



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE

May 14, 2019

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on Webster County, Iowa.

The County had local tax revenue of \$63,031,325 for the year ended June 30, 2018, which included \$5,859,548 in tax credits from the state. The County forwarded \$49,602,580 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$13,428,745 of the local tax revenue to finance County operations, a 4.4% increase over the prior year. Other revenues included charges for service of \$3,955,486, operating grants, contributions and restricted interest of \$9,789,966, capital grants, contributions and restricted interest of \$3,958,536, tax increment financing of \$1,370,552, local option sales tax of \$1,749,933, unrestricted investment earnings of \$185,964 and other general revenues of \$1,023,580.

Expenses for County operations for the year ended June 30, 2018 totaled \$30,422,939, a 1.5% increase over the prior year. Expenses included \$9,805,295 for roads and transportation, \$5,567,363 for public safety and legal services and \$4,468,490 for physical health and social services.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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WEBSTER COUNTY

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

JUNE 30, 2018

Webster County



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Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

April 23, 2019

Officials of Webster County
Fort Dodge, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Webster County for the year ended June 30, 2018. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of Webster County throughout the audit. If I or this office can be of any further assistance, please contact me or Marlys Gaston of my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

Table of Contents

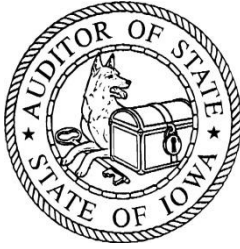
	<u>Page</u>	
Officials	3	
Independent Auditor’s Report	5-7	
Management’s Discussion and Analysis	9-15	
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20-21
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24-25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	26
Proprietary Fund Financial Statements:		
Statement of Net Position	G	27
Statement of Revenues, Expenses and Changes in Fund Net Position	H	28
Statement of Cash Flows	I	29
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	30
Notes to Financial Statements		31-55
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		58-59
Budget to GAAP Reconciliation		60
Notes to Required Supplementary Information – Budgetary Reporting		61
Schedule of the County’s Proportionate Share of the Net Pension Liability		63
Schedule of County Contributions		64-65
Notes to Required Supplementary Information – Pension Liability		66
Schedule of Changes in the County’s Total OPEB Liability, Related Ratios and Notes		67
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	70-71
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	72-73
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	74-75
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	76-77
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	78-79
Schedule of Expenditures of Federal Awards	6	80-82
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 <u>Government Auditing Standards</u>		83-84
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance		85-86
Schedule of Findings and Questioned Costs		87-93
Staff		94

Webster County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Keith Dencklau	Board of Supervisors	Jan 2019
Merrill Leffler	Board of Supervisors	Jan 2019
Mark Campbell	Board of Supervisors	Jan 2021
Nick Carlson	Board of Supervisors	Jan 2021
Bob Thode	Board of Supervisors	Jan 2021
Doreen Pliner	County Auditor	Jan 2021
Jan Messerly	County Treasurer	Jan 2019
Lindsay Laufersweiler	County Recorder	Jan 2019
James Stubbs	County Sheriff	Jan 2021
Jennifer Benson	County Attorney	(Resigned) Jan 2018
Darren Driscoll	County Attorney	Nov 2018
Wesley Ray	County Assessor	(Resigned) July 2017
Angela Vinson	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, 2018, 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, 2018 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.

Emphasis of a Matter

As discussed in Note 16 to the financial statements, Webster County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

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 Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 9 through 15 and 58 through 67 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, 2017 (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 April 23, 2019 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 solely 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 effectiveness of the County's 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.


MARLYS K. GASTON, CPA
Deputy Auditor of State

April 23, 2019

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, 2018. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities was restated by \$108,647 to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred inflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.
- Revenues of the County's governmental activities increased 11.4%, or approximately \$3,634,000, from fiscal year 2017 to fiscal year 2018. Property tax increased approximately \$612,000, capital grants and contributions increased approximately \$3,875,000 and operating grants and contributions decreased approximately \$699,000.
- Program expenses of the County's governmental activities were 1.5%, or approximately \$447,000, more in fiscal year 2018 than in fiscal year 2017. Physical health and social service expenses increased approximately \$663,000, public safety expenses increased approximately \$331,000 and non-program expenses decreased approximately \$541,000.
- The County's net position increased 7.1%, or approximately \$5,040,000, over the restated June 30, 2017 balance.

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 Changes in the County's Total OPEB Liability, Related Ratios and Notes.

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.

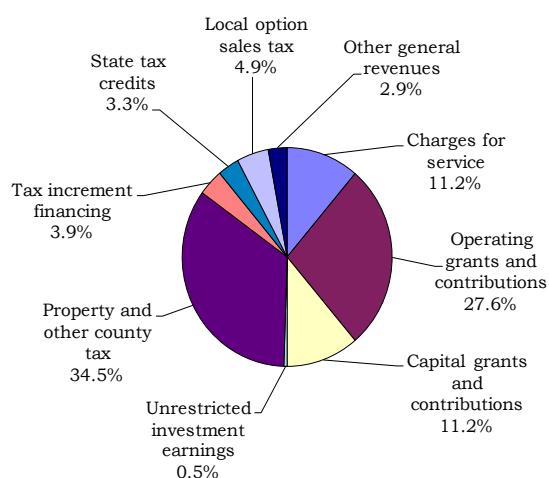
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2018	2017 (Not Restated)
Current and other assets	\$ 40,320	43,188
Capital assets	72,932	65,659
Total assets	113,252	108,847
Deferred outflows of resources	2,480	2,272
Long-term liabilities	23,397	24,172
Other liabilities	1,587	2,190
Total liabilities	24,984	26,362
Deferred inflows of resources	14,881	13,822
Net position:		
Net investment in capital assets	64,093	57,896
Restricted	12,640	11,681
Unrestricted	(866)	1,358
Total net position	\$ 75,867	70,935

Prior to restatement, net position of Webster County’s governmental activities increased 7.1% (approximately \$75.9 million compared to approximately \$70.9 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 – decreased approximately \$2,224,000 from the prior year, to a deficit balance of approximately \$866,000, primarily related to the implementation of GASB Statement No. 75.

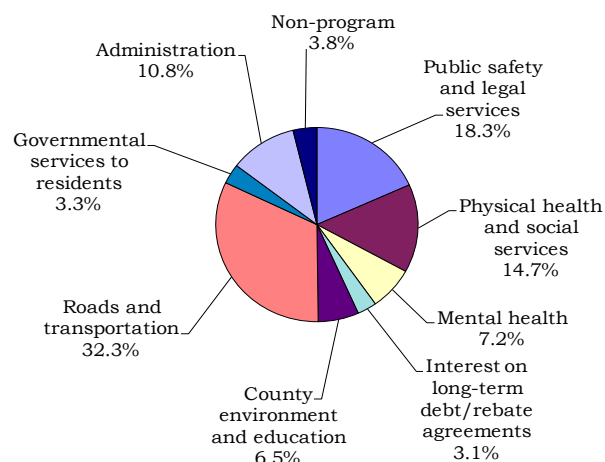
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2018	2017 (Not Restated)
Revenues:		
Program revenues:		
Charges for service	\$ 3,955	4,414
Operating grants and contributions	9,790	10,489
Capital grants and contributions	3,959	84
General revenues:		
Property and other county tax	12,261	11,649
Tax increment financing	1,370	1,391
State tax credits	1,168	1,208
Local option sales tax	1,750	1,919
Unrestricted investment earnings	186	89
Other general revenues	1,024	586
Total revenues	35,463	31,829
Program expenses:		
Public safety and legal services	5,567	5,236
Physical health and social services	4,469	3,806
Mental health	2,204	2,277
County environment and education	1,990	2,033
Roads and transportation	9,805	9,846
Governmental services to residents	1,003	959
Administration	3,296	3,106
Non-program	1,151	1,692
Interest on long-term debt/rebate agreements	938	1,021
Total expenses	30,423	29,976
Change in net position	5,040	1,853
Net position beginning of year, as restated	70,827	69,082
Net position end of year	\$ 75,867	70,935

Revenues by Source



Expenses by Program



Revenues for governmental activities increased approximately \$3,634,000 over the prior year. The cost of all governmental activities this year was approximately \$30.4 million compared to approximately \$30.0 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 \$12.7 million.

INDIVIDUAL MAJOR FUND ANALYSIS

As Webster County completed the year, its governmental funds reported a combined fund balance of approximately \$22,193,000, a decrease of approximately \$3,172,000 from last year's total of approximately \$25,366,000. 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 \$794,000 and expenditures increased approximately \$2,635,000 compared to the prior year. Capital projects expenditures increased approximately \$1,842,000 largely due to approximately \$2,763,000 used to purchase land for economic development, netted against the difference of approximately \$965,000 related to conservation projects at Kennedy Park and Camp Wanoki in the prior year. The ending fund balance decreased approximately \$1,463,000 from the prior year to approximately \$7,199,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. Special Revenue, Mental Health Fund revenues decreased approximately \$284,000 and expenditures decreased approximately \$73,000. The County is a member of the County Social Services Mental Health Region. During the year, the County forwarded \$1,730,016 to the Region's fiscal agent to fund Region activities, \$190,635 more than in the prior year. The Special Revenue, Mental Health Fund balance decreased approximately \$438,000 during the year.
- Special Revenue, Rural Services Fund revenues increased approximately \$175,000 over the prior year and expenditures decreased approximately \$175,000. Transfers to the Special Revenue, Secondary Roads Fund increased approximately \$109,000 over the prior fiscal year. The Rural Services Fund balance increased approximately \$100,000 over the prior year.
- Special Revenue, Secondary Roads Fund revenues decreased approximately \$908,000 and expenditures decreased approximately \$490,000 from the prior year. The decrease in revenues was due primarily to a decrease in road use tax revenues of approximately \$246,000, a decrease in miscellaneous revenues of approximately \$579,000, primarily due to receiving approximately \$400,000 from other governments and local industries for reimbursements for road work performed by the County and receiving approximately \$190,000 for damages to County roads from local industry during the prior year. In addition, the Engineer's Office sold \$671,504 of buildings other equipment during the current fiscal year, reported as another financing source. The Secondary Roads Fund ending balance increased approximately \$779,000 over the prior year.
- The Special Revenue, Drainage Districts Fund ended the year with a fund balance of approximately \$403,000 compared to approximately \$351,000 at the end of the prior year. Expenditures for drainage improvements decreased approximately \$328,000 while stamped drainage warrants and interest paid increased approximately \$498,000 compared to the prior fiscal year. Proceeds from stamped warrants decreased approximately \$374,000 during fiscal year 2018.
- The Capital Projects Fund ended the year with a fund balance of approximately \$245,000 compared to approximately \$2,069,000 at the end of the previous year. This large decrease was due to unspent note proceeds on hand at June 30, 2017, most of which had been spent at June 30, 2018. In fiscal year 2018, expenditures decreased approximately \$1,108,000 due to the new maintenance shed project wrapping up.

- The Debt Service Fund ended with a fund balance of approximately \$4,783,000 compared to approximately \$4,841,000 at the end of the previous year. The large balance is due the U. S. Treasury securities on deposit with an escrow agent to refund Series 2010 general obligation local option sales and services tax bonds at their call date in fiscal year 2019.

BUDGETARY HIGHLIGHTS

Over the course of the year, Webster County amended its budget two times. The first amendment was made on December 19, 2017. The amendment was made to increase the budgeted disbursements for the physical health and social services, county environment and education, administration and capital projects functions for disbursements related to the economic development land purchase, purchase of a computer server and secondary road projects.

The second amendment was made on May 15, 2018 and resulted in an increase in budgeted disbursements for the physical health and social services, mental health, administration and non-program functions. The amendment was made for disbursements related to payments to the Mental Health Region, public health receiving and spending additional grant funds and disbursements for refunding loan.

The County’s receipts were \$766,277 less than budgeted, a variance of 2.5%.

Total disbursements were \$3,277,033 less than the final amended budget, a variance of 8.5%. Non-program disbursements were \$551,542 less than budgeted and public safety and legal services disbursements were \$476,264 less than budgeted. Even with the budget amendments, the County exceeded the budgeted amount in the debt service function for the year ended June 30, 2018.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, Webster County had approximately \$72,932,000 invested (net of depreciation) in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$7,273,000, or 11.1%, more than last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2018	2017
Land	\$ 4,824	2,078
Construction in progress	8,044	3,643
Buildings and improvements	13,419	13,848
Machinery and equipment	3,871	3,752
Intangibles	99	164
Infrastructure	42,675	42,174
Total	\$ 72,932	65,659

The County had depreciation expense of \$3,579,724 in fiscal year 2018 and total accumulated depreciation of \$61,275,721 at June 30, 2018. More detailed information about the County’s capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2018, Webster County had approximately \$15,174,000 of general obligation bonds and other debt outstanding, compared to approximately \$16,363,000 at June 30, 2017, as shown below:

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2018	2017
General obligation capital loan notes	\$ 4,490	5,060
General obligation local option sales and services tax bonds	9,860	10,195
Drainage warrants	824	1,108
Total	<u>\$ 15,174</u>	<u>16,363</u>

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Webster County's outstanding general obligation debt of \$15,910,000, including tax increment rebate agreements of \$1,560,000, is significantly below its constitutional debt limit of approximately \$145.1 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Webster County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2019 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County at June 2018 stands at 3.5% versus 4.0% a year ago. This is above the State's unemployment rate of 2.7% and is below the national rate of 4.0%.

These indicators were taken into account when adopting the budget for fiscal year 2019. Budgeted disbursements are approximately \$34.8 million, a decrease of approximately \$3,597,000 from the final fiscal year 2018 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 2019 budget. The County has added no major new programs or initiatives to the fiscal year 2019 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$4.1 million by the close of fiscal year 2019.

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, 2018

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 16,488,950
U.S. Treasury securities on deposit with escrow agent	4,767,369
Receivables:	
Property tax:	
Delinquent	44,772
Succeeding year	12,986,000
Succeeding year tax increment financing	1,458,000
Interest and penalty on property tax	656,038
Accounts	164,408
Drainage assessments:	
Current	703,857
Future	181,179
Due from other governments	1,187,421
Inventories	1,377,822
Prepaid expenditures	304,268
Capital assets, net of accumulated depreciation	72,931,973
Total assets	113,252,057
Deferred Outflows of Resources	
Pension related deferred outflows	2,479,655
Liabilities	
Accounts payable	913,739
Accrued interest payable	95,894
Salaries and benefits payable	418,241
Due to other governments	159,315
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan notes	575,000
General obligation local option sales and services tax bonds	5,055,000
Drainage warrants	703,857
Compensated absences	524,057
Portion due or payable after one year:	
General obligation capital loan notes	3,915,000
General obligation local option sales and services tax bonds	4,805,000
Drainage warrants	119,694
Net pension liability	7,021,036
Total OPEB liability	678,654
Total liabilities	24,984,487
Deferred Inflows of Resources	
Unavailable property tax revenue	12,986,000
Unavailable tax increment financing revenue	1,458,000
Pension related deferred inflows	320,787
OPEB related deferred inflows	115,994
Total deferred inflows of resources	14,880,781
Net Position	
Net investment in capital assets	64,093,298
Restricted for:	
Supplemental levy purposes	2,394,746
Mental health purposes	522,836
Rural services purposes	1,216,960
Secondary roads purposes	4,744,218
Drainage district purposes	391,352
Debt service	787,611
Other purposes	2,581,978
Unrestricted	(866,555)
Total net position	\$ 75,866,444

See notes to financial statements.

Webster County
Statement of Activities
Year ended June 30, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 5,567,363	363,168	594,964	-	(4,609,231)
Physical health and social services	4,468,490	461,169	3,817,556	-	(189,765)
Mental health	2,203,582	506,869	-	-	(1,696,713)
County environment and education	1,989,829	291,397	89,603	54,747	(1,554,082)
Roads and transportation	9,805,295	177,617	5,233,734	3,903,789	(490,155)
Governmental services to residents	1,003,107	653,854	9,575	-	(339,678)
Administration	3,296,068	161,563	6,361	-	(3,128,144)
Non-program	1,151,004	1,339,849	-	-	188,845
Interest on long-term debt/rebate agreements	938,201	-	38,173	-	(900,028)
Total	<u>\$ 30,422,939</u>	<u>3,955,486</u>	<u>9,789,966</u>	<u>3,958,536</u>	<u>(12,718,951)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					12,122,664
Debt service					138,256
Tax increment financing					1,370,552
Penalty and interest on property tax					163,448
State tax credits					1,167,825
Local option sales and services tax					1,749,933
Unrestricted investment earnings					185,964
Gain on disposition of capital assets					528,735
Miscellaneous					331,397
Total general revenues					<u>17,758,774</u>
Change in net position					5,039,823
Net position beginning of year, as restated					<u>70,826,621</u>
Net position end of year					<u>\$ 75,866,444</u>

See notes to financial statements.

Webster County
Balance Sheet
Governmental Funds

June 30, 2018

	General	Mental Health	Special Rural Services
Assets			
Cash, cash equivalents and pooled investments	\$ 6,967,967	481,003	1,231,296
U.S. Treasury securities on deposit with escrow agent	-	-	-
Receivables:			
Property tax:			
Delinquent	33,007	4,792	6,438
Succeeding year	8,394,000	1,210,000	3,245,000
Succeeding year tax increment financing	-	-	-
Interest and penalty on property tax	656,038	-	-
Accounts	160,389	-	125
Drainage assessments:			
Current	-	-	-
Future	-	-	-
Due from other governments	604,792	63,260	1,895
Due from other funds	-	-	-
Inventories	-	-	-
Prepaid expenditures	191,043	-	-
Total assets	\$ 17,007,236	1,759,055	4,484,754
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 196,385	1,244	13,627
Salaries and benefits payable	294,431	11,584	4,747
Due to other funds	80,101	-	-
Due to other governments	154,496	-	-
Total liabilities	725,413	12,828	18,374
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	8,394,000	1,210,000	3,245,000
Succeeding year tax increment financing	-	-	-
Other	689,045	4,792	6,438
Total deferred inflows of resources	9,083,045	1,214,792	3,251,438
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid expenditures	191,043	-	-
Restricted for:			
Supplemental levy purposes	2,321,425	-	-
Mental health purposes	-	531,435	-
Rural services purposes	-	-	1,214,942
Secondary roads purposes	-	-	-
Drainage district purposes	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Other purposes	265,431	-	-
Assigned for public health	1,087,324	-	-
Unassigned	3,333,555	-	-
Total fund balances	7,198,778	531,435	1,214,942
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 17,007,236	1,759,055	4,484,754

See notes to financial statements.

Revenue					
Secondary Roads	Drainage Districts	Capital Projects	Debt Service	Nonmajor	Total
3,661,874	490,686	247,436	15,796	2,759,919	15,855,977
-	-	-	4,767,369	-	4,767,369
-	-	-	535	-	44,772
-	-	-	137,000	-	12,986,000
-	-	-	-	1,458,000	1,458,000
-	-	-	-	-	656,038
3,894	-	-	-	-	164,408
-	703,857	-	-	-	703,857
-	181,179	-	-	-	181,179
444,448	-	-	-	73,026	1,187,421
-	-	-	-	80,101	80,101
1,377,822	-	-	-	-	1,377,822
113,225	-	-	-	-	304,268
<u>5,601,263</u>	<u>1,375,722</u>	<u>247,436</u>	<u>4,920,700</u>	<u>4,371,046</u>	<u>39,767,212</u>
585,163	87,619	2,368	-	-	886,406
107,479	-	-	-	-	418,241
-	-	-	-	-	80,101
4,819	-	-	-	-	159,315
<u>697,461</u>	<u>87,619</u>	<u>2,368</u>	<u>-</u>	<u>-</u>	<u>1,544,063</u>
-	-	-	137,000	-	12,986,000
-	-	-	-	1,458,000	1,458,000
-	885,036	-	535	-	1,585,846
-	885,036	-	137,535	1,458,000	16,029,846
1,377,822	-	-	-	-	1,377,822
113,225	-	-	-	-	304,268
-	-	-	-	-	2,321,425
-	-	-	-	-	531,435
-	-	-	-	-	1,214,942
3,412,755	-	-	-	-	3,412,755
-	403,067	-	-	-	403,067
-	-	-	4,783,165	787,611	5,570,776
-	-	245,068	-	-	245,068
-	-	-	-	2,125,435	2,390,866
-	-	-	-	-	1,087,324
-	-	-	-	-	3,333,555
<u>4,903,802</u>	<u>403,067</u>	<u>245,068</u>	<u>4,783,165</u>	<u>2,913,046</u>	<u>22,193,303</u>
<u>5,601,263</u>	<u>1,375,722</u>	<u>247,436</u>	<u>4,920,700</u>	<u>4,371,046</u>	<u>39,767,212</u>

Webster County

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

June 30, 2018

Total governmental fund balances (page 21) \$ 22,193,303

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

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 \$134,207,694 and the accumulated depreciation is \$61,275,721. 72,931,973

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. 1,585,846

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. 605,640

Pension and OPEB 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	\$ 2,479,655	
Deferred inflows of resources	<u>(436,781)</u>	2,042,874

Long-term liabilities, including bonds and notes payable, drainage warrants payable, compensated absences payable, net pension liability, total OPEB liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (23,493,192)

Net position of governmental activities (page 18) \$ 75,866,444

See notes to financial statements.

Webster County

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

Year ended June 30, 2018

	Special		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 7,928,358	1,150,305	3,038,710
Tax increment financing	-	-	-
Local option sales and services tax	-	-	-
Interest and penalty on property tax	110,590	-	-
Intergovernmental	5,992,847	610,284	226,160
Licenses and permits	-	-	39,136
Charges for service	1,111,658	4,197	500
Use of money and property	336,888	-	2,845
Miscellaneous	240,884	1,873	8,891
Total revenues	15,721,225	1,766,659	3,316,242
Expenditures:			
Operating:			
Public safety and legal services	5,152,249	-	-
Physical health and social services	4,374,689	-	56,131
Mental health	-	2,204,611	-
County environment and education	1,131,262	-	600,929
Roads and transportation	-	-	-
Governmental services to residents	975,435	-	-
Administration	3,008,404	-	-
Non-program	105,428	-	-
Debt service	-	-	-
Capital projects	3,287,784	-	-
Total expenditures	18,035,251	2,204,611	657,060
Excess (deficiency) of revenues over (under) expenditures	(2,314,026)	(437,952)	2,659,182
Other financing sources (uses):			
Sale of capital assets	-	-	-
Transfers in	1,122,810	-	-
Transfers out	(271,822)	-	(2,559,353)
Drainage warrants issued	-	-	-
Total other financing sources (uses)	850,988	-	(2,559,353)
Change in fund balances	(1,463,038)	(437,952)	99,829
Fund balances beginning of year	8,661,816	969,387	1,115,113
Fund balances end of year	\$ 7,198,778	531,435	1,214,942

See notes to financial statements.

Revenue					
Secondary Roads	Drainage Districts	Capital Projects	Debt Service	Nonmajor	Total
-	-	-	138,198	-	12,255,571
-	-	-	-	1,370,552	1,370,552
874,966	-	-	-	874,967	1,749,933
-	-	-	-	-	110,590
5,243,303	75,441	-	13,054	128,973	12,290,062
37,900	-	-	-	-	77,036
-	-	-	-	6,153	1,122,508
18,271	-	-	34,109	13,653	405,766
159,296	831,523	14,004	-	40,313	1,296,784
6,333,736	906,964	14,004	185,361	2,434,611	30,678,802
-	-	-	-	-	5,152,249
-	-	-	-	-	4,430,820
-	-	-	-	-	2,204,611
-	-	-	-	102,378	1,834,569
8,107,736	-	-	-	-	8,107,736
-	-	-	-	-	975,435
-	-	-	-	-	3,008,404
-	580,894	-	-	-	686,322
-	828,120	-	1,295,393	541,447	2,664,960
806,521	-	1,837,594	-	-	5,931,899
8,914,257	1,409,014	1,837,594	1,295,393	643,825	34,997,005
(2,580,521)	(502,050)	(1,823,590)	(1,110,032)	1,790,786	(4,318,203)
671,504	-	-	-	-	671,504
3,208,332	80,101	160,000	1,051,838	100,000	5,723,081
(520,200)	-	(160,000)	-	(2,211,706)	(5,723,081)
-	474,364	-	-	-	474,364
3,359,636	554,465	-	1,051,838	(2,111,706)	1,145,868
779,115	52,415	(1,823,590)	(58,194)	(320,920)	(3,172,335)
4,124,687	350,652	2,068,658	4,841,359	3,233,966	25,365,638
4,903,802	403,067	245,068	4,783,165	2,913,046	22,193,303

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, 2018

Change in fund balances - Total governmental funds (page 25) \$ (3,172,335)

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

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

Expenditures for capital assets	\$ 7,036,854	
Capital assets contributed by the Iowa Department of Transportation	3,903,789	
Capital assets contributed by others	54,747	
Depreciation expense	<u>(3,579,724)</u>	7,415,666

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. (142,769)

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 follows:

Property tax	5,349	
Other	<u>(206,503)</u>	(201,154)

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	(474,364)	
Repaid	<u>1,664,135</u>	1,189,771

The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 880,599

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	(55,231)	
OPEB expense	(22,898)	
Pension expense	(1,075,390)	
Interest on long-term debt	<u>62,624</u>	(1,090,895)

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. 160,940

Change in net position of governmental activities (page 19) \$ 5,039,823

See notes to financial statements.

Webster County
Statement of Net Position
Proprietary Fund
June 30, 2018

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 632,973
Liabilities	
Accounts payable	<u>27,333</u>
Net Position	
Unrestricted	<u>\$ 605,640</u>

See notes to financial statements.

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

Year ended June 30, 2018

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 2,264,485
Reimbursements from employees and others		364,066
COBRA reimbursements		<u>59,874</u>
Total operating revenues		2,688,425
Operating expenses:		
Insurance premiums	\$ 2,216,914	
Medical claims	275,142	
Administrative fees	<u>40,909</u>	<u>2,532,965</u>
Operating income		155,460
Non-operating revenues:		
Interest income		<u>5,480</u>
Net income		160,940
Net position beginning of year		<u>444,700</u>
Net position end of year		<u><u>\$ 605,640</u></u>

See notes to financial statements.

Webster County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2018

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund contributions	\$ 2,264,485
Cash received from employees and others	364,066
Cash received from COBRA reimbursements	59,874
Cash paid for insurance premiums	(2,216,914)
Cash paid for medical claims	(262,015)
Cash paid for administrative expenses	(40,909)
Net cash provided by operating activities	168,587
Cash flows from investing activities:	
Interest on investments	5,480
Net increase in cash and cash equivalents	174,067
Cash and cash equivalents beginning of year	458,906
Cash and cash equivalents end of year	\$ 632,973
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 155,460
Adjustment to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	13,127
Net cash provided by operating activities	\$ 168,587

See notes to financial statements.

Webster County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 4,065,479
Other County officials	90,663

Receivables:

Property tax:	
Delinquent	208,184
Succeeding year	45,137,000
Accounts	46,531
Special assessments	619,942
Drainage assessments	1,192
Due from other governments	207,481

Prepaid items	186,300
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Total assets	<u>50,562,772</u>
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Liabilities

Accounts payable	45,152
Salaries and benefits payable	13,728
Due to other governments	50,011,302
Trusts payable	476,959
Stamped warrants payable	1,558
Compensated absences	14,073

Total liabilities	<u>50,562,772</u>
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Net position	<u><u>\$ -</u></u>
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See notes to financial statements.

Webster County

Notes to Financial Statements

June 30, 2018

(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.

The Friends of Webster County Conservation has been incorporated under Chapter 504A of the Code of Iowa to solicit and accept gifts from persons or organizations for development and enhancement of environmental education and conservation projects within the scope of the jurisdiction of the Webster County Conservation Board. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

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 911 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, 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.

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current 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 Balance/Net Position

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 and tax increment financing receivables have been recorded, the related revenue is reported as deferred inflows of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which they are 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, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2017.

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 and 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 and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2018, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 1980 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.

<u>Asset Class</u>	<u>Amount</u>
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, 2018. 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. The net pension 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.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the County’s actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB 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.

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 in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which they are levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable and tax increment financing receivable that will not be recognized until the year for which it is levied, unrecognized items not yet charged to pension and OPEB expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

Fund Balance – 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. During the year ended June 30, 2018, disbursements exceeded the amount budgeted in the debt service function.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2018 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.

At June 30, 2018, an escrow agent held investments for the County with a carrying and fair value of \$4,767,369. The investments mature as follows:

	<u>Amount</u>	<u>Maturity</u>
U.S. Treasury Notes	\$ 31,132	Dec 1, 2018
U.S. Treasury Notes	<u>4,736,237</u>	Jun 1, 2019
	<u>\$ 4,767,369</u>	

The County uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The recurring fair value measurement for the U.S. Government Treasury Notes of \$4,767,369 was determined using the last reported sales price at current exchange rates. (Level 1 inputs)

(3) Due From and Due to Other Funds

At June 30, 2018, the General Fund owed the Special Revenue, Urban Renewal Tax Increment Financing Fund \$80,101 as a result of a correcting entry made after June 30 by the County.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 692,313
	Urban Renewal Tax Increment Financing	<u>430,497</u>
		<u>1,122,810</u>
Special Revenue:		
Secondary Roads	General	271,822
	Special Revenue:	
	Urban Renewal Tax Increment Financing	217,157
	Rural Services	2,559,353
	Capital Projects	<u>160,000</u>
		<u>3,208,332</u>
Drainage Districts	Special Revenue:	
	Urban Renewal Tax Increment Financing	<u>80,101</u>
Webster County Trails	Local Option Sales and Services Tax	<u>100,000</u>
Debt Service	Special Revenue:	
	Secondary Roads	520,200
	Local Option Sales and Services Tax	<u>531,638</u>
		<u>1,051,838</u>
Capital Projects	Special Revenue:	
	Local Option Sales and Services Tax	<u>160,000</u>
Total		<u>\$ 5,723,081</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,078,021	2,762,536	(16,540)	4,824,017
Construction in progress, road network	84,609	4,704,338	(2,394,544)	2,394,403
Construction in progress	3,558,461	2,091,444	-	5,649,905
Total capital assets not being depreciated	5,721,091	9,558,318	(2,411,084)	12,868,325
Capital assets being depreciated:				
Buildings	* 24,894,061	229,983	(708,983)	24,415,061
Improvements other than buildings	1,404,075	35,194	-	1,439,269
Equipment and vehicles	12,698,001	1,194,295	(765,524)	13,126,772
Intangibles, other	164,292	-	-	164,292
Infrastructure, road network	78,551,211	2,394,544	-	80,945,755
Infrastructure, other	1,248,220	-	-	1,248,220
Total capital assets being depreciated	118,959,860	3,854,016	(1,474,507)	121,339,369
Less accumulated depreciation for:				
Buildings	* 12,290,045	463,458	(577,240)	12,176,263
Improvements other than buildings	159,865	99,760	-	259,625
Equipment and vehicles	8,945,779	1,058,408	(748,638)	9,255,549
Intangibles, other	-	65,717	-	65,717
Infrastructure, road network	37,427,669	1,842,452	-	39,270,121
Infrastructure, other	198,517	49,929	-	248,446
Total accumulated depreciation	59,021,875	3,579,724	(1,325,878)	61,275,721
Total capital assets being depreciated, net	59,937,985	274,292	(148,629)	60,063,648
Governmental activities capital assets, net	\$ 65,659,076	9,832,610	(2,559,713)	72,931,973

* - Balance beginning of year was restated by \$4,110,424 for a fully depreciated building inadvertently deleted in the prior year. There was no effect on the ending balance.

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 451,005
Physical health and social services	42,020
Mental health	1,441
County environment and education	192,914
Roads and transportation	2,705,179
Governmental services to residents	26,854
Administration	160,311
Total depreciation expense - governmental activities	\$ 3,579,724

(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, 2018 is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	<u>\$ 154,496</u>
Special Revenue:		
Secondary Roads	Services	<u>4,819</u>
Total for governmental funds		<u>\$ 159,315</u>
Agency:		
Agricultural Extension Education	Collections	\$ 282,550
County Assessor		2,552,976
Schools		24,389,091
Community Colleges		2,241,119
Corporations		17,673,654
Townships		474,196
Auto License and Use Tax		904,032
Special Districts		710,571
All other		<u>783,113</u>
Total for agency funds		<u>\$ 50,011,302</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

	<u>General Obligation Capital Loan Notes</u>	<u>General Obligation Local Option Sales and Services Tax Bonds</u>	<u>Drainage Warrants</u>	<u>Compensated Absences</u>	<u>Net Pension Liability</u>	<u>Other Post- employment Benefits</u>	<u>Total</u>
Balance beginning of year, as restated	\$ 5,060,000	10,195,000	1,108,322	468,826	6,676,536	771,750	24,280,434
Increases	-	-	474,364	565,478	344,500	-	1,384,342
Decreases	<u>570,000</u>	<u>335,000</u>	<u>759,135</u>	<u>510,247</u>	-	<u>93,096</u>	<u>2,267,478</u>
Balance end of year	<u>\$ 4,490,000</u>	<u>9,860,000</u>	<u>823,551</u>	<u>524,057</u>	<u>7,021,036</u>	<u>678,654</u>	<u>23,397,298</u>
Due within one year	<u>\$ 575,000</u>	<u>5,055,000</u>	<u>703,857</u>	<u>524,057</u>	-	-	<u>6,857,914</u>

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, 2018, the County retired \$135,000 of notes.

On July 29, 2017, the County issued \$4,675,000 of general obligation capital loan notes, Series 2017B 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 urban renewal projects under the authority of chapter 403, including a portion of the costs of building, furnishing and equipping the Otho Shed Maintenance Complex Project. During the year ended June 30, 2018, the County retired \$435,000 of notes.

A summary of the general obligation capital loan notes indebtedness is as follows:

General Obligation Capital Loan Notes				
Series 2012				
Issued Dec 18, 2012				
Year	Interest			
Ending	Rate	Principal	Interest	Total
June 30,				
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	1.70	140,000	4,900	144,900
2023	1.80	140,000	2,520	142,520
Total		\$ 690,000	33,415	723,415

General Obligation Capital Loan Notes,							
Series 2016B							
Issued Jul 29, 2016							
Year	Interest			Total	Total		
Ending	Rate	Principal	Interest	Total	Principal	Interest	Total
June 30,							
2019	2.00%	\$ 440,000	76,000	516,000	575,000	86,240	661,240
2020	2.00	450,000	67,200	517,200	585,000	75,955	660,955
2021	2.00	460,000	58,200	518,200	600,000	65,200	665,200
2022	2.00	470,000	49,000	519,000	610,000	53,900	663,900
2023	2.00	480,000	39,600	519,600	620,000	42,120	662,120
2024-2026	2.00	1,500,000	60,400	1,560,400	1,500,000	60,400	1,560,400
Total		\$ 3,800,000	350,400	4,150,400	4,490,000	383,815	4,873,815

General Obligation Local Option Sales and Services Tax (LOST) 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.

On July 29, 2016, the County issued \$4,805,000 of general obligation local option sales and services tax bonds refunding bonds for the crossover advance refunding of \$4,705,000 of general obligation bonds dated December 30, 2010. The bonds will be called on June 1, 2019.

For the crossover advance refunding, the County entered into an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. government securities. These securities, along with additional cash, were placed with an escrow agent to pay the principal and interest on the refunding general obligation bonds (new debt) until the crossover refunding date. On the crossover date of June 1, 2019, the refunded general obligation local option sales and services tax bonds (old debt) will be paid using the amounts held by the escrow agent. From that point forward, the local option sales tax revenues will be used to pay the general obligation local option sales and services tax refunding bonds (new debt). The transactions and balances of the escrow account are recorded by the County since the refunded debt is not considered extinguished.

A summary of the general obligation local option sales and services tax bonds indebtedness is as follows:

Year Ending June 30,	General Obligation LOST Bonds, Series 2010			
	Issued Dec 30, 2010			
	Interest Rate	Principal	Interest	Total
2019	3.00%	\$ 5,055,000	186,087	5,241,087

Year Ending June 30,	General Obligation Refunding LOST Bonds, Series 2016A				Total		
	Issued Jul 29, 2016				Principal	Interest	Total
	Interest Rate	Principal	Interest	Total			
2019	2.00%	\$ -	96,100	96,100	5,055,000	282,187	5,337,187
2020	2.00	440,000	96,100	536,100	440,000	96,100	536,100
2021	2.00	445,000	87,300	532,300	445,000	87,300	532,300
2022	2.00	455,000	78,400	533,400	455,000	78,400	533,400
2023	2.00	465,000	69,300	534,300	465,000	69,300	534,300
2024-2028	2.00	2,475,000	203,000	2,678,000	2,475,000	203,000	2,678,000
2029	2.00	525,000	10,500	535,500	525,000	10,500	535,500
Total		\$ 4,805,000	640,700	5,445,700	9,860,000	826,787	10,686,787

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 36% of net revenues. During the year ended June 30, 2018, the County retired \$335,000 of bonds. The total principal and interest remaining to be paid on the bonds is \$10,686,787. For the current year, principal and interest paid and total local option sales and services tax revenue were \$627,238 and \$1,749,933, 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 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 2018, 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 9.38% of covered payroll, for a total rate of 18.76%. 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, 2018 totaled \$880,599.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018 the County reported a liability of \$7,021,036 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the County's proportion was 0.105401%, which was a decrease of 0.000688% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$1,075,390. At June 30, 2018, 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	\$ 89,624	95,739
Changes of assumptions	1,476,996	13,298
Net difference between projected and actual earnings on IPERS' investments	-	94,145
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	32,436	117,605
County contributions subsequent to the measurement date	880,599	-
Total	\$ 2,479,655	320,787

\$880,599 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, 2019. 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
2019	\$ 155,588
2020	631,664
2021	367,096
2022	23,549
2023	100,372
Total	\$ 1,278,269

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience study dated March 24, 2017.

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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
County's proportionate share of the net pension liability	\$ 12,667,090	7,021,036	2,281,518

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, 2018.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Webster County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	4
Active employees	<u>174</u>
Total	<u>178</u>

Total OPEB Liability – The County’s total OPEB liability of \$678,654 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation	
(effective June 30, 2018)	3.00% per annum.
Rates of salary increase	2.50% per annum, including
(effective June 30, 2018)	inflation.
Discount rate	3.58% compounded annually,
(effective June 30, 2018)	including inflation.
Healthcare cost trend rate	5.00% per annum.
(effective June 30, 2018)	

Discount Rate – The discount rate used to measure the total OPEB liability was 3.58% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP2014 annuitant distinct mortality table adjusted to 2006 with MP 2017 generational projection of future mortality improvement.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year, as restated	\$ 771,750
Changes for the year:	
Service cost	52,147
Interest	24,222
Differences between expected and actual experiences	(48,411)
Changes in assumptions	(76,717)
Benefit payments	(44,337)
Net changes	<u>(93,096)</u>
Total OPEB liability end of year	<u>\$ 678,654</u>

Changes of assumptions reflect a change in the discount rate from 4.50% in fiscal year 2017 to 3.58% in fiscal year 2018.

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.58%) or 1% higher (4.58%) than the current discount rate.

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB liability	\$ 730,271	678,654	630,969

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

	1% Decrease (4.00%)	Healthcare Cost Trend Rate (5.00%)	1% Increase (6.00%)
Total OPEB liability	\$ 609,796	678,654	760,158

OPEB Expense and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the County recognized OPEB expense of \$22,898. At June 30, 2018, the County reported deferred inflows of resources related to OPEB from the following resources:

	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 44,877
Changes in assumptions	71,117
Total	<u>\$ 115,994</u>

The amount reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ending June 30,	Amount
2019	\$ (9,134)
2020	(9,134)
2021	(9,134)
2022	(9,134)
2023	(9,134)
Thereafter	(70,324)
	<u>\$ (115,994)</u>

(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 775 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 casualty 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, 2018 were \$268,209.

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 \$500,000 per claim. Claims exceeding \$500,000 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, 2018, no liability has been recorded in the County's financial statements. As of June 30, 2018, 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, 2018 was \$2,264,485.

Amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2018 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	\$ 14,206
Incurred claims (including claims incurred but not reported at June 30, 2018)	275,142
Payments on claims during the year	<u>262,015</u>
Unpaid claims end of year	<u>\$ 27,333</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 \$346,976 is outstanding at June 30, 2018. 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, 2018, the County made principal and interest payments of \$401,468 and \$117,295, respectively, to the Developer. At June 30, 2018 the balance owed on the agreement is \$3,319,396.

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, 2018, the County made payments of \$22,684 to the Developer. At June 30, 2018, the balance owed on the agreements is \$151,211.

These agreements are not general obligations of the County. However, the agreements are subject to the constitutional debt limitation of the County, except for \$1,910,607 which has not been appropriated by the Board of Supervisors at June 30, 2018.

(14) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

County Tax Abatements

The County provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the County enters into agreements with developers which require the County, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the County as part of these agreements.

For the year ended June 30, 2018, \$245,634 of property tax was diverted from the County under the urban renewal and economic development projects.

Tax Abatements of Other Entities

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2018 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Fort Dodge	Urban renewal and economic development projects	\$ 45,816

(15) 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, 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, 2018, as follows:

Revenues:		
Property and other county tax		\$ 1,150,305
Intergovernmental revenues:		
State tax credits	\$ 109,485	
Payments from fiscal agent	<u>500,799</u>	610,284
Charges for services		4,197
Miscellaneous		<u>1,873</u>
Total revenues		<u>1,766,659</u>
Expenditures:		
Services to persons with mental illness		229,409
General administration:		
Direct administration	98,102	
Distribution to regional fiscal agent	<u>1,730,016</u>	1,828,118
County provided case management		<u>147,084</u>
Total expenditures		<u>2,204,611</u>
Excess of expenditures over revenues		(437,952)
Fund balance beginning of year		<u>969,387</u>
Fund balance end of year		<u>\$ 531,435</u>

(16) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	<u>Governmental Activities</u>
Net position June 30, 2017, as previously reported	\$ 70,935,268
Net OPEB obligation measured under previous standards	663,103
Total OPEB liability at June 30, 2017	<u>(771,750)</u>
Net position July 1, 2017, as restated	<u>\$ 70,826,621</u>

Webster County

Required Supplementary Information

Webster County

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2018

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 15,522,000	-	15,522,000
Interest and penalty on property tax	110,590	-	110,590
Intergovernmental	12,356,828	75,441	12,281,387
Licenses and permits	76,671	-	76,671
Charges for service	1,139,363	-	1,139,363
Use of money and property	405,766	2,736	403,030
Miscellaneous	1,671,894	851,283	820,611
Total receipts	31,283,112	929,460	30,353,652
Disbursements:			
Public safety and legal services	5,123,382	-	5,123,382
Physical health and social services	4,395,708	-	4,395,708
Mental health	2,220,786	-	2,220,786
County environment and education	1,875,577	68,382	1,807,195
Roads and transportation	8,939,494	-	8,939,494
Governmental services to residents	984,703	-	984,703
Administration	3,005,298	-	3,005,298
Non-program	658,800	535,342	123,458
Debt service	2,664,960	828,120	1,836,840
Capital projects	6,658,673	-	6,658,673
Total disbursements	36,527,381	1,431,844	35,095,537
Deficiency of receipts over under disbursements	(5,244,269)	(502,384)	(4,741,885)
Other financing sources, net	1,640,440	554,465	1,085,975
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(3,603,829)	52,081	(3,655,910)
Balance beginning of year	24,227,175	502,624	23,724,551
Balance end of year	\$ 20,623,346	554,705	20,068,641

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net Variance
15,370,159	15,370,159	151,841
-	-	110,590
13,143,170	13,463,170	(1,181,783)
69,775	69,775	6,896
977,260	977,260	162,103
208,715	630,965	(227,935)
608,600	608,600	212,011
<u>30,377,679</u>	<u>31,119,929</u>	<u>(766,277)</u>
5,599,646	5,599,646	476,264
4,187,263	4,535,093	139,385
2,453,627	2,651,127	430,341
1,989,858	2,089,858	282,663
8,940,000	8,940,000	506
1,051,160	1,051,160	66,457
3,094,349	3,145,900	140,602
265,000	675,000	551,542
1,745,786	1,745,786	(91,054)
4,055,900	7,939,000	1,280,327
<u>33,382,589</u>	<u>38,372,570</u>	<u>3,277,033</u>
(3,004,910)	(7,252,641)	2,510,756
480,000	480,000	605,975
(2,524,910)	(6,772,641)	3,116,731
<u>16,611,669</u>	<u>16,611,699</u>	<u>7,112,852</u>
<u>14,086,759</u>	<u>9,839,058</u>	<u>10,229,583</u>

Webster County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2018

	<u>Governmental Funds</u>		
	Cash	Accrual	Modified
	Basis	Adjustments	Accrual
			Basis
Revenues	\$ 31,283,112	(604,310)	30,678,802
Expenditures	36,527,381	(1,530,376)	34,997,005
Net	(5,244,269)	926,066	(4,318,203)
Other financing sources, net	1,640,440	(494,572)	1,145,868
Beginning fund balances	24,227,175	1,138,463	25,365,638
Ending fund balances	\$ 20,623,346	1,569,957	22,193,303

See accompanying independent auditor's report.

Webster County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2018

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, two budget amendments increased budgeted disbursements by \$4,989,981. 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 911 System by the Joint 911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2018, disbursements exceed the amount budgeted in the debt service function.

Webster County

Webster County

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

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

Required Supplementary Information

	2018	2017	2016	2015
County's proportion of the net pension liability (asset)	0.105401%	0.106089%	0.102962%	0.098849%
County's proportionate share of the net pension liability (asset)	\$ 7,021	6,677	5,087	3,920
County's covered payroll	\$ 9,328	9,033	8,896	8,651
County's proportionate share of the net pension liability as a percentage of its covered payroll	75.27%	73.92%	57.18%	45.31%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	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
For the Last Ten Years
(In Thousands)

Required Supplementary Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 881	849	824	814
Contributions in relation to the statutorily required contribution	<u>(881)</u>	<u>(849)</u>	<u>(824)</u>	<u>(814)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 9,712	9,328	9,033	8,896
Contributions as a percentage of covered payroll	9.07%	9.10%	9.12%	9.15%

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
792	741	683	573	554	516
(792)	(741)	(683)	(573)	(554)	(516)
-	-	-	-	-	-
8,651	8,265	8,094	7,694	7,907	7,702
9.16%	8.97%	8.44%	7.45%	7.01%	6.70%

Webster County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2018

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.

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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 (unfunded actuarial liability) 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.

Webster County
 Schedule of Changes in the County's
 Total OPEB Liability, Related Ratios and Notes
 For the Current Year
 Required Supplementary Information

	2018
Service cost	\$ 52,147
Interest cost	24,222
Difference between expected and actual experiences	(48,411)
Changes in assumptions	(76,717)
Benefit payments	(44,337)
Net change in total OPEB liability	(93,096)
Total OPEB liability beginning of year, as restated	771,750
Total OPEB liability end of year	\$ 678,654
Covered-employee payroll	\$ 8,915,423
Total OPEB liability as a percentage of covered-employee payroll	7.61%

Notes to Schedule of Changes in the County's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2018	3.58%
Year ended June 30, 2017	4.50%

Webster County

Supplementary Information

Webster County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2018

		Special
	County Recorder's Records Management	Resource Enhancement and Protection
Assets		
Cash, cash equivalents and pooled investments	\$ 33,360	39,530
Receivables:		
Succeeding year tax increment financing	-	-
Due from other funds	-	-
Due from other governments	-	-
Total assets	\$ 33,360	39,530
Liabilities, Deferred Inflows of Resources and Fund Balances		
Deferred inflows of resources:		
Unavailable revenues:		
Succeeding year property tax	\$ -	-
Fund balances:		
Restricted for debt service	-	-
Restricted for other purposes	33,360	39,530
Total fund balances	33,360	39,530
Total liabilities, deferred inflows of resources and fund balances	\$ 33,360	39,530

See accompanying independent auditor's report.

Revenue					
Urban Renewal Tax Increment Financing	Local Option Sales and Services Tax	Friends of Webster County Conservation	Webster County Trails		Total
707,510	1,815,500	64,019	100,000		2,759,919
1,458,000	-	-	-		1,458,000
80,101	-	-	-		80,101
-	73,026	-	-		73,026
<u>2,245,611</u>	<u>1,888,526</u>	<u>64,019</u>	<u>100,000</u>		<u>4,371,046</u>
1,458,000	-	-	-		1,458,000
787,611	-	-	-		787,611
-	1,888,526	64,019	100,000		2,125,435
<u>787,611</u>	<u>1,888,526</u>	<u>64,019</u>	<u>100,000</u>		<u>2,913,046</u>
<u>2,245,611</u>	<u>1,888,526</u>	<u>64,019</u>	<u>100,000</u>		<u>4,371,046</u>

Webster County

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

Year ended June 30, 2018

	County Recorder's Records Management	Resource Enhancement and Protection	Special Urban Renewal Tax Increment Financing
Revenues:			
Tax increment financing	\$ -	-	1,370,552
Local option sales and services tax	-	-	-
Intergovernmental	-	24,352	104,621
Charges for service	6,153	-	-
Use of money and property	276	426	10,215
Miscellaneous	-	20,553	-
Total revenues	<u>6,429</u>	<u>45,331</u>	<u>1,485,388</u>
Expenditures:			
Operating:			
County environment and education	-	33,996	-
Debt service	-	-	541,447
Total expenditures	<u>-</u>	<u>33,996</u>	<u>541,447</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,429</u>	<u>11,335</u>	<u>943,941</u>
Other financing sources (uses):			
Transfer in	-	-	-
Transfers out	-	-	(727,755)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(727,755)</u>
Change in fund balances	6,429	11,335	216,186
Fund balances beginning of year	<u>26,931</u>	<u>28,195</u>	<u>571,425</u>
Fund balances end of year	<u>\$ 33,360</u>	<u>39,530</u>	<u>787,611</u>

See accompanying independent auditor's report.

Revenue			
Local Option Sales and Services Tax	Friends of Webster County Conservation	Webster County Trails	Total
-	-	-	1,370,552
874,967	-	-	874,967
-	-	-	128,973
-	-	-	6,153
-	2,736	-	13,653
-	19,760	-	40,313
874,967	22,496	-	2,434,611
-	68,382	-	102,378
-	-	-	541,447
-	68,382	-	643,825
874,967	(45,886)	-	1,790,786
-	-	100,000	100,000
(1,483,951)	-	-	(2,211,706)
(1,483,951)	-	100,000	(2,111,706)
(608,984)	(45,886)	100,000	(320,920)
2,497,510	109,905	-	3,233,966
1,888,526	64,019	100,000	2,913,046

Webster County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	2,466	2,006,178	217,646	14,673
Other County officials	90,663	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,084	4,378	100,445	6,446
Succeeding year	-	279,000	608,000	24,071,000	2,220,000
Accounts	12,676	-	-	-	-
Special assessments	-	-	-	-	-
Drainage assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	\$ 103,339	282,550	2,618,556	24,389,091	2,241,119
Liabilities					
Liabilities:					
Accounts payable	\$ -	-	41,697	-	-
Salaries and benefits payable	-	-	11,347	-	-
Due to other governments	40,262	282,550	2,552,976	24,389,091	2,241,119
Trusts payable	63,077	-	-	-	-
Stamped warrants payable	-	-	-	-	-
Compensated absences	-	-	12,536	-	-
Total liabilities	\$ 103,339	282,550	2,618,556	24,389,091	2,241,119

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Special Districts	Other	Total
153,291	4,363	904,032	45,014	810,615	4,158,278
-	-	-	-	-	90,663
94,363	833	-	615	20	208,184
17,426,000	469,000	-	45,000	19,000	45,137,000
-	-	-	-	33,855	46,531
-	-	-	619,942	-	619,942
-	-	-	-	1,192	1,192
-	-	-	-	114,682	114,682
-	-	-	-	186,300	186,300
17,673,654	474,196	904,032	710,571	1,165,664	50,562,772
-	-	-	-	3,455	45,152
-	-	-	-	2,381	13,728
17,673,654	474,196	904,032	710,571	742,851	50,011,302
-	-	-	-	413,882	476,959
-	-	-	-	1,558	1,558
-	-	-	-	1,537	14,073
17,673,654	474,196	904,032	710,571	1,165,664	50,562,772

Webster County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2018

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 114,588	262,688	2,395,292	23,085,593	1,578,008
Additions:					
Property and other county tax	-	280,569	614,345	24,183,717	2,229,960
911 surcharge	-	-	-	-	-
State tax credits	-	24,790	101,054	2,286,768	148,629
Office fees and collections	819,969	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	502,791	-	-	-	-
Miscellaneous	-	-	413	-	-
Total additions	1,322,760	305,359	715,812	26,470,485	2,378,589
Deductions:					
Agency remittances:					
To other funds	458,661	-	-	-	-
To other governments	344,557	285,497	492,548	25,166,987	1,715,478
Trusts paid out	530,791	-	-	-	-
Total deductions	1,334,009	285,497	492,548	25,166,987	1,715,478
Balances end of year	\$ 103,339	282,550	2,618,556	24,389,091	2,241,119

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Special Districts	Other	Total
16,771,250	442,603	911,150	642,158	838,916	47,042,246
17,051,538	486,188	-	46,295	18,245	44,910,857
-	-	-	-	137,956	137,956
2,101,423	25,904	-	2,696	459	4,691,723
-	-	-	-	-	819,969
-	-	11,997,432	-	2,019	11,999,451
-	-	-	115,672	-	115,672
-	-	-	-	701,116	1,203,907
-	-	-	-	1,201,839	1,202,252
19,152,961	512,092	11,997,432	164,663	2,061,634	65,081,787
-	-	352,226	-	190,870	1,001,757
18,250,557	480,499	11,652,324	96,250	901,655	59,386,352
-	-	-	-	643,919	1,174,710
18,250,557	480,499	12,004,550	96,250	1,736,444	61,562,819
17,673,654	474,196	904,032	710,571	1,164,106	50,561,214

Webster County

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

For the Last Ten Years

	2018	2017	2016	Modified 2015
Revenues:				
Property and other county tax, including tax increment financing	\$ 13,626,123	13,042,149	13,576,833	12,385,396
Local option sales and services tax	1,749,933	1,918,718	1,573,301	1,880,690
Interest and penalty on property tax	110,590	114,251	123,915	107,475
Intergovernmental	12,290,062	12,102,947	12,158,839	10,258,645
Licenses and permits	77,036	87,438	81,105	69,125
Charges for service	1,122,508	1,142,131	1,211,296	950,787
Use of money and property	405,766	300,931	337,041	331,122
Miscellaneous	1,296,784	1,841,685	1,452,109	3,295,467
Total	<u>\$ 30,678,802</u>	<u>30,550,250</u>	<u>30,514,439</u>	<u>29,278,707</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 5,152,249	5,099,100	5,051,463	4,881,381
Physical health and social services	4,430,820	3,730,307	3,263,395	3,783,515
Mental health	2,204,611	2,277,648	2,107,003	2,560,537
County environment and education	1,834,569	1,902,326	1,598,699	1,617,169
Roads and transportation	8,107,736	8,047,880	8,474,864	7,934,669
Governmental services to residents	975,435	918,915	1,253,737	872,026
Administration	3,008,404	2,800,582	2,754,503	2,682,624
Non-program	686,322	1,311,801	477,174	1,034,739
Debt service	2,664,960	2,157,024	2,631,987	3,743,804
Capital projects	5,931,899	5,746,569	1,448,661	1,807,581
Total	<u>\$ 34,997,005</u>	<u>33,992,152</u>	<u>29,061,486</u>	<u>30,918,045</u>

See accompanying independent auditor's report.

Accrual Basis					
2014	2013	2012	2011	2010	2009
12,723,473	12,271,342	12,498,762	12,470,783	11,170,681	10,528,511
1,893,684	1,687,493	1,649,410	1,666,772	1,405,986	803,332
108,693	101,378	110,909	113,651	121,908	125,291
9,588,387	11,016,312	12,498,776	12,673,182	10,834,057	11,918,133
151,144	81,387	111,405	77,399	58,905	31,547
1,053,980	1,031,580	995,824	1,122,883	930,734	948,881
311,746	306,804	390,636	269,193	307,683	426,764
1,919,319	1,168,167	1,526,016	1,398,371	570,869	942,772
<u>27,750,426</u>	<u>27,664,463</u>	<u>29,781,738</u>	<u>29,792,234</u>	<u>25,400,823</u>	<u>25,725,231</u>
5,021,524	5,019,591	5,047,832	4,482,641	4,517,607	4,719,053
3,172,397	2,725,211	2,508,348	2,302,259	2,418,882	2,164,245
2,632,711	3,522,224	5,741,501	3,901,371	4,203,328	4,440,537
1,431,400	1,434,580	1,183,265	1,105,897	1,165,709	1,141,169
6,908,561	6,615,707	7,028,654	6,699,446	6,591,364	7,848,518
852,146	878,055	763,062	662,741	732,356	798,823
2,833,233	2,668,289	2,451,572	2,366,009	2,482,172	2,655,140
1,929,837	1,998,639	1,516,230	1,157,295	1,959,580	1,739,170
2,122,573	1,549,368	2,431,117	1,869,470	1,308,033	720,291
1,473,512	3,803,829	6,329,798	3,820,123	2,185,346	1,577,162
<u>28,377,894</u>	<u>30,215,493</u>	<u>35,001,379</u>	<u>28,367,252</u>	<u>27,564,377</u>	<u>27,804,108</u>

Schedule 6

Webster County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

Grantor/Program	CFDA Number	Pass-through Entity Identifying Number	Program Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Public Health:			
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5887AO50	\$ 147,413
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5888AO50	<u>314,866</u>
			<u>462,279</u>
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	5887NU10	5,348
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	5888NU10	13,979
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>24,052</u>
			<u>43,379</u>
Iowa Department of Agriculture and Land Stewardship:			
WIC Farmers' Market Nutrition Program (FMNP)	10.572		<u>412</u>
U.S. Department of Justice:			
Iowa Department of Justice:			
Crime Victim Assistance	16.575	VW-18-51-16	<u>35,000</u>
Bulletproof Vest Partnership Program	16.607		<u>5,211</u>
U.S. Department of Transportation:			
Iowa Department of Public Safety - Governor's Traffic Safety Bureau:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	PAP 17-402-MOOP, Task 36-60-00	<u>3,011</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	2,000
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	ES04501	<u>9,750</u>
			<u>11,750</u>
Aging Cluster:			
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	ESO4502	<u>8,445</u>
Iowa Department of Public Health:			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements			
	93.074	5888BT12	<u>260,775</u>
Immunization Cooperative Agreements	93.268	5888I480	<u>11,082</u>
Centers for Disease Control and Prevention			
Investigations and Technical Assistance	93.283	5888MH25	<u>1,363</u>

Webster County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2018

Grantor/Program	CFDA Number	Pass-through Entity Identifying Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Child Care and Development Block Grant	93.575	5888CH60	<u>2,740</u>
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624	5888SIM14	<u>222,611</u>
Children's Health Insurance Program	93.767	5888MH25	<u>43,369 *</u>
Medicaid Cluster:			
Medical Assistance Program	93.778	5887MH25	23,342
Medical Assistance Program	93.778	5888MH25	<u>66,822</u>
			<u>90,164 **</u>
Preventive Health and Health Services Block Grant	93.991	5887DH34	107,315
Preventive Health and Health Services Block Grant	93.991	5888DH34	<u>103,365</u>
			<u>210,680</u>
Maternal and Child Health Services Block Grant to the States	93.994	5887MH25	150,031
Maternal and Child Health Services Block Grant to the States	93.994	5888MH25	204,987
Maternal and Child Health Services Block Grant to the States	93.994	5887CH60	28,589
Maternal and Child Health Services Block Grant to the States	93.994	5888CH60	<u>56,563</u>
			<u>440,170</u>
Family Planning Council of Iowa:			
Family Planning Services	93.217	868-FY2018	<u>81,436</u>
Iowa Department of Human Services:			
TANF Cluster:			
Temporary Assistance for Needy Families	93.558	ACFS 14-199	<u>63,320</u>
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance State/ Replacement Designee Administered Programs	93.566		<u>29</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>6,494</u>
Foster Care Title IV-E	93.658		<u>8,771</u>
Adoption Assistance	93.659		<u>2,782</u>
Social Services Block Grant	93.667		<u>7,139</u>
Children's Health Insurance Program	93.767		<u>176 *</u>
Medical Assistance Program	93.778		<u>38,978 **</u>
Federal Emergency Management Agency:			
Iowa Department of Homeland Security and Emergency Management:			
Emergency Management Performance Grants	97.042	EMPG-18-PT-94	<u>33,730</u>
Total			<u>\$ 2,095,296</u>

* Total for CFDA 93.767 equals \$43,545

** Total for CFDA 93.778 equals \$129,142

Webster County

Schedule of Expenditures of Federal Awards

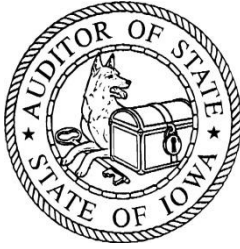
Year ended June 30, 2018

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, 2018. 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.

Indirect Cost Rate – 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.



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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, 2018, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 23, 2019.

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.

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 have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-18 and II-B-18 to be material weaknesses.

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. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-C-18 to be a significant deficiency.

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, 2018 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.


MARLYS K. GASTON, CPA
Deputy Auditor of State

April 23, 2019



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STATE OF IOWA**

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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, 2018. 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 federal statutes, regulations and the terms and conditions of its federal awards 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, 2018.

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 programs 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.


MARLYS K. GASTON, CPA
Deputy Auditor of State

April 23, 2019

Webster County
Schedule of Findings and Questioned Costs
Year ended June 30, 2018

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

- a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- b) A significant deficiency and 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 200.516.
- g) The major programs were as follows:
 - CFDA Number 10.557 – WIC Special Supplemental Nutrition Program for Women, Infants, and Children.
 - CFDA Number 93.994 – Maternal and Child Health Services Block Grant to the States.
- 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, 2018

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-18 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:

	Applicable Offices
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared or prepared listing is not traced to general ledger and bank deposit.	County Recorder, County Treasurer and County Sheriff
(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 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) Voided receipts are not periodically reviewed by an independent person for propriety.	County Sheriff
(7) 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

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

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. Many of the components of this comment are repeated from the previous year.

Responses –

County Treasurer – This will be addressed to the new Webster County Treasurer with a number of employees and procedures. Brenda Angstrom will be taking office January 2, 2019.

County Recorder – Best practices are continually being implemented to be in compliance with segregation of duties given a small office staff.

County Sheriff – We are preparing a list of cash and checks received at this time. 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 every account. We are running monthly reports of void receipts for review.

Conclusions – Responses acknowledged. The County offices should continue to review the control activities of their offices to obtain the maximum internal control possible under the circumstances.

II-B-18 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. Adjustments were subsequently made 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, 2018

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, and capital asset/infrastructure additions and deletions are identified and properly reported in the County’s financial statements. This is a repeat comment.

Responses –

Auditor – We will implement a review of all expenditures prior to claims being paid each time and ensure financial statements are updated and accurate.

Treasurer – We will try to establish a new procedure for properly reporting County’s financials.

Conclusions – Responses accepted.

II-C-18 Capital Asset Deletions

Criteria – An effective internal control system provides for internal controls related to ensuring the timely and accurate recording of capital asset deletions.

Condition – Eight of ten capital asset deletions tested were not supported by written documentation.

Cause – Procedures have not been designed and implemented to ensure all capital assets deletions are adequately supported and approved.

Effect – This condition could result in misstated capital assets or theft of capital assets.

Recommendation – A system to provide written documentation for asset deletions should be developed. Information should include appropriate details to insure the assets are properly deleted from the capital asset records.

Response – This procedure will be reviewed and new forms will be provided for capital asset deletions. All Department heads will be educated and held to new guidelines.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

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, 2018

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-18 Certified Budget – Disbursements during the year ended June 30, 2018 exceeded the amount budgeted in the debt service function.

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

Response – Every effort will be made to ensure this will not happen again.

Conclusion – Response accepted.

IV-B-18 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-18 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-18 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Krystal Steck, Auditor's Office Drainage clerk, daughter of Dan Rasmussen owner of Rasmussen Tiling	Tiling	\$ 2,044
Sara Lewis, Auditor's Office employee, daughter-in-law of owners of Rosalez Lock & Key	Lock and key services	1,388

In accordance with Chapter 331.342(2)(d) of the Code of Iowa, the transactions with Rasmussen Tiling and Rosalez Lock & Key do not appear to represent conflicts of interest since the Auditor’s office employees’ employment is not directly affected as a result of the contract.

IV-E-18 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-18 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-18 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-18 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

IV-I-18 Annual Urban Renewal Report – The Annual Urban Renewal Report (AURR) was properly approved and certified to the Iowa Department of Management on or before December 1. The County understated the amount reported as TIF debt outstanding since the June 30, 2017 balances were reported rather than the June 30, 2016 balances.

Recommendation – The County should ensure the correct debt amounts are reported on the AURR.

Response – Payments were not split out by district at the time the report was prepared. We are aware of the problem and will strive to maintain the records accurately in the future. The correction was completed the following year.

Conclusion – Response accepted.

IV-J-18 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, 2018 for the County Extension Office did not exceed the amount budgeted.

IV-K-18 County 911 Budget – Disbursements during the year ended June 30, 2018 for the 911 Surcharge Fund exceeded the amount budgeted.

Recommendation – The budget should have been amended in sufficient amount in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Staff changes and proper training should ensure this does not happen again. In addition, the Auditor will ensure all claims will be reviewed before final payments to ensure they comply with the budget.

Conclusion – Response accepted.

Webster County

Staff

This audit was performed by:

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Taran E. McCusker, Assistant Auditor
Ethan M. Snedigar, Assistant Auditor