provided for operating activities:	
Operating income	\$ 53,092
Adjustments to reconcile operating income to net cash provided for operating activities:	
Increase in accounts payable	13,525
Net cash provided by operating activities	\$ 66,617

See notes to financial statements.

Webster County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2012

Assets

Cash and pooled investments:

County Treasurer	\$ 1,842,283
Other County officials	132,931

Receivables:

Property tax:

Delinquent	186,665
Succeeding year	36,022,000
Accounts	9,115
Special assessments	1,060,087
Drainage assessments	299,756

Total assets39,552,837**Liabilities**

Accounts payable	5,022
Salaries and benefits payable	5,217
Due to other governments	39,426,422
Trusts payable	107,352
Compensated absences	8,824

Total liabilities39,552,837**Net assets**\$ -

See notes to financial statements.

Webster County

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law.

Investments are stated at fair value except for investments in non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

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

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

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which are due and payable but have not been collected.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

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

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

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	25 - 50
Land and improvements	10 - 50
Equipment and vehicles	3 - 20
Intangibles	5 - 20
Infrastructure	10 - 65

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

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

(2) Cash, Pooled Investments and Cash Equivalents

The County’s deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales and Services Tax	\$ 272,464
Special Revenue: Secondary Roads	Rural Services	2,000,000
Local Option Sales and Services Tax	General	22,464
Debt Service	Special Revenue: Local Option Sales and Services Tax	533,137
Total		<u>\$ 2,828,065</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, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,116,766	1,337	-	1,118,103
Construction in progress, road network	770,112	4,896,981	(4,972,164)	694,929
Construction in progress	2,392,209	2,853,546	(2,392,209)	2,853,546
Total capital assets not being depreciated	4,279,087	7,751,864	(7,364,373)	4,666,578
Capital assets being depreciated:				
Buildings	15,176,280	4,983,430	-	20,159,710
Improvements other than buildings	150,000	-	-	150,000
Equipment and vehicles	10,601,062	615,420	(36,459)	11,180,023
Infrastructure, road network	60,531,604	4,972,164	-	65,503,768
Total capital assets being depreciated	86,458,946	10,571,014	(36,459)	96,993,501
Less accumulated depreciation for:				
Buildings	9,955,228	258,782	-	10,214,010
Improvements other than buildings	150,000	-	-	150,000
Equipment and vehicles	6,893,250	669,625	(36,459)	7,526,416
Infrastructure, road network	25,699,284	1,956,094	-	27,655,378
Total accumulated depreciation	42,697,762	2,884,501	(36,459)	45,545,804
Total capital assets being depreciated, net	43,761,184	7,686,513	-	51,447,697
Governmental activities capital assets, net	\$48,040,271	15,438,377	(7,364,373)	56,114,275

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 168,423
Physical health and social services	42,345
Mental health	18,451
County environment and education	46,481
Roads and transportation	2,489,053
Administration	119,748
Total depreciation expense - governmental activities	<u>\$ 2,884,501</u>

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2012 is as follows:

Fund	Description	Amount
General	Services	\$ 79,136
Special Revenue:		
Mental Health	Services	568,813
Secondary Roads	Services	10,065
		<u>578,878</u>
Total for governmental funds		<u>\$ 658,014</u>
Agency:		
Agricultural Extension Education	Collections	\$ 234,657
County Assessor		507,058
Schools		20,539,524
Community Colleges		1,192,621
Corporations		14,020,433
Townships		394,017
Auto License and Use Tax		708,875
Special Districts		1,097,950
All other		731,287
Total for agency funds		<u>\$ 39,426,422</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	General Obligation	General Obligation	Local Option Sales and Services Tax Bonds	Tax Increment Revenue Bonds	Drainage Warrants	Compen- sated Absences	Other Post- employment Benefits	Total
Balance beginning of year	\$ 110,000	7,250,000		1,421,180	1,350,486	386,457	348,073	10,866,196
Increases	-	-	-	-	1,361,655	510,284	65,654	1,937,593
Decreases	110,000	290,000		359,247	1,296,917	542,124	9,308	2,607,596
Balance end of year	\$ -	6,960,000		1,061,933	1,415,224	354,617	404,419	10,196,193
Due within one year	\$ -	300,000		367,740	434,804	354,617	-	1,457,161

General Obligation Local Option Sales and Services Tax Bonds

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	2.50%	\$ 300,000	235,388	535,388
2014	2.50	305,000	227,888	532,888
2015	2.50	315,000	220,263	535,263
2016	2.50	320,000	212,388	532,388
2017	2.50	330,000	204,388	534,388
2018-2022	2.50-3.25	1,795,000	875,361	2,670,361
2023-2027	3.375-3.875	2,120,000	551,249	2,671,249
2028-2030	4.00-4.125	1,475,000	142,750	1,617,750
Total		\$ 6,960,000	2,669,675	9,629,675

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

Annual principal and interest payments on the bonds required 35% of net receipts. During the year ended June 30, 2012, the County retired \$290,000 of bonds. The total principal and interest remaining to be paid on the bonds is \$9,629,675. For the current year, principal and interest paid and total local option sales and services tax were \$532,637 and \$1,531,060, respectively.

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

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

Tax Increment Revenue Bonds

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

The total principal and interest remaining to be paid on the bonds at June 30, 2012 is \$1,103,885. For the current year, principal and interest paid and total tax increment financing revenues were \$390,486 and \$385,208, respectively.

The bonds bear interest at 2.35% per annum with final maturity on December 1, 2015. Principal and interest on the bonds is payable in semi-annual payments of \$195,243 on June 1 and December 1, beginning June 1, 2008 and continuing through and including June 1, 2015.

A summary of the County's June 30, 2012 tax increment revenue bond indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	2.35 %	\$ 367,740	22,745	390,485
2014	2.35	376,433	14,053	390,486
2015	2.35	317,760	5,154	322,914
Total		\$ 1,061,933	41,952	1,103,885

Drainage Warrants

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

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

(7) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$683,072, \$573,902 and \$554,445, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 160 active and 9 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 71,360
Interest on net OPEB obligation	15,663
Adjustment to annual required contribution	(21,369)
Annual OPEB cost	<u>65,654</u>
Contributions made	(9,308)
Increase in net OPEB obligation	<u>56,346</u>
Net OPEB obligation beginning of year	<u>348,073</u>
Net OPEB obligation end of year	<u>\$ 404,419</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the County contributed \$9,308 to the medical plan. Plan members eligible for benefits contributed \$17,514, or 65% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 122,693	2.5%	\$ 237,097
2011	114,150	2.8	348,073
2012	65,654	14.2	404,419

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$620,671, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$621,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,339,000 and the ratio of the UAAL to covered payroll was 8.5%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for

the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2011 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment return rate based on the County's funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

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

Projected claim costs of the medical plan are \$551 per month for retirees less than age 65 and \$1,251 per month for family plans of retirees less than age 65 under Iowa State Association of Counties (ISAC) plan 9. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2012 were \$207,683.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Employee Health Insurance Plan

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

The payments of plan contributions to the Internal Service, Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments are made to Group Services for service fees and for contributions into a Safe-T fund. Claims are processed from the Safe-T fund to ensure timely payment. The County's contribution to the fund for the year ended June 30, 2012 was \$1,808,215.

The amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2012 for incurred but not reported (IBNR) and reported but not paid claims has been estimated but has not been actuarially determined since the County is exempt from obtaining an actuarial opinion under Chapter 509A.15(4) of the Code of Iowa. The combined County liability for unpaid claims is as follows:

Unpaid claims beginning of year	\$ 15,852
Incurred claims (including claims incurred but not reported at June 30, 2012)	15,275
Payment on claims during the fiscal year	<u>(1,750)</u>
Unpaid claims end of year	<u>\$ 29,377</u>

(11) Industrial Development Revenue Bonds

The County has issued a total of \$670,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$546,143 is outstanding at June 30, 2012. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and the bond principal and interest do not constitute liabilities of the County.

(12) Economic Development Agreement

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

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

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

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, 2012

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 13,963,109	-	13,963,109
Interest and penalty on property tax	117,453	-	117,453
Intergovernmental	13,057,582	146,996	12,910,586
Licenses and permits	109,954	-	109,954
Charges for service	1,039,238	-	1,039,238
Use of money and property	393,369	-	393,369
Miscellaneous	1,733,853	1,346,221	387,632
Total receipts	30,414,558	1,493,217	28,921,341
Disbursements:			
Public safety and legal services	5,112,371	-	5,112,371
Physical health and social services	2,484,883	-	2,484,883
Mental health	5,427,267	-	5,427,267
County environment and education	1,173,862	-	1,173,862
Roads and transportation	6,525,029	-	6,525,029
Governmental services to residents	767,276	-	767,276
Administration	2,522,545	-	2,522,545
Non-program	1,499,623	1,411,887	87,736
Debt service	2,431,117	1,392,594	1,038,523
Capital projects	7,189,990	-	7,189,990
Total disbursements	35,133,963	2,804,481	32,329,482
Excess (deficiency) of receipts over (under) disbursements	(4,719,405)	(1,311,264)	(3,408,141)
Other financing sources, net	1,361,655	1,361,655	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(3,357,750)	50,391	(3,408,141)
Balance beginning of year	19,189,188	381,255	18,807,933
Balance end of year	\$ 15,831,438	431,646	15,399,792

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
14,246,902	14,246,902	(283,793)
115,000	115,000	2,453
11,053,743	12,486,578	424,008
250,290	250,290	(140,336)
804,260	804,260	234,978
299,469	299,469	93,900
104,294	104,294	283,338
<u>26,873,958</u>	<u>28,306,793</u>	<u>614,548</u>
4,953,719	5,503,719	391,348
2,715,461	2,715,461	230,578
4,936,417	5,436,417	9,150
1,246,515	1,246,515	72,653
6,530,000	6,530,000	4,971
804,875	804,875	37,599
2,607,702	2,607,702	85,157
200,000	200,000	112,264
1,038,623	1,038,623	100
7,600,000	7,770,000	580,010
<u>32,633,312</u>	<u>33,853,312</u>	<u>1,523,830</u>
(5,759,354)	(5,546,519)	2,138,378
-	-	-
(5,759,354)	(5,546,519)	2,138,378
15,591,341	15,591,341	3,216,592
<u>9,831,987</u>	<u>10,044,822</u>	<u>5,354,970</u>

Webster County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 30,414,558	(632,820)	29,781,738
Expenditures	35,133,963	(132,584)	35,001,379
Net	(4,719,405)	(500,236)	(5,219,641)
Other financing sources, net	1,361,655	-	1,361,655
Beginning fund balances	19,189,188	637,883	19,827,071
Ending fund balances	\$ 15,831,438	137,647	15,969,085

See accompanying independent auditor's report.

Webster County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Capital Projects Fund and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$1,220,000. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted by function.

Webster County

Webster County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2008	-	\$ 965	965	0.0%	\$ 7,598	12.7%
2011	Jul 1, 2008	-	965	965	0.0	7,280	13.3
2012	Jul 1, 2011	-	621	621	0.0	7,339	8.5

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

See accompanying independent auditor's report.

Webster County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2012

	County Recorder's Records Management	Special Resource Enhancement and Protection
Assets		
Cash, pooled investments and cash equivalents	\$ 23,135	77,764
Receivables:		
Property tax	-	-
Accounts	-	-
Total assets	\$ 23,135	77,764
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ -	2,233
Deferred revenue:		
Succeeding year property tax	-	-
Total liabilities	-	2,233
Fund balances:		
Restricted for other purposes	23,135	75,531
Total liabilities and fund balances	\$ 23,135	77,764

See accompanying independent auditor's report.

Revenue			
Frontier Ethanol Urban Renewal Tax Increment Financing	Local Option Sales and Services Tax	Debt Service	Total
153,964	978,703	289	1,233,855
390,000	-	-	390,000
-	118,848	-	118,848
543,964	1,097,551	289	1,742,703
-	-	-	2,233
390,000	-	-	390,000
390,000	-	-	392,233
153,964	1,097,551	289	1,350,470
543,964	1,097,551	289	1,742,703

Webster County

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

Year ended June 30, 2012

	County Recorder's Records Management	Special Resource Enhancement and Protection
Revenues:		
Tax increment financing	\$ -	-
Local option sales and services tax	-	-
Intergovernmental	-	21,668
Charges for service	7,192	-
Use of money and property	195	683
Total revenues	<u>7,387</u>	<u>22,351</u>
Expenditures:		
Operating:		
County environment and education	-	27,950
Governmental services to residents	13,842	-
Debt service	-	-
Total expenditures	<u>13,842</u>	<u>27,950</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,455)</u>	<u>(5,599)</u>
Other financing sources (uses):		
Operating transfers in	-	-
Operating transfers out	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Change in fund balances	(6,455)	(5,599)
Fund balances beginning of year	29,590	81,130
Fund balances end of year	<u>\$ 23,135</u>	<u>75,531</u>

See accompanying independent auditor's report.

Revenue			
Frontier Ethanol Urban Renewal Tax Increment Financing	Local Option Sales and Services Tax	Debt Service	Total
385,208	-	-	385,208
-	824,705	-	824,705
-	-	-	21,668
-	-	-	7,192
1,543	-	-	2,421
386,751	824,705	-	1,241,194
-	-	-	27,950
-	-	-	13,842
390,486	-	533,137	923,623
390,486	-	533,137	965,415
(3,735)	824,705	(533,137)	275,779
-	22,464	533,137	555,601
-	(805,601)	-	(805,601)
-	(783,137)	533,137	(250,000)
(3,735)	41,568	-	25,779
157,699	1,055,983	289	1,324,691
153,964	1,097,551	289	1,350,470

Webster County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash, pooled investments and cash equivalents:				
County Treasurer	\$ -	2,803	154,023	275,011
Other County officials	132,931	-	-	-
Receivables:				
Property tax:				
Delinquent	-	854	1,764	88,513
Succeeding year	-	231,000	364,000	20,176,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Drainage assessments	-	-	-	-
Total assets	\$ 132,931	234,657	- 519,787	20,539,524
Liabilities				
Accounts payable	\$ -	-	1,104	-
Salaries and benefits payable	-	-	4,217	-
Due to other governments	25,579	234,657	507,058	20,539,524
Trusts payable	107,352	-	-	-
Compensated absences	-	-	7,408	-
Total liabilities	\$ 132,931	234,657	519,787	20,539,524

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Special Districts	Other	Total
15,037	298,920	3,786	708,875	6,674	377,154	1,842,283
-	-	-	-	-	-	132,931
4,584	90,513	231	-	189	17	186,665
1,173,000	13,631,000	390,000	-	31,000	26,000	36,022,000
-	-	-	-	-	9,115	9,115
-	-	-	-	1,060,087	-	1,060,087
-	-	-	-	-	299,756	299,756
<u>1,192,621</u>	<u>14,020,433</u>	<u>394,017</u>	<u>708,875</u>	<u>1,097,950</u>	<u>712,042</u>	<u>39,552,837</u>
-	-	-	-	-	3,918	5,022
-	-	-	-	-	1,000	5,217
1,192,621	14,020,433	394,017	708,875	1,097,950	705,708	39,426,422
-	-	-	-	-	-	107,352
-	-	-	-	-	1,416	8,824
<u>1,192,621</u>	<u>14,020,433</u>	<u>394,017</u>	<u>708,875</u>	<u>1,097,950</u>	<u>712,042</u>	<u>39,552,837</u>

Webster County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 166,375	231,449	659,371	22,438,338
Additions:				
Property and other county tax	-	231,932	366,234	20,240,699
E911 surcharge	-	-	-	-
State tax credits	-	6,676	13,774	638,032
Office fees and collections	731,036	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	654,728	-	-	-
Miscellaneous	-	-	500	-
Total additions	1,385,764	238,608	380,508	20,878,731
Deductions:				
Agency remittances:				
To other funds	416,450	-	-	-
To other governments	323,092	235,400	520,092	22,777,545
Trusts paid out	679,666	-	-	-
Total deductions	1,419,208	235,400	520,092	22,777,545
Balances end of year	\$ 132,931	234,657	519,787	20,539,524

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Special Districts	Other	Total
1,241,434	13,502,566	373,323	799,590	295,565	432,381	40,140,392
1,179,675	14,787,503	395,267	-	10,140	15,424	37,226,874
-	-	-	-	-	204,524	204,524
35,810	318,687	13,090	-	1,297	131	1,027,497
-	-	-	-	-	-	731,036
-	-	-	9,469,430	-	760	9,470,190
-	-	-	-	862,438	276,655	1,139,093
-	-	-	-	-	662,739	1,317,467
-	-	-	-	-	76,421	76,921
1,215,485	15,106,190	408,357	9,469,430	873,875	1,236,654	51,193,602
-	-	-	299,075	-	1,817	717,342
1,264,298	14,588,323	387,663	9,261,070	71,490	955,176	50,384,149
-	-	-	-	-	-	679,666
1,264,298	14,588,323	387,663	9,560,145	71,490	956,993	51,781,157
1,192,621	14,020,433	394,017	708,875	1,097,950	712,042	39,552,837

Webster County

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

For the Last Ten Years

	2012	2011	2010	2009
Revenues:				
Property and other county tax	\$ 12,498,762	12,470,783	11,170,681	10,528,511
Local option sales and services tax	1,649,410	1,666,772	1,405,986	803,332
Interest and penalty on property tax	110,909	113,651	121,908	125,291
Intergovernmental	12,498,776	12,673,182	10,834,057	11,918,133
Licenses and permits	111,405	77,399	58,905	31,547
Charges for service	995,824	1,122,883	930,734	948,881
Use of money and property	390,636	269,193	307,683	426,764
Miscellaneous	1,526,016	1,398,371	570,869	942,772
Total	<u>\$ 29,781,738</u>	<u>29,792,234</u>	<u>25,400,823</u>	<u>25,725,231</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 5,047,832	4,482,641	4,517,607	4,719,053
Physical health and social services	2,508,348	2,302,259	2,418,882	2,164,245
Mental health	5,741,501	3,901,371	4,203,328	4,440,537
County environment and education	1,183,265	1,105,897	1,165,709	1,141,169
Roads and transportation	7,028,654	6,699,446	6,591,364	7,848,518
Governmental services to residents	763,062	662,741	732,356	798,823
Administration	2,451,572	2,366,009	2,482,172	2,655,140
Non-program	1,516,230	1,157,295	1,959,580	1,739,170
Debt service	2,431,117	1,869,470	1,308,033	720,291
Capital projects	6,329,798	3,820,123	2,185,346	1,577,162
Total	<u>\$ 35,001,379</u>	<u>28,367,252</u>	<u>27,564,377</u>	<u>27,804,108</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
10,257,149	10,626,585	10,232,642	9,420,176	9,612,231	9,224,170
826,329	811,552	803,309	692,933	691,402	659,509
120,461	137,344	112,680	126,175	126,424	147,030
12,099,302	8,097,051	9,621,149	8,594,125	7,832,063	7,562,481
44,819	39,764	36,289	37,961	37,467	34,870
939,967	923,006	996,223	943,330	960,634	936,357
701,379	647,815	539,678	298,314	254,530	306,698
537,801	425,068	610,787	524,791	729,867	562,867
25,527,207	21,708,185	22,952,757	20,637,805	20,244,618	19,433,982
4,625,204	4,349,153	4,203,515	4,006,398	3,887,030	3,793,770
1,990,046	2,113,678	2,037,675	2,002,786	2,082,151	2,075,150
4,983,980	4,392,210	4,112,304	4,144,544	4,113,502	3,666,856
1,079,285	1,009,538	797,784	743,513	849,307	874,326
6,379,563	6,255,432	5,639,429	4,663,415	4,584,459	4,518,209
753,660	726,483	1,030,812	611,466	656,351	584,718
2,610,725	2,328,777	2,312,763	2,101,383	2,014,704	2,055,254
755,011	506,882	2,049,461	989,983	1,004,592	216,946
745,429	759,718	752,223	599,097	808,549	757,971
1,890,975	303,954	1,899,019	1,105,800	806,400	278,857
25,813,878	22,745,825	24,834,985	20,968,385	20,807,045	18,822,057

Schedule 6

Webster County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Public Safety Partnership and Community Policing Grants	16.710	2010UMWX0097	\$ 48,338
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5882A050	14,260
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5881A050/5882A050	339,560
			353,820
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	5880NU55	28,724
Iowa Department of Agriculture and Land Stewardship:			
WIC Farmer's Market Nutrition Program	10.572	1191-05-50	1,459
U.S. Department of Justice:			
Iowa Department of Justice:			
Crime Victim Assistance	16.575	VA-10-29	25,850
Governor's Office of Drug Control Policy:			
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	09JAG/10JAG	42,377
U. S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C094(69)-8J-94	244,537
Highway Planning and Construction	20.205	BROS-C094(84)-5F-94	180,835
Highway Planning and Construction	20.205	BROS-C094(86)--8J-94	218,993
Highway Planning and Construction	20.205	ESFM-094(89)-5E-94	622,487
Highway Planning and Construction	20.205	BRS-C094(93)--5E-94	46,733
			1,313,585

Webster County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Elderbridge Agency on Aging, Inc.:			
Special Programs for the Aging - Title III Part D - Disease Prevention and Health Promotion Services	93.043	D90021	4,882
Special Programs for the Aging - Title III Part D - Disease Prevention and Health Promotion Services	93.043	SL90022	5,135
			<u>10,017</u>
Grinnell Regional Public Health			
Public Health Emergency Preparedness	93.069	5882BT94	29,042
Public Health Emergency Preparedness	93.069	5881BT94	5,030
			<u>34,072</u>
Immunization Grants	93.268	5881I480	1,442
Immunization Grants	93.268	5882I480	9,336
			<u>10,778</u>
Community Transformation Grant	93.531	5882HP25	<u>62,742</u>
Mid-Iowa Community Action, Inc:			
HIV Prevention Activities - Health Department Based	93.940	5881AP15	3,598
HIV Prevention Activities - Health Department Based	93.940	5882AP15	4,542
			<u>8,140</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		<u>59,993</u>
Refugee and Entrant Assistance -			
State Administered Programs	93.566		<u>47</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>6,468</u>
Foster Care - Title IV-E	93.658		<u>10,505</u>
Adoption Assistance	93.659		<u>3,051</u>
State Children's Insurance Program	93.767		<u>100</u>
Medical Assistance Program	93.778		<u>26,970</u>
Social Services Block Grant	93.667		<u>9,139</u>
Social Services Block Grant	93.667		<u>193,990</u>
			<u>203,129</u>

Schedule 6

Webster County

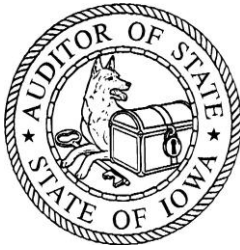
Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Mid-Iowa Community Action, Inc.:			
HIV Care Formula Grants	93.917	5885HCO3	<u>25,636</u>
Calhoun County Department of Health:			
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	5880NB04	<u>6,778</u>
Maternal and Child Health Services			
Block Grants to the States	93.994	5881MH31	46,509
Maternal and Child Health Services			
Block Grants to the States	93.994	5882MH31	<u>194,023</u>
			<u>240,532</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 1763	<u>230,731</u>
Emergency Management Performance Grants	97.042	2009-EM-E8-0019	<u>32,135</u>
Buffer Zone Protection Program	97.078		<u>135,799</u>
Total indirect			<u>2,873,438</u>
Total			<u>\$ 2,921,776</u>

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

See accompanying independent auditor's report.



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Mary Mosiman, CPA
Auditor of State

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

To the Officials of Webster County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Webster County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated April 26, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Webster County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and,


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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 26, 2013

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

Webster County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

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

To the Officials of Webster County:

Compliance

We have audited Webster County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Webster County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal program is the responsibility of Webster County's management. Our responsibility is to express an opinion on Webster County's compliance based on our audit.

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

In our opinion, Webster County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

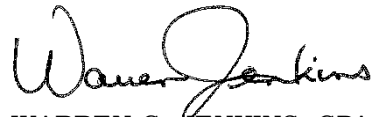
Internal Control Over Compliance

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

A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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

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


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 26, 2013

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no instances of non-compliance which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 10.557 – Special Supplemental Nutrition Program for Women, Infants and Children
 - CFDA Number 20.205 – Highway Planning and Construction
- (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, 2012

Part II: Finding Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

II-A-12 Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

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

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

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Responses –

County Treasurer – As we continue to implement cross-training between the Tax and Motor Vehicle departments, we will be working on reviewing our procedures.

County Recorder – We are trying to review the bank reconciliations, but it is difficult with a small staff. Our workload is always increasing and it is hard to find time for training. We will continue to work on reviewing our procedures.

County Sheriff – For (4) due to lack of manpower, we cannot segregate these duties. We currently have these duties segregated as much as we can with the number of office employees we currently have. For (5) due to lack of manpower, we cannot segregate these duties. We do have dual signatures required on all checks for every account. For (6) the lack of a chief deputy for a period of time prevented this. We are preparing a list of cash and checks received at this time.

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

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amount budgeted by function or the amounts appropriated by department.
- IV-B-12 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-12 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-12 Business Transactions – No business transactions between the County and County officials or employees were noted.
- IV-E-12 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-12 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-H-12 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-12 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.

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

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

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

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

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

Conclusion – Response accepted.

Webster County

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager
Andi J. Kaufman, CPA, Staff Auditor
Jenny R. Lawrence, Staff Auditor
Laura E. Grinnell, Staff Auditor
Hannah K. Haas, Assistant Auditor
Lacey D. Kriegel, Assistant Auditor
Trisha S. Schroeder, Assistant Auditor
Karen S. Pathmaprakashan, Auditor Intern

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

Andrew E. Nielsen, CPA
Deputy Auditor of State