



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

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NEWS RELEASE

FOR RELEASE

May 22, 2017

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

The County had local tax revenue of \$57,698,508 for the year ended June 30, 2016, which included \$5,334,664 in tax credits from the state. The County forwarded \$44,434,560 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$13,263,948 of the local tax revenue to finance County operations, a 3.4% increase over the prior year. Other revenues included charges for service of \$4,257,537, operating grants, contributions and restricted interest of \$8,135,575, capital grants, contributions and restricted interest of \$354,910, tax increment financing of \$1,353,646, local option sales tax of \$1,573,301, unrestricted investment earnings of \$333,264 and other general revenues of \$739,692.

Expenses for County operations for the year ended June 30, 2016 totaled \$28,054,588, a 1.7% increase over the prior year. Expenses included \$10,019,857 for roads and transportation, \$5,230,002 for public safety and legal services and \$3,248,840 for physical health and social services.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1610-0094-B00F>.

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WEBSTER COUNTY

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

JUNE 30, 2016

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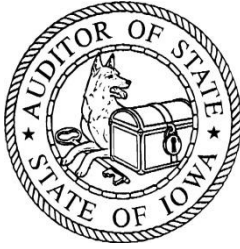
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Webster County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mark Campbell	Board of Supervisors	Jan 2017
Merrill Leffler	Board of Supervisors	Jan 2017
Robert Singer	Board of Supervisors	Jan 2017
Keith Dencklau	Board of Supervisors	Jan 2019
Clark Fletcher	Board of Supervisors	Jan 2019
Carol Messerly	County Auditor	Jan 2017
Jan Messerly	County Treasurer	Jan 2019
Lindsay Boeckman	County Recorder	Jan 2019
James Stubbs	County Sheriff	Jan 2017
Jennifer Benson	County Attorney	Jan 2019
Wesley Ray	County Assessor	Jan 2022

Webster County



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Independent Auditor's Report

To the Officials of Webster County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Webster County, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Webster County as of June 30, 2016 and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 54 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Webster County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 11, 2017 on our consideration of Webster County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Webster County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

May 11, 2017

Webster County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Webster County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 4.1%, or approximately \$1,288,000, from fiscal year 2015 to fiscal year 2016. Property tax increased approximately \$210,000, tax increment financing revenues increased approximately \$978,000 and operating grants and contributions increased approximately \$685,000. Charges for service decreased approximately \$1,728,000 while capital grants and contributions decreased approximately \$2,064,000. Charges for service decreased due to fewer drainage assessments and the County receiving \$1.1 million in the prior year for damages to County roads during construction of wind turbines. Capital grants and contributions decreased due to fewer contributed capital assets received from the Iowa Department of Transportation.
- Program expenses of the County's governmental activities were 1.7%, or approximately \$478,000, more in fiscal year 2016 than in fiscal year 2015. Interest on long-term debt and rebate agreements expense increased approximately \$715,000 and non-program expenses decreased approximately \$554,000.
- The County's net position increased 2.9%, or approximately \$1,957,000, over the prior year.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position of governmental activities.

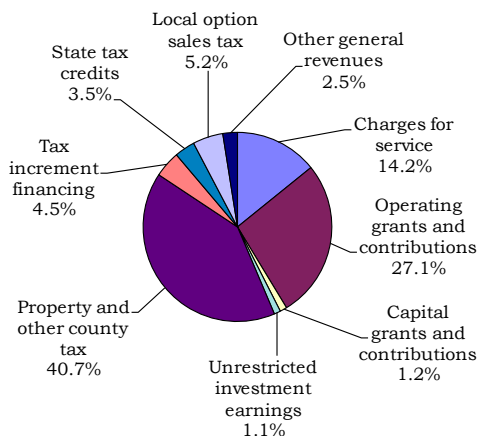
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2016	2015
Current and other assets	\$ 33,088	32,257
Capital assets	62,394	62,745
Total assets	95,482	95,002
Deferred outflows of resources	1,123	1,150
Long-term liabilities	13,430	13,372
Other liabilities	1,485	976
Total liabilities	14,915	14,348
Deferred inflows of resources	12,608	14,679
Net position:		
Net investment in capital assets	56,674	56,829
Restricted	10,894	10,536
Unrestricted	1,514	(240)
Total net position	\$ 69,082	67,125

Net position of Webster County’s governmental activities increased 2.9% (approximately \$69.1 million compared to approximately \$67.1 million). The largest portion of the County’s net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$1,754,000 over the prior year.

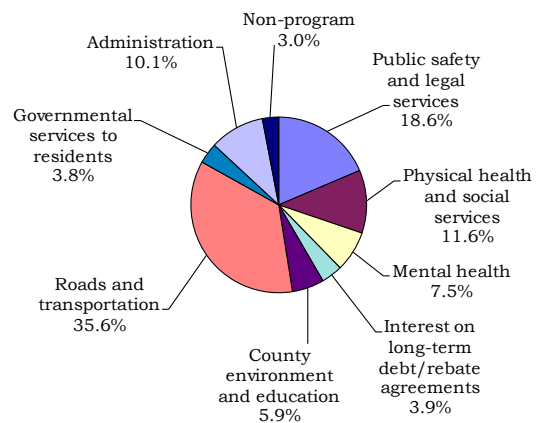
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2016	2015
Revenues:		
Program revenues:		
Charges for service	\$ 4,258	5,986
Operating grants and contributions	8,136	7,451
Capital grants and contributions	355	2,419
General revenues:		
Property and other county tax	12,217	12,007
Tax increment financing	1,354	376
State tax credits	1,047	826
Local option sales tax	1,573	1,881
Unrestricted investment earnings	333	149
Other general revenues	739	205
Total revenues	30,012	31,300
Program expenses:		
Public safety and legal services	5,230	5,060
Physical health and social services	3,249	3,480
Mental health	2,092	2,539
County environment and education	1,645	1,606
Roads and transportation	10,020	9,652
Governmental services to residents	1,056	857
Administration	2,822	2,603
Non-program	843	1,397
Interest on long-term debt/rebate agreements	1,098	383
Total expenses	28,055	27,577
Change in net position	1,957	3,723
Net position beginning of year	67,125	63,402
Net position end of year	\$ 69,082	67,125

Revenues by Source



Expenses by Program



Revenues for governmental activities decreased approximately \$1,288,000 from the prior year. The cost of all governmental activities this year was approximately \$28.1 million compared to approximately \$27.6 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was only approximately \$15.3 million.

INDIVIDUAL MAJOR FUND ANALYSIS

As Webster County completed the year, its governmental funds reported a combined fund balance of approximately \$18,271,000, an increase of approximately \$1,812,000 over last year's total of approximately \$16,460,000. 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 \$586,000 and expenditures increased approximately \$137,000 compared to the prior year. The ending fund balance increased approximately \$685,000 over the prior year to approximately \$8,991,000.
- 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 \$739,000 and expenditures decreased approximately \$454,000. The County is a member of the County Social Services Mental Health Region. During the year, the County forwarded \$1,377,296 to the Region's fiscal agent to fund Region activities. The Special Revenue, Mental Health Fund balance increased approximately \$675,000 during the year.
- Special Revenue, Rural Services Fund revenues increased approximately \$540,000 from the prior year and expenditures increased approximately \$74,000. Transfers to the Special Revenue, Secondary Roads Fund increased approximately \$38,000 over the prior fiscal year. The Rural Services Fund balance increased approximately \$170,000 from the prior year.
- Special Revenue, Secondary Roads Fund revenues decreased approximately \$206,000 and expenditures increased approximately \$879,000 over the prior year. The decrease in revenues was due primarily to receiving approximately \$1.1 million for damages to County roads during the construction of wind turbines during the prior year while road use tax increased approximately \$834,000. The Secondary Roads Fund ending balance decreased approximately \$322,000 from the prior year.
- The Special Revenue, Drainage Districts Fund ended the year with a fund balance of approximately \$362,000 compared to approximately \$369,000 at the end of the prior year. Expenditures for drainage improvements decreased approximately \$597,000 while stamped drainage warrants and interest paid decreased approximately \$1,591,000 compared to the prior fiscal year. Proceeds from stamped warrants decreased approximately \$1,051,000 during fiscal year 2016.
- The Capital Projects Fund ended the year with a fund balance of approximately \$218,000 compared to approximately \$124,000 at the end of the previous year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Webster County amended its budget once. The amendment was made on September 15, 2015 and resulted in an increase in budgeted disbursements for capital projects and government services to residents. The amendment was made for disbursements related to the law enforcement center remodel and the purchase of voting equipment.

The County's receipts were \$979,878 more than budgeted, a variance of 3.5%.

Total disbursements were \$6,988,964 less than the final amended budget, a variance of 20.6%. Roads and transportation disbursements were \$2,576,069 less than budgeted and debt service disbursements were \$1,329,595 less than budgeted since the County did not complete as many projects as expected and the debt service budget was overstated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, Webster County had approximately \$62,394,000 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 decrease (including additions and deletions) of approximately \$351,000, or 0.56%, less than last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2016	2015
Land	\$ 2,078	1,928
Construction in progress	1,033	31
Buildings and improvements	13,063	13,246
Machinery and equipment	3,899	3,817
Infrastructure	42,321	43,723
Total	\$ 62,394	62,745

The County had depreciation expense of \$3,431,625 in fiscal year 2016 and total accumulated depreciation of \$56,588,468 at June 30, 2016. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2016, Webster County had approximately \$7,247,000 of general obligation bonds and other debt outstanding, compared to approximately \$8,423,000 at June 30, 2015, as shown below:

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2016	2015
General obligation capital loan notes	\$ 955	1,085
General obligation local option sales and services tax bonds	5,720	6,040
Drainage warrants	572	1,298
Total	\$ 7,247	8,423

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 general obligation debt of \$8,088,632 including tax increment rebate agreements of \$1,413,632, is significantly below its constitutional debt limit of approximately \$140.1 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Webster County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County at June 2016 stands at 4.5% versus 4.6% a year ago. This is above the State's unemployment rate of 3.8% and is below the national rate of 4.9%.

These indicators were taken into account when adopting the budget for fiscal year 2017. Budgeted disbursements are approximately \$35.6 million, an increase of approximately \$1.7 million over the final fiscal year 2016 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 2017 budget. The County has added no major new programs or initiatives to the fiscal year 2017 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$1.8 million by the close of fiscal year 2017.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Webster County

Basic Financial Statements

Webster County
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 17,682,615
Receivables:	
Property tax:	
Delinquent	41,418
Succeeding year	11,931,000
Interest and penalty on property tax	549,328
Accounts	148,328
Drainage assessments:	
Current	385,174
Future	183,703
Due from other governments	1,240,126
Inventories	678,731
Prepaid insurance	247,490
Capital assets, net of accumulated depreciation	62,394,462
Total assets	95,482,375
Deferred Outflows of Resources	
Pension related deferred outflows	1,123,392
Liabilities	
Accounts payable	974,325
Accrued interest payable	82,555
Salaries and benefits payable	319,357
Due to other governments	109,292
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan notes	130,000
General obligation local option sales and services tax bonds	330,000
Drainage warrants	385,174
Compensated absences	471,290
Portion due or payable after one year:	
General obligation capital loan notes	825,000
General obligation local option sales and services tax bonds	5,390,000
Drainage warrants	186,501
Net pension liability	5,086,807
Net OPEB liability	625,024
Total liabilities	14,915,325
Deferred Inflows of Resources	
Unavailable property tax revenue	11,931,000
Pension related deferred inflows	677,263
Total deferred inflows of resources	12,608,263
Net Position	
Net investment in capital assets	56,674,462
Restricted for:	
Supplemental levy purposes	1,917,498
Mental health purposes	1,145,172
Rural services purposes	1,260,163
Secondary roads purposes	3,797,711
Drainage district purposes	294,982
Other purposes	2,478,562
Unrestricted	1,513,629
Total net position	\$ 69,082,179

See notes to financial statements.

Webster County
Statement of Activities
Year ended June 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions		
Expenses					
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 5,230,002	313,640	762,001	-	(4,154,361)
Physical health and social services	3,248,840	1,031,314	2,056,187	-	(161,339)
Mental health	2,092,187	773,927	-	-	(1,318,260)
County environment and education	1,644,834	291,330	140,838	-	(1,212,666)
Roads and transportation	10,019,857	105,329	5,175,718	354,910	(4,383,900)
Governmental services to residents	1,055,726	668,200	-	-	(387,526)
Administration	2,822,133	213,189	-	-	(2,608,944)
Non-program	842,568	860,608	831	-	18,871
Interest on long-term debt/rebate agreements	1,098,441	-	-	-	(1,098,441)
Total	<u>\$ 28,054,588</u>	<u>4,257,537</u>	<u>8,135,575</u>	<u>354,910</u>	<u>(15,306,566)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					12,081,890
Debt service					135,068
Tax increment financing					1,353,646
Penalty and interest on property tax					344,762
State tax credits					1,046,990
Local option sales and services tax					1,573,301
Unrestricted investment earnings					333,264
Gain on disposition of capital assets					164,387
Miscellaneous					230,543
Total general revenues					<u>17,263,851</u>
Change in net position					1,957,285
Net position beginning of year					67,124,894
Net position end of year					<u>\$ 69,082,179</u>

See notes to financial statements.

Webster County
Balance Sheet
Governmental Funds

June 30, 2016

	General	Mental Health	Special Rural Services
Assets			
Cash, cash equivalents and pooled investments	\$ 8,877,737	921,189	1,308,811
Receivables:			
Property tax:			
Delinquent	30,621	5,248	5,061
Succeeding year	7,526,000	1,145,000	2,751,000
Interest and penalty on property tax	549,328	-	-
Accounts	144,065	-	2,325
Drainage assessments:			
Current	-	-	-
Future	-	-	-
Due from other governments	393,618	296,783	-
Advances to other funds	85,563	-	-
Inventories	-	-	-
Prepaid insurance	148,855	260	-
Total assets	\$ 17,755,787	2,368,480	4,067,197
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 350,947	2,733	42,248
Salaries and benefits payable	210,858	18,909	3,836
Due to other governments	96,619	-	8,000
Advances from other funds	-	-	-
Total liabilities	658,424	21,642	54,084
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	7,526,000	1,145,000	2,751,000
Other	579,948	5,248	5,061
Total deferred inflows of resources	8,105,948	1,150,248	2,756,061
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid insurance	148,855	260	-
Advances to other funds	85,563	-	-
Restricted for:			
Supplemental levy purposes	2,296,258	-	-
Mental health purposes	-	1,196,330	-
Rural services purposes	-	-	1,257,052
Secondary roads purposes	-	-	-
Drainage district purposes	-	-	-
Capital projects	-	-	-
Other purposes	104,760	-	-
Assigned for public health	837,077	-	-
Unassigned	5,518,902	-	-
Total fund balances	8,991,415	1,196,590	1,257,052
Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 17,755,787	2,368,480	4,067,197

See notes to financial statements.

Revenue				
Secondary Roads	Drainage Districts	Capital Projects	Nonmajor	Total
3,437,197	394,599	2,513	2,407,073	17,349,119
-	-	-	488	41,418
-	-	-	509,000	11,931,000
-	-	-	-	549,328
1,938	-	-	-	148,328
-	385,174	-	-	385,174
-	183,703	-	-	183,703
490,878	-	-	58,847	1,240,126
-	-	216,514	-	302,077
678,731	-	-	-	678,731
98,375	-	-	-	247,490
<u>4,707,119</u>	<u>963,476</u>	<u>219,027</u>	<u>2,975,408</u>	<u>33,056,494</u>
534,021	32,319	769	624	963,661
85,754	-	-	-	319,357
4,659	14	-	-	109,292
-	-	-	302,077	302,077
<u>624,434</u>	<u>32,333</u>	<u>769</u>	<u>302,701</u>	<u>1,694,387</u>
-	-	-	509,000	11,931,000
-	568,877	-	488	1,159,622
-	568,877	-	509,488	13,090,622
678,731	-	-	-	678,731
98,375	-	-	-	247,490
-	-	-	-	85,563
-	-	-	-	2,296,258
-	-	-	-	1,196,330
-	-	-	-	1,257,052
3,305,579	-	-	-	3,305,579
-	362,266	-	-	362,266
-	-	218,258	-	218,258
-	-	-	2,163,219	2,267,979
-	-	-	-	837,077
-	-	-	-	5,518,902
<u>4,082,685</u>	<u>362,266</u>	<u>218,258</u>	<u>2,163,219</u>	<u>18,271,485</u>
<u>4,707,119</u>	<u>963,476</u>	<u>219,027</u>	<u>2,975,408</u>	<u>33,056,494</u>

Webster County

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

June 30, 2016

Total governmental fund balances (page 21)		\$ 18,271,485
<i>Amounts reported for governmental activities in the Statement of Net Position 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 \$118,982,930 and the accumulated depreciation is \$56,588,468.		62,394,462
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		1,159,622
The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.		322,832
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 1,123,392	
Deferred inflows of resources	<u>(677,263)</u>	446,129
Long-term liabilities, including bonds and notes payable, drainage warrants payable, compensated absences payable, other postemployment benefits payable, net pension liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(13,512,351)</u>
Net position of governmental activities (page 18)		<u><u>\$ 69,082,179</u></u>

See notes to financial statements.

Webster County

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

Year ended June 30, 2016

	General	Special	
		Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 7,912,655	1,355,227	2,820,120
Tax increment financing	-	-	-
Local option sales and services tax	-	-	-
Interest and penalty on property tax	123,915	-	-
Intergovernmental	4,808,264	1,417,619	231,512
Licenses and permits	75	-	52,120
Charges for service	1,047,246	9,299	148,535
Use of money and property	307,915	-	2,993
Miscellaneous	172,412	-	47
Total revenues	14,372,482	2,782,145	3,255,327
Expenditures:			
Operating:			
Public safety and legal services	5,051,463	-	-
Physical health and social services	3,206,557	-	56,838
Mental health	-	2,107,003	-
County environment and education	953,409	-	605,884
Roads and transportation	-	-	-
Governmental services to residents	1,253,737	-	-
Administration	2,754,503	-	-
Non-program	38,950	-	-
Debt service	-	-	-
Capital projects	200,578	-	-
Total expenditures	13,459,197	2,107,003	662,722
Excess (deficiency) of revenues over (under) expenditures	913,285	675,142	2,592,605
Other financing sources (uses):			
Sale of capital assets	-	-	-
Transfers in	35,563	-	-
Transfers out	(263,788)	-	(2,422,365)
Drainage warrants issued	-	-	-
Total other financing sources (uses)	(228,225)	-	(2,422,365)
Change in fund balances	685,060	675,142	170,240
Fund balances beginning of year	8,306,355	521,448	1,086,812
Fund balances end of year	\$ 8,991,415	1,196,590	1,257,052

See notes to financial statements.

Revenue				
Secondary Roads	Drainage Districts	Capital Projects	Nonmajor	Total
-	-	-	135,185	12,223,187
-	-	-	1,353,646	1,353,646
786,650	-	-	786,651	1,573,301
-	-	-	-	123,915
5,507,614	51,700	-	142,130	12,158,839
28,910	-	-	-	81,105
-	-	-	6,216	1,211,296
21,990	-	-	4,143	337,041
81,306	1,196,325	-	2,019	1,452,109
6,426,470	1,248,025	-	2,429,990	30,514,439
-	-	-	-	5,051,463
-	-	-	-	3,263,395
-	-	-	-	2,107,003
-	-	-	39,406	1,598,699
8,474,864	-	-	-	8,474,864
-	-	-	-	1,253,737
-	-	-	-	2,754,503
-	438,224	-	-	477,174
-	1,134,215	-	1,497,772	2,631,987
1,000,668	-	247,415	-	1,448,661
9,475,532	1,572,439	247,415	1,537,178	29,061,486
(3,049,062)	(324,414)	(247,415)	892,812	1,452,953
41,087	-	-	-	41,087
2,686,153	-	341,514	532,888	3,596,118
-	-	-	(909,965)	(3,596,118)
-	317,738	-	-	317,738
2,727,240	317,738	341,514	(377,077)	358,825
(321,822)	(6,676)	94,099	515,735	1,811,778
4,404,507	368,942	124,159	1,647,484	16,459,707
4,082,685	362,266	218,258	2,163,219	18,271,485

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, 2016

Change in fund balances - Total governmental funds (page 25) \$ 1,811,778

**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. Depreciation expense exceeded capital outlay expenditures and contributed capital assets in the current year,

Expenditures for capital assets	\$ 2,921,779	
Capital assets contributed by the Iowa Department of Transportation	23,014	
Depreciation expense	<u>(3,431,625)</u>	(486,832)

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. 136,350

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

Property tax	(6,229)	
Other	<u>(1,077,332)</u>	(1,083,561)

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

Issued	(317,738)	
Repaid	<u>1,493,984</u>	1,176,246

The current year County share of IPERS contributions is reported as expenditures in the governmental funds but is reported as deferred outflows of resources in the Statement of Net Position. 824,264

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	5,667	
Other postemployment benefits	(73,338)	
Pension expense	(470,624)	
Interest on long-term debt	<u>39,562</u>	(498,733)

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. 77,773

Change in net position of governmental activities (page 19) \$ 1,957,285

See notes to financial statements.

Webster County
Statement of Net Position
Proprietary Fund
June 30, 2016

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 333,496
Liabilities	
Accounts payable	<u>10,664</u>
Net Position	
Unrestricted	<u>\$ 322,832</u>

See notes to financial statements.

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

Year ended June 30, 2016

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,990,189
Reimbursements from employees and others		239,285
COBRA reimbursements		<u>77,524</u>
Total operating revenues		2,306,998
Operating expenses:		
Insurance premiums	\$ 2,077,685	
Medical claims	117,685	
Administrative fees	<u>38,300</u>	<u>2,233,670</u>
Operating income		73,328
Non-operating revenues:		
Interest income		<u>4,445</u>
Net income		77,773
Net position beginning of year		<u>245,059</u>
Net position end of year		<u>\$ 322,832</u>

See notes to financial statements.

Webster County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2016

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund contributions	\$ 1,990,189
Cash received from employees and others	239,285
Cash received from COBRA reimbursements	77,524
Cash paid for insurance premiums	(2,077,685)
Cash paid for medical claims	(119,876)
Cash paid for administrative expenses	(38,300)
Net cash provided by operating activities	71,137
Cash flows from investing activities:	
Interest on investments	4,445
Net increase in cash and cash equivalents	75,582
Cash and cash equivalents beginning of year	257,914
Cash and cash equivalents end of year	\$ 333,496
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 73,328
Adjustment to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts payable	(2,191)
Net cash provided by operating activities	\$ 71,137

See notes to financial statements.

Webster County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016

Assets

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 2,447,188
Other County officials	120,444
Receivables:	
Property tax:	
Delinquent	181,581
Succeeding year	41,226,000
Accounts	30,547
Special assessments	594,972
Drainage assessments	73,134
Due from other governments	166,991
Prepaid items	350
	<hr/>
Total assets	44,841,207

Liabilities

Accounts payable	13,380
Salaries and benefits payable	13,084
Due to other governments	44,372,004
Trusts payable	351,004
Stamped warrants payable	75,140
Compensated absences	16,595
	<hr/>
Total liabilities	44,841,207
	<hr/>
Net position	\$ -

See notes to financial statements.

Webster County

Notes to Financial Statements

June 30, 2016

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

Jointly Governed Organizations – The County 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, County Social Services and Local Emergency Planning Commission, jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa. In addition, the County participates in the following jointly governed organizations: Second Judicial District Department of Correctional Services, Iowa Central Industries, Your Own Limited Resources, Inc., the North Central Alcoholism Research Foundation, Webster County Economic Development Corporation and North Central Mental Health Center.

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for the secondary roads 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, they are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for investments in non-negotiable certificates of deposit which are stated at amortized cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2015.

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 more than 15 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which are due and payable but have not been collected.

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

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

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

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

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

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the County after the measurement date but before the end of the County’s reporting period.

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

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

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2016 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 ensure 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. 72.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Urban Renewal Tax Increment Financing	\$ 35,563
Special Revenue: Secondary Roads	General Special Revenue: Rural Services	263,788 2,422,365
		<u>2,686,153</u>
Capital Projects	Special Revenue: Local Option Sales and Services Tax Urban Renewal Tax Increment Financing	125,000 216,514
		<u>341,514</u>
Debt Service	Special Revenue: Local Option Sales and Services Tax	532,888
Total		<u>\$ 3,596,118</u>

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

(4) Interfund Assets/Liabilities

The detail of advances to/from other funds is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Urban Renewal Tax Increment Financing	\$ 85,563
Capital Projects		216,514
Total		<u>\$ 302,077</u>

The advances to/from other funds resulted from borrowing funds for urban renewal project costs. The borrowings will be repaid with tax increment financing collections.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,927,438	150,583	-	2,078,021
Construction in progress, road network	31,138	1,044,054	(573,651)	501,541
Construction in progress	-	531,894	-	531,894
Total capital assets not being depreciated	1,958,576	1,726,531	(573,651)	3,111,456
Capital assets being depreciated:				
Buildings	24,813,255	276,115	-	25,089,370
Improvements other than buildings	199,320	-	-	199,320
Equipment and vehicles	12,051,489	1,078,497	(567,413)	12,562,573
Infrastructure, road network	76,198,340	573,651	-	76,771,991
Infrastructure, other	1,248,220	-	-	1,248,220
Total capital assets being depreciated	114,510,624	1,928,263	(567,413)	115,871,474
Less accumulated depreciation for:				
Buildings	11,610,199	457,018	-	12,067,217
Improvements other than buildings	155,919	1,973	-	157,892
Equipment and vehicles	8,234,095	997,243	(567,413)	8,663,925
Infrastructure, road network	33,625,384	1,925,462	-	35,550,846
Infrastructure, other	98,659	49,929	-	148,588
Total accumulated depreciation	53,724,256	3,431,625	(567,413)	56,588,468
Total capital assets being depreciated, net	60,786,368	(1,503,362)	-	59,283,006
Governmental activities capital assets, net	\$ 62,744,944	223,169	(573,651)	62,394,462

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 395,117
Physical health and social services	45,592
Mental health	5,307
County environment and education	102,916
Roads and transportation	2,708,030
Governmental services to residents	26,854
Administration	147,809
Total depreciation expense - governmental activities	<u>\$ 3,431,625</u>

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2016 is as follows:

Fund	Description	Amount
General	Services	\$ 96,619
Special Revenue:		
Rural Services	Services	8,000
Secondary Roads	Services	4,659
Drainage Districts	Services	14
		<u>12,673</u>
Total for governmental funds		<u>\$ 109,292</u>
Agency:		
Agricultural Extension Education	Collections	\$ 255,074
County Assessor		1,678,490
Schools		22,121,929
Community Colleges		1,725,993
Corporations		16,143,270
Townships		414,420
Auto License and Use Tax		906,877
Special Districts		662,442
All other		463,509
Total for agency funds		<u>\$ 44,372,004</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	General Obligation Capital Loan Notes	General Obligation Local Option Sales and Services Tax Bonds	Drainage Warrants	Compen- sated Absences	Net Pension Liability	Other Post- employment Benefits	Total
Balance beginning of year	\$ 1,085,000	6,040,000	1,297,921	476,957	3,920,247	551,686	13,371,811
Increases	-	-	317,738	530,016	1,166,560	78,034	2,092,348
Decreases	130,000	320,000	1,043,984	535,683	-	4,696	2,034,363
Balance end of year	\$ 955,000	5,720,000	571,675	471,290	5,086,807	625,024	13,429,796
Due within one year	\$ 130,000	330,000	385,174	471,290	-	-	1,316,464

General Obligation Capital Loan Notes

On December 18, 2012, the County issued \$1,340,000 of general obligation capital loan notes, Series 2012 pursuant to the provisions of Section 331.402 of the Code of Iowa for the purpose of paying costs of aiding in the planning, undertaking and carrying out of an urban renewal project, including funds paid to the City of Fort Dodge to fund the oversizing of sewer and water services to accommodate future expansion of the County's Industrial Park. During the year ended June 30, 2016, the County retired \$130,000 of notes. The total principal and interest remaining to be paid on the notes is \$1,012,300. A summary of the general obligation capital loan notes indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2017	0.75%	\$ 130,000	12,430	142,430
2018	0.90	135,000	11,455	146,455
2019	1.10	135,000	10,240	145,240
2020	1.30	135,000	8,755	143,755
2021	1.50	140,000	7,000	147,000
2022-2023	1.70-1.80	280,000	7,420	287,420
Total		\$ 955,000	57,300	1,012,300

General Obligation Local Option Sales and Services Tax Bonds

On December 30, 2010, the County issued \$7,500,000 of 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
2017	2.50%	\$ 330,000	204,388	534,388
2018	3.00	335,000	196,138	531,138
2019	3.00	350,000	186,087	536,087
2020	3.00	360,000	175,588	535,588
2021	3.25	370,000	164,787	534,787
2022-2026	3.375-3.875	2,045,000	625,563	2,670,563
2027-2030	4.000-4.125	1,930,000	200,988	2,130,988
Total		\$ 5,720,000	1,753,539	7,473,539

The County has pledged future local option sales and services tax receipts to repay the general obligation local option sales and services tax bonds. The bonds are payable and secured by a pledge of 50% of the local option sales and services 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 34% of net revenues. During the year ended June 30, 2016, the County retired \$320,000 of bonds. The total principal and interest remaining to be paid on the bonds is \$7,473,539. For the current year, principal and interest paid and total local option sales and services tax revenue were \$532,388 and \$1,573,301, respectively.

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

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

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.

(8) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally at age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a Sheriff's, deputy's and protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.88% of covered payroll, for a total rate of 19.76%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2016 totaled \$824,264.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016 the County reported a liability of \$5,086,807 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the County's proportion was 0.1029617%, which was an increase of 0.004113% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$470,624. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 76,677	51,431
Changes of assumptions	139,728	35,065
Net difference between projected and actual earnings on IPERS' investments	-	556,817
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	82,723	33,950
County contributions subsequent to the measurement date	824,264	-
Total	\$ 1,123,392	677,263

\$824,264 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2016	\$ (216,836)
2017	(216,836)
2018	(216,836)
2019	271,822
2020	551
Total	\$ (378,135)

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	\$ 10,090,823	5,086,807	867,051

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2016.

(9) 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 177 active and 5 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 87,077
Interest on net OPEB obligation	24,826
Adjustment to annual required contribution	<u>(33,869)</u>
Annual OPEB cost	78,034
Contributions made	<u>(4,696)</u>
Increase in net OPEB obligation	73,338
Net OPEB obligation beginning of year	<u>551,686</u>
Net OPEB obligation end of year	<u>\$ 625,024</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

For the year ended June 30, 2016, the County contributed \$4,696 to the medical plan. Plan members eligible for benefits contributed \$32,362, or 87.33% 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
2014	\$ 63,958	56.7%	\$ 479,354
2015	79,220	8.7	551,686
2016	78,034	6.0	625,024

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$665,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$665,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,764,000 and the ratio of the UAAL to covered payroll was 7.6%. As of June 30, 2016, 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, 2014 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment return rate based on the County's funding policy. The projected annual medical trend rate is 5% for all years.

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 Actuary's Pension Handbook and applying the termination factors using the Scale T-2 tables.

Projected claim costs of the medical plan are \$587 per month for retirees less than age 65 and \$1,340 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.

(10) 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 746 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 estimated for the fiscal 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 at a level determined by the Board not to exceed 300% of basis rate.

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

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2016 were \$248,203.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2016, no liability has been recorded in the County's financial statements. As of June 30, 2016, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

(11) Employee Health Insurance Plan

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

The payments of plan contributions to the Internal Service, Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are made to Group Services into a Safe-T fund. Claims are processed from the Safe-T fund to ensure timely payment. The County's contribution to the fund for the year ended June 30, 2016 was \$1,990,189.

The amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2016 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	\$ 12,855
Incurred claims (including claims incurred but not reported at June 30, 2016)	117,685
Payments on claims during the year	<u>119,876</u>
Unpaid claims end of year	<u>\$ 10,664</u>

(12) 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 \$437,190 is outstanding at June 30, 2016. 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.

(13) Development Agreements

In September 2012, the County entered into a development agreement with CJ Bio America, Inc. (the Developer). The Developer agreed to construct a facility within the Webster County Regional Urban Renewal Area. The County agreed to provide an economic development grant to the Developer up to \$4,444,000 for reimbursement of costs to construct a rail spur to the facility and site preparation of the facility plus interest at 3.23% per annum. During the year ended June 30, 2016, the County made principal and interest payments of \$357,015 and \$143,541, respectively, to the Developer. At June 30, 2016 the balance owed on the agreement is \$4,086,985.

In July 2013, the County entered into three development agreements with New Co-Operative, Inc. (the Developer). The Developer agreed to construct certain minimum improvements at three locations within the Webster County Regional Urban Renewal Area. The County agreed to make six annual tax increment financing rebate payments to the Developer for the Roelyn facility, not to exceed a cumulative total of \$120,000. The County agreed to make five annual tax increment financing rebate payments to the Developer for the Lanyon facility, not to exceed a cumulative total of \$50,000. The County agreed to make five annual tax increment financing rebate payments to the Developer for the Barnum facility, not to exceed a cumulative total of \$75,000. During the year ended June 30, 2016, the County made payments of \$16,618 to the Developer. At June 30, 2016, the balance owed on the agreements is \$209,926.

In September 2012, the County entered into a development agreement with Cargill, Inc. (the Developer). The Developer agreed to construct certain minimum improvements within the Webster County Regional Urban Renewal Area. The County agreed to make six consecutive payments to the Developer but not to exceed \$304,000 in the aggregate. During the year ended June 30, 2016, the County made payments totaling \$304,000 paying the obligation in full.

These agreements are not general obligations of the County. However, the agreements are subject to the constitutional debt limitation of the County, except for \$2,883,279 which has not been appropriated by the Board of Supervisors at June 30, 2016.

(14) County Financial Information Included in County Social Services

County Social Services (CSS), a jointly governed organization formed pursuant to the provisions of Chapter 28E and Chapter 331.390 of the Code of Iowa, which became effective April 1, 2013, included the following member counties: Allamakee, Black Hawk, Butler, Cerro Gordo, Chickasaw, Clayton, Fayette, Floyd, Grundy, Hancock, Howard, Humboldt, Kossuth, Mitchell, Pocahontas, Tama, Webster, Winnebago, Winneshiek, Worth and Wright counties. The agreement was amended on April 1, 2014 to also include Emmet County. The financial activity of the County's Special Revenue, Mental Health Fund is included in CSS for the year ended June 30, 2016, as follows:

Revenues:		
Property and other county tax		\$ 1,355,227
Intergovernmental revenues:		
State tax credits	\$ 131,454	
Payments from fiscal agent	681,746	
Other	604,419	1,417,619
Miscellaneous		9,299
Total revenues		<u>2,782,145</u>
Expenditures:		
Services to persons with mental illness		168,820
General administration:		
Direct administration	560,887	
Distribution to regional fiscal agent	1,377,296	1,938,183
Total expenditures		<u>2,107,003</u>
Excess of revenues over expenditures		675,142
Fund balance beginning of year		<u>521,448</u>
Fund balance end of year		<u>\$ 1,196,590</u>

(15) New Accounting Pronouncement

The County adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

(16) Subsequent Event

The County issued \$4,805,000 general obligation refunding local option sales and services tax bonds, series 2016A dated July 29, 2016 and \$4,675,000 of general obligation capital loan notes, series 2016B dated July 29, 2016.

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, 2016

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 15,337,747	-	15,337,747
Interest and penalty on property tax	125,140	-	125,140
Intergovernmental	11,969,154	52,532	11,916,622
Licenses and permits	80,463	-	80,463
Charges for service	1,229,107	-	1,229,107
Use of money and property	342,614	-	342,614
Miscellaneous	1,469,529	1,196,327	273,202
Total receipts	30,553,754	1,248,859	29,304,895
Disbursements:			
Public safety and legal services	5,020,771	-	5,020,771
Physical health and social services	3,216,172	-	3,216,172
Mental health	2,125,521	-	2,125,521
County environment and education	1,562,165	-	1,562,165
Roads and transportation	8,193,931	-	8,193,931
Governmental services to residents	1,247,440	-	1,247,440
Administration	2,767,545	-	2,767,545
Non-program	431,251	411,764	19,487
Debt service	2,631,985	1,134,215	1,497,770
Capital projects	1,254,304	-	1,254,304
Total disbursements	28,451,085	1,545,979	26,905,106
Excess (deficiency) of receipts over (under) disbursements	2,102,669	(297,120)	2,399,789
Other financing sources, net	358,825	317,738	41,087
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,461,494	20,618	2,440,876
Balance beginning of year	14,887,625	373,981	14,513,644
Balance end of year	\$ 17,349,119	394,599	16,954,520

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
15,320,227	15,320,227	17,520
109,500	109,500	15,640
11,228,712	11,228,712	687,910
51,500	51,500	28,963
982,655	982,655	246,452
154,350	154,350	188,264
478,073	478,073	(204,871)
28,325,017	28,325,017	979,878
5,408,581	5,408,581	387,810
3,771,539	3,771,539	555,367
2,983,036	2,983,036	857,515
1,852,280	1,852,280	290,115
10,770,000	10,770,000	2,576,069
998,296	1,323,296	75,856
2,977,973	2,977,973	210,428
150,000	150,000	130,513
2,827,365	2,827,365	1,329,595
1,580,000	1,830,000	575,696
33,319,070	33,894,070	6,988,964
(4,994,053)	(5,569,053)	7,968,842
3,098,608	3,098,608	(3,057,521)
(1,895,445)	(2,470,445)	4,911,321
11,345,469	11,345,469	3,168,175
9,450,024	8,875,024	8,079,496

Webster County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2016

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 30,553,754	(39,315)	30,514,439
Expenditures	28,451,085	610,401	29,061,486
Net	2,102,669	(649,716)	1,452,953
Other financing sources, net	358,825	-	358,825
Beginning fund balances	14,887,625	1,572,082	16,459,707
Ending fund balances	\$ 17,349,119	922,366	18,271,485

See accompanying independent auditor's report.

Webster County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2016

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, the Internal Service Fund 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 Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$575,000. 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, 2016, disbursements did not exceed the amounts budgeted.

Webster County

Webster County

Schedule of the County's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Two Years*
(In Thousands)

Required Supplementary Information

	2016	2015
County's proportion of the net pension liability (asset)	0.1029617%	0.0988487%
County's proportionate share of the net pension liability (asset)	\$ 5,087	3,920
County's covered-employee payroll	\$ 8,896	8,651
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.18%	45.31%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

Webster County

Schedule of County Contributions

Iowa Public Employees' Retirement System
Last Ten Fiscal Years
(In Thousands)

Required Supplementary Information

	2016	2015	2014	2013
Statutorily required contribution	\$ 824	814	792	741
Contributions in relation to the statutorily required contribution	(824)	(814)	(792)	(741)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered-employee payroll	\$ 9,033	8,896	8,651	8,265
Contributions as a percentage of covered-employee payroll	9.12%	9.15%	9.16%	8.97%

* County's covered-employee payroll information was not readily available. Therefore, contributions as a percentage of covered payroll could not be calculated.

See accompanying independent auditor's report.

2012	2011	2010	2009	2008	2007
683	573	554	516	467	433
(683)	(573)	(554)	(516)	(467)	(433)
-	-	-	-	-	-
8,094	7,694	7,907	7,702	*	*
8.44%	7.45%	7.01%	6.70%	*	*

Webster County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early-retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

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		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b - a)			
2009	Jul 1, 2008	-	\$ 965	965	0.0%	\$ 7,234	13.3%
2010	Jul 1, 2008	-	965	965	0.0	7,598	12.7
2011	Jul 1, 2008	-	965	965	0.0	7,280	13.3
2012	Jul 1, 2011	-	621	621	0.0	7,339	8.5
2013	Jul 1, 2011	-	621	621	0.0	7,707	8.1
2014	Jul 1, 2011	-	621	621	0.0	8,079	7.7
2015	Jul 1, 2014	-	665	665	0.0	8,366	7.9
2016	Jul 1, 2014	-	665	665	0.0	8,764	7.6

See Note 9 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

Supplementary Information

Webster County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2016

	County Recorder's Records Management	Special Resource Enhancement and Protection
Assets		
Cash, cash equivalents and pooled investments	\$ 31,080	32,765
Receivables:		
Delinquent	-	-
Succeeding year property tax	-	-
Due from other governments	-	-
Total assets	\$ 31,080	32,765
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities:		
Accounts payable	\$ -	624
Advance from other funds	-	-
Total liabilities	-	624
Deferred inflows of resources:		
Unavailable revenues:		
Succeeding year property tax	-	-
Other	-	-
Total deferred inflows of resources	-	-
Fund balances:		
Restricted for other purposes	31,080	32,141
Total liabilities, deferred inflows of resources and fund balances	\$ 31,080	32,765

See accompanying independent auditor's report.

Revenue				
Urban Renewal Tax Increment Financing	Local Option Sales and Services Tax	Debt Service		Total
321,361	2,014,192	7,675		2,407,073
-	-	488		488
376,000	-	133,000		509,000
-	58,847	-		58,847
<u>697,361</u>	<u>2,073,039</u>	<u>141,163</u>		<u>2,975,408</u>
-	-	-		624
302,077	-	-		302,077
<u>302,077</u>	<u>-</u>	<u>-</u>		<u>302,701</u>
376,000	-	133,000		509,000
-	-	488		488
<u>376,000</u>	<u>-</u>	<u>133,488</u>		<u>509,488</u>
19,284	2,073,039	7,675		2,163,219
<u>697,361</u>	<u>2,073,039</u>	<u>141,163</u>		<u>2,975,408</u>

Webster County

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

Year ended June 30, 2016

	Special Revenue		
	County Recorder's Records Management	Resource Enhancement and Protection	Urban Renewal Tax Increment Financing
Revenues:			
Property and other county tax	\$ -	-	-
Tax increment financing	-	-	1,353,646
Local option sales and services tax	-	-	-
Intergovernmental	-	24,844	104,329
Charges for service	6,216	-	-
Use of money and property	266	576	3,301
Miscellaneous	-	2,019	-
Total revenues	6,482	27,439	1,461,276
Expenditures:			
Operating:			
County environment and education	-	39,406	-
Debt service	-	-	821,174
Total expenditures	-	39,406	821,174
Excess (deficiency) of revenues over (under) expenditures	6,482	(11,967)	640,102
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	(252,077)
Total other financing sources (uses)	-	-	(252,077)
Change in fund balances	6,482	(11,967)	388,025
Fund balances beginning of year	24,598	44,108	(368,741)
Fund balances end of year	\$ 31,080	32,141	19,284

See accompanying independent auditor's report.

Local Option Sales and Services Tax	Debt Service	Total
-	135,185	135,185
-	-	1,353,646
786,651	-	786,651
-	12,957	142,130
-	-	6,216
-	-	4,143
-	-	2,019
786,651	148,142	2,429,990
-	-	39,406
-	676,598	1,497,772
-	676,598	1,537,178
786,651	(528,456)	892,812
-	532,888	532,888
(657,888)	-	(909,965)
(657,888)	532,888	(377,077)
128,763	4,432	515,735
1,944,276	3,243	1,647,484
2,073,039	7,675	2,163,219

Webster County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2016

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	2,112	704,949	166,698
Other County officials	120,444	-	-	-
Receivables:				
Property tax:				
Delinquent	-	962	3,404	83,231
Succeeding year	-	252,000	998,000	21,872,000
Accounts	436	-	10,000	-
Special assessments	-	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	-	-	-	-
Prepaid items	-	-	350	-
Total assets	\$ 120,880	255,074	1,716,703	22,121,929
Liabilities				
Liabilities:				
Accounts payable	\$ -	-	11,544	-
Salaries and benefits payable	-	-	11,053	-
Due to other governments	22,893	255,074	1,678,490	22,121,929
Trusts payable	97,987	-	-	-
Stamped warrants payable	-	-	-	-
Compensated absences	-	-	15,616	-
Total liabilities	\$ 120,880	255,074	1,716,703	22,121,929

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Special Districts	Other	Total
10,303	123,068	3,828	906,877	33,989	495,364	2,447,188
-	-	-	-	-	-	120,444
4,690	88,202	592	-	481	19	181,581
1,711,000	15,932,000	410,000	-	33,000	18,000	41,226,000
-	-	-	-	-	20,111	30,547
-	-	-	-	594,972	-	594,972
-	-	-	-	-	73,134	73,134
-	-	-	-	-	166,991	166,991
-	-	-	-	-	-	350
1,725,993	16,143,270	414,420	906,877	662,442	773,619	44,841,207
-	-	-	-	-	1,836	13,380
-	-	-	-	-	2,031	13,084
1,725,993	16,143,270	414,420	906,877	662,442	440,616	44,372,004
-	-	-	-	-	253,017	351,004
-	-	-	-	-	75,140	75,140
-	-	-	-	-	979	16,595
1,725,993	16,143,270	414,420	906,877	662,442	773,619	44,841,207

Webster County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2016

Assets and Liabilities	County	Agricultural	County	
	Offices	Extension Education	Assessor	Schools
Balances beginning of year	\$ 105,826	250,014	1,017,424	20,289,783
Additions:				
Property and other county tax	-	254,215	1,006,534	21,959,411
E911 surcharge	-	-	-	-
State tax credits	-	24,092	85,264	2,027,264
Office fees and collections	838,368	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	713,115	-	-	-
Miscellaneous	-	-	10,364	-
Total additions	1,551,483	278,307	1,102,162	23,986,675
Deductions:				
Agency remittances:				
To other funds	432,884	-	-	-
To other governments	408,977	273,247	402,883	22,154,529
Trusts paid out	694,568	-	-	-
Total deductions	1,536,429	273,247	402,883	22,154,529
Balances end of year	\$ 120,880	255,074	1,716,703	22,121,929

See accompanying independent auditor's report.

Community Colleges	Corpor- ations	Townships	Auto License and Use Tax	Special Districts	Other	Total
1,241,634	16,936,904	416,904	863,517	654,830	632,766	42,409,602
1,718,887	14,732,373	417,639	-	40,286	17,541	40,146,886
-	-	-	-	-	167,148	167,148
118,923	2,004,153	25,436	-	2,072	470	4,287,674
-	-	-	-	-	-	838,368
-	-	-	11,262,365	-	1,934	11,264,299
-	-	-	-	71,535	12,822	84,357
-	-	-	-	-	711,076	1,424,191
-	-	-	-	-	867,362	877,726
1,837,810	16,736,526	443,075	11,262,365	113,893	1,778,353	59,090,649
-	-	-	358,255	-	196,042	987,181
1,353,451	17,530,160	445,559	10,860,750	106,281	849,647	54,385,484
-	-	-	-	-	666,951	1,361,519
1,353,451	17,530,160	445,559	11,219,005	106,281	1,712,640	56,734,184
1,725,993	16,143,270	414,420	906,877	662,442	698,479	44,766,067

Webster County

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

For the Last Ten Years

	2016	2015	2014	2013
Revenues:				
Property and other county tax	\$ 13,576,833	12,385,396	12,723,473	12,271,342
Local option sales and services tax	1,573,301	1,880,690	1,893,684	1,687,493
Interest and penalty on property tax	123,915	107,475	108,693	101,378
Intergovernmental	12,158,839	10,258,645	9,588,387	11,016,312
Licenses and permits	81,105	69,125	151,144	81,387
Charges for service	1,211,296	950,787	1,053,980	1,031,580
Use of money and property	337,041	331,122	311,746	306,804
Miscellaneous	1,452,109	3,295,467	1,919,319	1,168,167
Total	\$ 30,514,439	29,278,707	27,750,426	27,664,463
Expenditures:				
Operating:				
Public safety and legal services	\$ 5,051,463	4,881,381	5,021,524	5,019,591
Physical health and social services	3,263,395	3,783,515	3,172,397	2,725,211
Mental health	2,107,003	2,560,537	2,632,711	3,522,224
County environment and education	1,598,699	1,617,169	1,431,400	1,434,580
Roads and transportation	8,474,864	7,934,669	6,908,561	6,615,707
Governmental services to residents	1,253,737	872,026	852,146	878,055
Administration	2,754,503	2,682,624	2,833,233	2,668,289
Non-program	477,174	1,034,739	1,929,837	1,998,639
Debt service	2,631,987	3,743,804	2,122,573	1,549,368
Capital projects	1,448,661	1,807,581	1,473,512	3,803,829
Total	\$ 29,061,486	30,918,045	28,377,894	30,215,493

See accompanying independent auditor's report.

Modified Accrual Basis					
2012	2011	2010	2009	2008	2007
12,498,762	12,470,783	11,170,681	10,528,511	10,257,149	10,626,585
1,649,410	1,666,772	1,405,986	803,332	826,329	811,552
110,909	113,651	121,908	125,291	120,461	137,344
12,498,776	12,673,182	10,834,057	11,918,133	12,099,302	8,097,051
111,405	77,399	58,905	31,547	44,819	39,764
995,824	1,122,883	930,734	948,881	939,967	923,006
390,636	269,193	307,683	426,764	701,379	647,815
1,526,016	1,398,371	570,869	942,772	537,801	425,068
29,781,738	29,792,234	25,400,823	25,725,231	25,527,207	21,708,185
5,047,832	4,482,641	4,517,607	4,719,053	4,625,204	4,349,153
2,508,348	2,302,259	2,418,882	2,164,245	1,990,046	2,113,678
5,741,501	3,901,371	4,203,328	4,440,537	4,983,980	4,392,210
1,183,265	1,105,897	1,165,709	1,141,169	1,079,285	1,009,538
7,028,654	6,699,446	6,591,364	7,848,518	6,379,563	6,255,432
763,062	662,741	732,356	798,823	753,660	726,483
2,451,572	2,366,009	2,482,172	2,655,140	2,610,725	2,328,777
1,516,230	1,157,295	1,959,580	1,739,170	755,011	506,882
2,431,117	1,869,470	1,308,033	720,291	745,429	759,718
6,329,798	3,820,123	2,185,346	1,577,162	1,890,975	303,954
35,001,379	28,367,252	27,564,377	27,804,108	25,813,878	22,745,825

Schedule 6

Webster County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5885AO50	\$ 107,324
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5886AO50	<u>281,595</u>
			<u>388,919</u>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	5885NU10	8,009
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	5886NU10	15,201
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>20,097</u>
			<u>43,307</u>
Iowa Department of Agriculture and Land Stewardship:			
WIC Farmers' Market Nutrition Program (FMNP)	10.572		<u>668</u>
U.S. Department of Justice:			
Iowa Department of Justice:			
Crime Victim Assistance	16.575	VA-16-47-CJ	<u>30,706</u>
U. S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-2690(621)--8J-94	<u>349,364</u>
Iowa Department of Public Safety - Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	PAP 14-402-MOOP, Task 36-40-00	<u>793</u>
National Priority Safety Programs	20.616	PAP 14-405b-M1HVE, Task 06-00-00	<u>3,674</u>
U.S. Department of Health and Human Services:			
Elderbridge Agency on Aging, Inc.:			
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043	ES04518	1,697
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043	ES05301	<u>9,750</u>
			<u>11,447</u>
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	B05302	<u>15,466</u>

Webster County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2016

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	5886BT60	<u>51,026</u>
Immunization Cooperative Agreements	93.268	5886I480	<u>10,739</u>
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	5886DH16	<u>2,000</u>
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	5886I480	<u>1,062</u>
Preventive Health and Human Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	5886PHM43	<u>16,515</u>
Maternal and Child Health Services Block Grant to the States	93.994	5885MH31	35,908
Maternal and Child Health Services Block Grant to the States	93.994	5886MH31	91,892
Maternal and Child Health Services Block Grant to the States	93.994	5885CH60	5,908
Maternal and Child Health Services Block Grant to the States	93.994	5886CH60	55,041
Maternal and Child Health Services Block Grant to the States	93.994	5886DH16	<u>4,667</u>
			<u>193,416</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Temporary Assistance for Needy Families	93.558		<u>61,245</u>
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance_State Administered Programs	93.566		<u>55</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>5,315</u>
Foster Care_Title IV-E	93.658		<u>7,516</u>
Adoption Assistance	93.659		<u>2,629</u>
Social Services Block Grant	93.667		<u>6,309</u>
Children's Health Insurance Program	93.767		<u>142</u>
Medical Assistance Program	93.778		<u>38,380</u>
Federal Emergency Management Agency:			
Iowa Department of Homeland Security and Emergency Management:			
Emergency Management Performance Grants	97.042	EMPG-16-PT-94	<u>27,392</u>
Total			<u><u>\$ 1,268,085</u></u>

Webster County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Webster County under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Webster County, it is not intended to and does not present the financial position, changes in financial position or cash flows of Webster County.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Webster County has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



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

Mary Mosiman, CPA
Auditor of State

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

To the Officials of Webster County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Webster County, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 11, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-16 and II-B-16 to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


Webster County's Responses to the Findings

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

Purpose of this Report

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

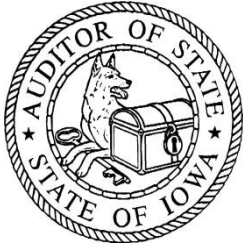
We would like to acknowledge the many courtesies and assistance extended to us by personnel of Webster County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State

May 11, 2017

**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance**

Webster County



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

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Auditor of State

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Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

To the Officials of Webster County:

Report on Compliance for Each Major Federal Program

We have audited Webster County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal programs for the year ended June 30, 2016. Webster County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Webster County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Webster County's compliance.

Opinion on Each Major Federal Program

In our opinion, Webster County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2016.


Report on Internal Control Over Compliance

The management of Webster County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Webster County's internal control over compliance with the types of requirements that could have a direct and material effect on each of the major federal programs to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Webster County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance 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 non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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


MARY MOSIMAN, CPA
Auditor of State

May 11, 2017

Webster County
Schedule of Findings and Questioned Costs
Year ended June 30, 2016

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

- a) Unmodified opinions were issued on the financial statements.
- b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) No material weaknesses in internal control over the major programs were noted.
- e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- f) The audit disclosed no instances of non-compliance which were required to be reported in accordance with Uniform Guidance, Section 200.515.
- 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 \$750,000.
- i) Webster County did not qualify as a low-risk auditee.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-16 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County’s financial statements.

Condition – 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 Treasurer and County Recorder
(3) Bank reconciliations are not reviewed periodically by an independent person for propriety.	County Treasurer and County Recorder
(4) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.	County Recorder, County Sheriff and County Treasurer
(5) The person who signs checks is not independent of the person preparing the checks, approving disbursements, recording cash disbursements and handling cash.	County Recorder and County Sheriff
(6) All individuals in the motor vehicle department have the ability to void receipts in ARTS (DOT system), including individuals who perform daily balancing. No independent review of voided receipts is performed.	County Treasurer
(7) Voided receipts are not periodically reviewed by an independent person for propriety.	County Recorder

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Cause – The County offices noted above have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the County’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – 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, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

Responses:

County Treasurer – We will be working for better reviews. Also, not all employees are able to void receipts. We do put a message on ARTS system as to why receipts are voided and have employee and deputy initial voids as they are done.

County Recorder – Over the past year my office has implemented procedures such as tracking and verifying of mail, reconciliations, bank deposits and check signing to help with segregation of duties and will continue to look for ways to improve where possible.

County Sheriff – We currently have these duties segregated as much as we can with the amount of office employees we currently have. We do have dual signatures required on all checks for all accounts. Bank accounts are reconciled by two staff.

Conclusions – Responses accepted.

II-B-16

Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County’s financial statements.

Condition – Material amounts of receivables, payables and capital asset additions and deletions were not properly recorded in the County’s financial statements. Additionally, prepaid expenditures were not properly recorded. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Cause – County policies do not require and procedures have not been established to require independent review of year end cut-off transactions to ensure the County’s financial statements are accurate and reliable.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Effect – Lack of policies and procedures resulted in County employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the County’s financial statements were necessary.

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

Responses –

Auditor – The County will enhance its procedures for recording receivables, payables, capital asset additions/deletions and prepaid expenditures.

Treasurer – We will work on a procedure to ensure receivables are properly reported on a timely manner.

Conclusions – Responses accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

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, 2016

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-16 Certified Budget – Disbursements during the year ended June 30, 2016 did not exceed the amounts budgeted.

IV-B-16 Questionable Expenditures – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Wells Fargo	Meals for Public Health meetings:	
	Tropical Smoothie	\$ 377
	Subway	255
HyVee	Catering services for Public Health	384
Carpenter Uniform	Clothing for Emergency	510
	Management staff	

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The County should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including the requirement for proper documentation. Documentation should include a list of those who received the meals. In addition, the County should report taxable meals and clothing suited for general use provided to employees on the employee’s W-2’s.

Response – The County will establish written policies for documentation on food and clothing including reporting in employee wages, as applicable.

Conclusion – Response accepted.

IV-C-16 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-16 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-E-16 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-16 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

- IV-G-16 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-16 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-16 Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.
- IV-J-16 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, 2016 for the County Extension Office did not exceed the amount budgeted.

No initial listing of receipts is prepared by the mail opener.

Recommendation – An initial listing of receipts should be prepared by the mail opener and reviewed to ensure all receipts are appropriately recorded and deposited.

Response – Since the audit visit, the office staff has developed a written log to record all checks received by mail. The mail opener now records all checks received into this log. This log is maintained with the office receipt book and date stamp.

Conclusion – Response accepted.

Webster County

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Karen L. Brustkern, CPA, Senior Auditor II
Joshua W. Ostrander, Senior Auditor
Jenna M. Paysen, Senior Auditor
Jonathan M. Mader, Staff Auditor
Cole L. Hocker, Staff Auditor
Zachary J. Koziolk, Staff Auditor
Cole J. Hanley, CPA, Assistant Auditor
Steven K. Tallman, Auditor Intern

A handwritten signature in black ink, reading "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