



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

David A. Vaudt, CPA  
Auditor of State

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ March 28, 2006 \_\_\_\_\_

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

The County had local tax revenue of \$41,123,179 for the year ended June 30, 2005, which included \$2,081,879 in tax credits from the state. The County forwarded \$31,903,586 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$9,219,593 of the local tax revenue to finance County operations, a 3% decrease from the prior year. Other revenues included charges for service of \$2,841,163, operating grants and contributions of \$7,731,994, capital grants and contributions of \$1,526,585, local option sales tax of \$692,933, unrestricted investment earnings of \$251,661 and other general revenues of \$289,155.

Expenses for County operations totaled \$20,981,945, a 6% increase over the prior year. Expenses included \$6,043,829 for roads and transportation, \$4,149,537 for mental health and \$4,090,463 for public safety and legal services.

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

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**WEBSTER COUNTY**

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

**JUNE 30, 2005**

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**Webster County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2005)</b>		
Phil Condon	Board of Supervisors	Jan 2005
Greg Nolting	Board of Supervisors	Jan 2005
Eddie Peterson	Board of Supervisors	Jan 2005
James Gill	Board of Supervisors	Jan 2007
Floyd Magnusson	Board of Supervisors	Jan 2007
Carol Messerly	County Auditor	Jan 2005
Janice Horton	County Treasurer	Jan 2007
Judy Cosgrove	County Recorder	Jan 2007
Charles Griggs	County Sheriff	(Resigned Sep 2003)
James Stubbs (Appointed)	County Sheriff	Dec 2003
Brian Mickelson (Elected)	County Sheriff	Jan 2005
Timothy N. Schott	County Attorney	Jan 2007
Jeanette Thanupakorn	County Assessor	Jan 2010
<b>(After January 2005)</b>		
James Gill	Board of Supervisors	Jan 2007
Floyd Magnusson	Board of Supervisors	Jan 2007
Phil Condon	Board of Supervisors	Jan 2009
Greg Nolting	Board of Supervisors	Jan 2009
Eddie Peterson	Board of Supervisors	Jan 2009
Carol Messerly	County Auditor	Jan 2009
Janice Horton	County Treasurer	Jan 2007
Judy Cosgrove	County Recorder	Jan 2007
Brian Mickelson	County Sheriff	Jan 2009
Timothy N. Schott	County Attorney	Jan 2007
Jeanette Thanupakorn	County Assessor	Jan 2010

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Independent Auditor's Report

To the Officials of Webster County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Webster County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Webster County's management. Our responsibility is to express opinions on these financial statements based on our audit.

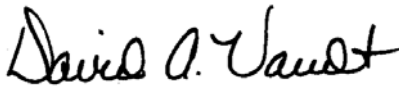
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Webster County at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

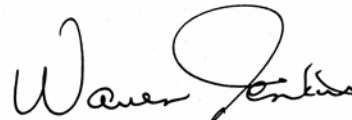
In accordance with Government Auditing Standards, we have also issued our report dated January 6, 2006 on our consideration of Webster County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 14 and 44 through 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Webster County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 6, 2006

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

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Webster County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

As discussed in Note 12 to the financial statements, the County restated the beginning balance to include certain capital assets, primarily infrastructure, that was previously excluded. To facilitate and enhance comparability in this discussion and analysis, fiscal year 2004 amounts have been revised to reflect the changes as if they had been made in the prior year.

### **2005 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 3.9%, or approximately \$838,000, from fiscal 2004 to fiscal 2005. Property tax revenue decreased approximately \$228,000, or 2.5%.
- Program expenses of the County's governmental activities increased 5.6%, or approximately \$1,122,000, in fiscal 2005 over fiscal 2004. Roads and transportation expenses increased approximately \$934,000.
- The County's net assets increased 3.6%, or approximately \$1.6 million, from June 30, 2004 to June 30, 2005.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

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



## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has three kinds of funds:

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

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

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

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

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

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

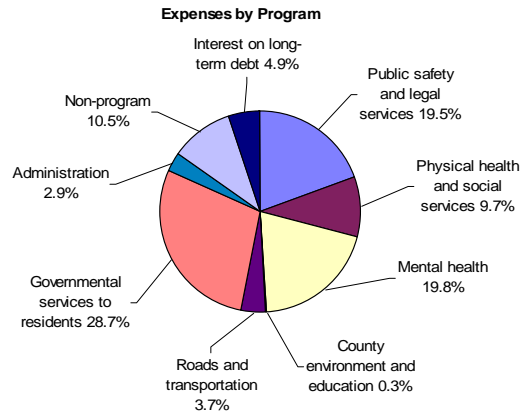
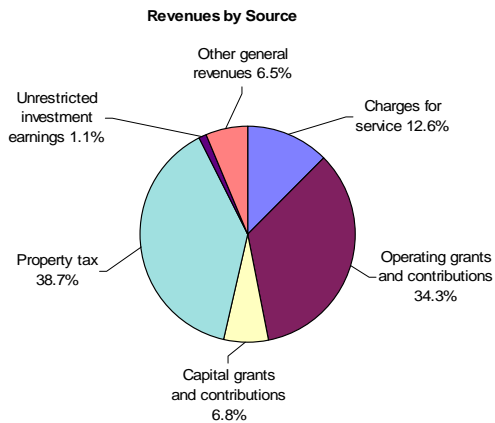
As noted earlier, net assets may serve over time as a useful indicator of financial position. Webster County's combined net assets increased from \$43.5 million to \$45.0 million during the year ended June 30, 2005. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities		
(Expressed in Thousands)		
	June 30,	
	2005	2004
	(as restated)	
Current and other assets	\$ 24,236	23,004
Capital assets	33,523	32,598
Total assets	<u>57,759</u>	<u>55,602</u>
Long-term liabilities	1,543	1,858
Other liabilities	11,144	10,243
Total liabilities	<u>12,687</u>	<u>12,101</u>
Net assets:		
Invested in capital assets, net of related debt	32,913	31,693
Restricted	8,576	8,166
Unrestricted	3,583	3,642
Total net assets	<u>\$ 45,072</u>	<u>43,501</u>

Net assets of Webster County's governmental activities increased by approximately \$1.6 million from FY04. The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—remained constant at \$3.6 million.

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

	Year ended June 30,	
	2005	2004
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 2,841	3,180
Operating grants and contributions	7,732	6,619
Capital grants and contributions	1,527	1,040
<b>General revenues:</b>		
Property tax	8,725	8,953
Unrestricted investment earnings	252	217
Other general revenues	1,476	1,706
<b>Total revenues</b>	<b>22,553</b>	<b>21,715</b>
<b>Program expenses:</b>		
Public safety and legal services	4,090	4,002
Physical health and social services	2,025	2,114
Mental health	4,150	4,011
County environment and education	779	904
Roads and transportation	6,044	5,110
Governmental services to residents	611	666
Administration	2,195	2,121
Non-program	1,035	830
Interest on long-term debt	53	102
<b>Total expenses</b>	<b>20,982</b>	<b>19,860</b>
<b>Increase in net assets</b>	<b>1,571</b>	<b>1,855</b>
<b>Net assets beginning of year, as restated</b>	<b>43,501</b>	<b>41,646</b>
<b>Net assets end of year</b>	<b>\$ 45,072</b>	<b>43,501</b>



Webster County's net assets of governmental activities increased by approximately \$1,571,000 during the year. Revenues for governmental activities increased by approximately \$838,000 over the prior year, with property tax revenue decreasing from the prior year by approximately \$228,000, or 2.5%.

The County increased property tax rates for 2006 by an average of 12.9%. Based on little change in taxable valuation, property tax revenue is budgeted to increase by approximately \$698,000 for FY06, or approximately 8%.

The cost of all governmental activities this year was approximately \$21.0 million compared to approximately \$19.9 million last year. However, as shown in the Statement of Activities on Exhibit B, the amount taxpayers ultimately financed for these activities was only approximately \$8.9 million.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Webster County completed the year, its governmental funds reported a combined fund balance of approximately \$11,753,000, a decrease of only approximately \$82,000 below last year's total of approximately \$11,835,000. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased approximately \$1,008,000 and expenditures decreased approximately \$1,209,000 from the prior year. The ending fund balance showed a modest increase of approximately \$5,700 from the prior year to \$4,077,560. The decrease in revenues and expenditures is primarily due to moving the Public Health Nurses Department to a Special Revenue Fund. This maintains a comfortable day-to-day operating balance during the first quarter of FY06 prior to the receipt of the first half of property tax.
- The County has continued to look for ways to effectively manage the cost of mental health services. Mental Health Fund revenues decreased approximately \$255,000 from the previous year. For the year, expenditures totaled approximately \$4,145,000, an increase of 0.8% from the prior year. The Mental Health Fund balance at year end decreased by approximately \$1,009,000 from the prior year. The Mental Health Fund property tax levy was reduced to decrease revenues and lower the ending fund balance. The fund balance includes a designated balance for an assertive community treatment program of \$376,895 which will be included in the fiscal year 2006 budget.
- Rural Services Fund revenues increased approximately \$111,000 from the previous fiscal year, and expenditures decreased approximately \$80,000. Transfers from the Rural Services Fund to the Secondary Roads Fund remained constant. The Rural Services Fund balance increased approximately \$74,000. There were no significant changes in revenues or expenditures.
- Revenues in the Secondary Roads Fund increased approximately \$393,000 over the previous year. Secondary Roads Fund expenditures increased by approximately \$351,000 over the prior year, due principally to an increase in capital projects for the year of approximately \$272,000. The expenditures for capital projects can vary from year to year due to the scheduling of the projects. Revenues increased primarily due to grants for bridges.

Transfers from the Rural Services Fund and the General Fund to the Secondary Roads Fund remained constant. The Secondary Roads Fund balance increased by approximately \$484,000.

- The Drainage Districts Fund ended the year with a \$177,225 balance compared to a \$196,265 balance at the end of the previous year. Proceeds from stamped warrants decreased approximately \$118,000 and expenditures on major projects decreased approximately \$63,000 during the year. As a result, there was not a significant change in the ending fund balance.
- There were no significant changes in revenues, expenditures and the fund balance of the Debt Service Fund.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Webster County amended its budget twice. The first amendment was made in December 2004 and resulted in an increase in budgeted disbursements of \$829,300 and an increase to budgeted revenues of \$799,300 to allow for pass-through funds for Community Development Block Grant projects, Recorders statewide web site, additional election expenses and building expenses. The second amendment was made in May 2005 and resulted in an increase in budgeted expenditures and budgeted revenues of \$61,378 for the receipt and disbursement of an E911 equipment note.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005, Webster County had approximately \$33,523,000 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$925,000, or 2.8%, over FY04.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2005	2004 (as restated)
Land	\$ 836	836
Construction in progress	1,477	262
Buildings and improvements	6,637	6,908
Machinery and equipment	3,001	2,849
Infrastructure	21,572	21,742
Totals	\$ 33,523	32,597

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

Secondary roads infrastructure	\$ 1,513
Secondary roads equipment	579
Secondary roads construction in progress	1,215
Vehicles for the sheriff's department	47
Conservation equipment	39
Total	\$ 3,393

The County had depreciation expense of \$2,467,250 in FY05 and total accumulated depreciation of \$28,340,890 at June 30, 2005.

The County's fiscal year 2005 capital budget included \$3,100,000 for capital projects, principally for Secondary Roads Fund projects. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

## Long-Term Debt

At June 30, 2005, Webster County had approximately \$1,154,000 in general obligation notes and other debt outstanding compared to approximately \$1,457,000 at June 30, 2004, as shown below:

Outstanding Debt of Governmental Activities at Year-End		
(Expressed in Thousands)		
	June 30,	
	2005	2004
General obligation refunding notes	610	905
General obligation E911 equipment notes	175	230
Iowa rural community 2000 loan	12	23
Drainage warrants	357	299
Totals	\$ 1,154	1,457

The County continues to carry a general obligation bond rating of Aa3 assigned by Moody's Investors Service, a national rating agency. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Webster County's outstanding general obligation debt is significantly below its constitutional debt limit of \$87 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 2006 budget, tax rates and fees charged for various County activities. One of those factors is the economy. The County's nonagricultural employment growth has mirrored its population growth during 1999-2005. Unemployment in the County now stands at 4.8 percent versus 6.3 percent a year ago. This compares with the State's unemployment rate of 4.7 percent and mirrors the national rate of 5.1 percent.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The National CPI increase was 3.8 percent for 2005 compared with the prior year rate of 2.7 percent. Inflation has been modest here due, in part, to the slowing of the residential housing market and modest increases in energy prices in 2004-2005.

These indicators were taken into account when adopting the budget for fiscal year 2006. Amounts available for appropriation in the operating budget are \$23.4 million, an increase of 2.9 percent over the final 2005 budget, which includes an aggressive \$3 million roadway construction budget for FY06. Property tax levy rates will increase due to a FY05 31% decrease in agricultural valuations. A FY05 state equalization order reduced taxable valuation county-wide by 10 percent, which results in an increase in tax levy rates to generate the same dollars as the prior year for fiscal years 2005 and 2006. Modest wage and cost-of-living adjustments are included in the fiscal year 2006 budget. The County has added no major new programs or initiatives to the 2006 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by the close of 2006.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

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

## **Basic Financial Statements**



**Exhibit A**

Webster County  
Statement of Net Assets  
June 30, 2005

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 11,215,493
Receivables:	
Property tax:	
Delinquent	38,164
Succeeding year	9,416,000
Interest and penalty on property tax	715
Accounts	170,690
Accrued interest	22,251
E911 lease	175,000
Drainage assessments:	
Current	157,598
Future	415,029
Due from other governments	1,639,969
Inventories	917,956
Prepaid insurance	67,478
Capital assets (net of accumulated depreciation)	<u>33,522,675</u>
<b>Total assets</b>	<u>57,759,018</u>
<b>Liabilities</b>	
Accounts payable	1,068,063
Accrued interest payable	62,054
Salaries and benefits payable	113,458
Due to other governments	484,277
Deferred revenue:	
Succeeding year property tax	9,416,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation refunding notes	300,000
General obligation E911 equipment notes	55,000
Iowa Rural Community 2000 Loan	11,986
Drainage warrants	356,758
Compensated absences	389,558
Portion due or payable after one year:	
General obligation refunding notes	310,000
General obligation E911 equipment notes	120,000
<b>Total liabilities</b>	<u>12,687,154</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	32,912,675
Restricted for:	
Supplemental levy purposes	630,439
Mental health purposes	690,521
Secondary roads purposes	5,663,186
Drainage district purposes	632,241
Debt service	77,218
Other purposes	882,618
Unrestricted	<u>3,582,966</u>
<b>Total net assets</b>	<u>\$ 45,071,864</u>

See notes to financial statements.

Webster County  
Statement of Activities  
Year ended June 30, 2005

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 4,090,463	202,546	519,631	-	(3,368,286)
Physical health and social services	2,025,132	1,042,768	1,083,111	-	100,747
Mental health	4,149,537	389,622	1,463,031	-	(2,296,884)
County environment and education	778,410	103,986	18,878	-	(655,546)
Roads and transportation	6,043,829	114,175	4,044,382	1,526,585	(358,687)
Governmental services to residents	610,774	576,227	-	-	(34,547)
Administration	2,195,375	123,752	-	-	(2,071,623)
Non-program	1,035,035	288,087	602,961	-	(143,987)
Interest on long-term debt	53,390	-	-	-	(53,390)
<b>Total</b>	<b>\$ 20,981,945</b>	<b>2,841,163</b>	<b>7,731,994</b>	<b>1,526,585</b>	<b>(8,882,203)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					8,428,741
Debt service					296,226
Penalty and interest on property tax					126,175
State tax credits					494,626
Local option sales tax					692,933
Unrestricted investment earnings					251,661
Rent					40,915
Gain on sale of capital assets					34,791
Miscellaneous					87,274
<b>Total general revenues</b>					<b>10,453,342</b>
Change in net assets					1,571,139
Net assets beginning of year, as restated					43,500,725
Net assets end of year					<b>\$ 45,071,864</b>

See notes to financial statements.

Webster County  
Balance Sheet  
Governmental Funds

June 30, 2005

	Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Drainage Districts
<b>Assets</b>					
Cash and pooled investments	\$ 4,155,355	1,209,575	518,479	4,182,654	236,213
Receivables:					
Property tax:					
Delinquent	28,331	8,083	436	-	-
Succeeding year	5,743,000	1,639,000	1,755,000	-	-
Interest and penalty on property tax	715	-	-	-	-
Accounts	2,790	32,980	-	95	-
Accrued interest	19,700	-	-	1,932	-
E911 lease	175,000	-	-	-	-
Drainage assessments:					
Current	-	-	-	-	157,598
Future	-	-	-	-	415,029
Due from other governments	719,150	-	-	814,222	-
Inventories	-	-	-	917,956	-
Prepaid insurance	49,345	-	378	17,755	-
<b>Total assets</b>	<b>\$ 10,893,386</b>	<b>2,889,638</b>	<b>2,274,293</b>	<b>5,934,614</b>	<b>808,840</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 750,264	105,679	158	110,581	58,988
Salaries and benefits payable	63,125	7,414	2,712	29,284	-
Due to other governments	22,280	432,934	-	11,740	-
Deferred revenue:					
Succeeding year property tax	5,743,000	1,639,000	1,755,000	-	-
Other	237,157	8,025	436	406,907	572,627
Total liabilities	<b>6,815,826</b>	<b>2,193,052</b>	<b>1,758,306</b>	<b>558,512</b>	<b>631,615</b>
Fund balances:					
Reserved for:					
Supplemental levy purposes	621,715	-	-	-	-
Drainage warrants	-	-	-	-	13,188
Debt service	-	-	-	-	-
Unreserved, designated for:					
Highway project	-	-	-	1,346,512	-
Assertive community treatment program	-	376,895	-	-	-
Unreserved, undesignated, reported in:					
General fund	3,455,845	-	-	-	-
Special revenue funds	-	319,691	515,987	4,029,590	164,037
Total fund balances	<b>4,077,560</b>	<b>696,586</b>	<b>515,987</b>	<b>5,376,102</b>	<b>177,225</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,893,386</b>	<b>2,889,638</b>	<b>2,274,293</b>	<b>5,934,614</b>	<b>808,840</b>

See notes to financial statements.

Debt Service	Nonmajor Special Revenue	Total
54,240	700,928	11,057,444
1,314	-	38,164
279,000	-	9,416,000
-	-	715
-	134,825	170,690
-	153	21,785
-	-	175,000
-	-	157,598
-	-	415,029
11,986	94,611	1,639,969
-	-	917,956
-	-	67,478
346,540	930,517	24,077,828
-	19,653	1,045,323
-	10,923	113,458
-	17,323	484,277
279,000	-	9,416,000
13,290	26,920	1,265,362
292,290	74,819	12,324,420
-	-	621,715
-	-	13,188
54,250	-	54,250
-	-	1,346,512
-	-	376,895
-	-	3,455,845
-	855,698	5,885,003
54,250	855,698	11,753,408
346,540	930,517	24,077,828

**Webster County**

Webster County

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

June 30, 2005

**Total governmental fund balances (page 19)** \$ 11,753,408

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$61,863,565 and the accumulated depreciation is \$28,340,890. 33,522,675

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 1,265,362

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 135,775

Long-term liabilities, including notes payable, loan payable, drainage warrants payable, accrued interest payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (1,605,356)

**Net assets of governmental activities (page 16)** \$ 45,071,864

See notes to financial statements.

Webster County

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

Year ended June 30, 2005

	Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Drainage Districts
<b>Revenues:</b>					
Property and other county tax	\$ 5,504,588	1,207,814	1,718,283	692,933	-
Interest and penalty on property tax	126,175	-	-	-	-
Intergovernmental	2,045,159	1,850,947	100,605	3,725,247	-
Licenses and permits	35,726	-	-	2,235	-
Charges for service	742,132	40,270	-	129	-
Use of money and property	270,504	-	4,241	21,762	-
Miscellaneous	113,545	36,930	-	72,928	262,945
Total revenues	8,837,829	3,135,961	1,823,129	4,515,234	262,945
<b>Expenditures:</b>					
Operating:					
Public safety and legal services	3,994,075	-	-	-	-
Physical health and social services	583,000	-	-	-	-
Mental health	-	4,144,544	-	-	-
County environment and education	503,496	-	233,759	-	-
Roads and transportation	-	-	-	4,663,415	-
Governmental services to residents	585,104	-	-	-	-
Administration	2,101,383	-	-	-	-
Non-program	672,083	-	-	-	317,900
Debt service	58,239	-	-	-	212,701
Capital projects	-	-	-	1,058,467	-
Total expenditures	8,497,380	4,144,544	233,759	5,721,882	530,601
Excess (deficiency) of revenues over (under) expenditures	340,449	(1,008,583)	1,589,370	(1,206,648)	(267,656)
<b>Other financing sources (uses):</b>					
Operating transfers in	-	-	-	1,690,400	-
Operating transfers out	(334,705)	-	(1,515,400)	-	-
Drainage warrant proceeds	-	-	-	-	248,616
Total other financing sources (uses)	(334,705)	-	(1,515,400)	1,690,400	248,616
Net change in fund balances	5,744	(1,008,583)	73,970	483,752	(19,040)
Fund balances beginning of year	4,071,816	1,705,169	442,017	4,892,350	196,265
Fund balances end of year	\$ 4,077,560	696,586	515,987	5,376,102	177,225

See notes to financial statements.

Debt Service	Nonmajor Special Revenue	Total
296,558	-	9,420,176
-	-	126,175
16,369	1,548,731	9,287,058
-	-	37,961
-	160,799	943,330
-	1,807	298,314
12,586	25,857	524,791
<u>325,513</u>	<u>1,737,194</u>	<u>20,637,805</u>
-	12,323	4,006,398
-	1,419,786	2,002,786
-	-	4,144,544
-	6,258	743,513
-	-	4,663,415
-	26,362	611,466
-	-	2,101,383
-	-	989,983
328,157	-	599,097
-	47,333	1,105,800
<u>328,157</u>	<u>1,512,062</u>	<u>20,968,385</u>
(2,644)	225,132	(330,580)
-	185,889	1,876,289
-	(26,184)	(1,876,289)
-	-	248,616
-	159,705	248,616
(2,644)	384,837	(81,964)
56,894	470,861	11,835,372
54,250	855,698	11,753,408



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, 2005

**Net change in fund balances - Total governmental funds (page 23)** \$ (81,964)

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

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

Expenditures for capital assets	\$ 1,831,216	
Capital assets contributed by the Iowa Department of Transportation	1,526,585	
Depreciation expense	<u>(2,467,250)</u>	890,551

In the Statement of Activities, the gain on the sale of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 34,791

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

Property tax	(6,276)	
Other	<u>327,061</u>	320,785

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

Issued	(248,616)	
Repaid	<u>552,323</u>	303,707

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 governmental funds, as follows:

Compensated absences	11,146	
Interest on long-term debt	<u>(6,614)</u>	4,532

The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 98,737

**Change in net assets of governmental activities (page 17)** \$ 1,571,139

See notes to financial statements.

Webster County  
Statement of Net Assets  
Proprietary Fund  
June 30, 2005

	<u>Internal Service</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 158,049
Accrued interest receivable	<u>466</u>
Total assets	158,515
<b>Liabilities</b>	
Accounts payable	<u>22,740</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ 135,775</u></u>

See notes to financial statements.

**Exhibit H**

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

Year ended June 30, 2005

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,414,411
COBRA reimbursements		135,951
Other sources		5,256
Total operating revenues		<u>1,555,618</u>
Operating expenses:		
Insurance premiums	\$ 1,275,128	
Medical claims	151,740	
Administration Fees	32,565	1,459,433
Operating income		<u>96,185</u>
Non-operating revenues:		
Interest income		2,552
Net income		<u>98,737</u>
Net assets beginning of year		<u>37,038</u>
Net assets end of year		<u><u>\$ 135,775</u></u>

See notes to financial statements.

Webster County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2005

	Internal Service
Cash flows for operating activities:	
Cash received from operating fund contributions	\$ 1,414,411
Cash received from COBRA reimbursements	135,951
Cash received from other sources	5,257
Cash paid for insurance premiums	(1,275,128)
Cash paid for medical claims	(156,970)
Cash paid for administrative expenses	(32,566)
Net cash provided from operating activities	90,955
Cash flows from investing activities:	
Interest on investments	2,283
Net increase in cash and cash equivalents	93,238
Cash and cash equivalents beginning of year	64,811
Cash and cash equivalents end of year	\$ 158,049
<b>Reconciliation of operating income to net cash provided for operating activities:</b>	
Operating income	\$ 96,185
Adjustment to reconcile operating income to net cash provided for operating activities:	
(Decrease) in accounts payable	(5,230)
Net cash provided by operating activities	\$ 90,955

See notes to financial statements.

Webster County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2005

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 1,730,273
Other County officials	27,598
Receivables:	
Property tax:	
Delinquent	174,468
Succeeding year	30,379,000
Accounts	27,102
Special assessments	127,744
Drainage assessments:	
Current	8,219
Future	52,196
Due from other governments	4,678
<b>Total assets</b>	<u>32,531,278</u>

**Liabilities**

Accounts payable	15,447
Salaries and benefits payable	4,439
Due to other governments	32,452,668
Stamped warrants payable	36,840
Trusts payable	3,209
Compensated absences	18,675
<b>Total liabilities</b>	<u>32,531,278</u>

**Net assets** \$ -

See notes to financial statements.

Webster County

Notes to Financial Statements

June 30, 2005

**(1) Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

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

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

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

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

Additionally, the County reports the following funds:

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

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

#### C. Measurement Focus and Basis of Accounting

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

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



current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

#### D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was collected in July and August of 2005.

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

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain

transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred

revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

E. Budgets and Budgetary Accounting

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

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2005, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,595,214 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 175,000
	Special Revenue:	
	Rural Services	1,515,400
Conservation Land Acquisition	General	34,705
Public Health	General	125,000
	Special Revenue:	
	Public Health Resources	26,184
Total		<u>\$ 1,876,289</u>

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

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year (as restated, note 12)	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 835,945	-	-	835,945
Construction in progress	262,469	2,727,596	(1,513,031)	1,477,034
Total capital assets not being depreciated	1,098,414	2,727,596	(1,513,031)	2,312,979
Capital assets being depreciated:				
Buildings	15,044,366	-	-	15,044,366
Improvements other than buildings	150,000	-	-	150,000
Equipment and vehicles	6,424,089	664,996	(119,914)	6,969,171
Infrastructure, road network	35,874,018	1,513,031	-	37,387,049
Total capital assets being depreciated	57,492,473	2,178,027	(119,914)	59,550,586
Less accumulated depreciation for:				
Buildings	8,196,443	255,874	-	8,452,317
Improvements other than buildings	90,000	15,000	-	105,000
Equipment and vehicles	3,574,921	513,206	(119,914)	3,968,213
Infrastructure, road network	14,132,190	1,683,170	-	15,815,360
Total accumulated depreciation	25,993,554	2,467,250	(119,914)	28,340,890
Total capital assets being depreciated, net	31,498,919	(289,223)	-	31,209,696
Governmental activities capital assets, net	\$ 32,597,333	2,438,373	(1,513,031)	33,522,675

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 153,442
Physical health and social services	29,902
Mental health	10,019
County environment and education	47,884
Roads and transportation	2,110,515
Governmental services to residents	5,281
Administration	<u>110,207</u>
Total depreciation expense - governmental activities	<u><u>\$2,467,250</u></u>

**(5) Due to Other Governments**

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

Fund	Description	Amount
General	Services	<u>\$ 22,280</u>
Special Revenue:		
Mental Health	Services	432,934
Secondary Roads	Services	11,740
Public Health	Services	17,323
		<u>461,997</u>
Total for governmental funds		<u><u>\$ 484,277</u></u>
Agency:		
Agricultural Extension Education	Collections	\$ 178,168
County Assessor		456,143
Schools		17,390,474
Community Colleges		1,002,085
Corporations		11,891,294
Townships		282,431
Auto License and Use Tax		810,189
All other		<u>441,884</u>
Total for agency funds		<u><u>\$ 32,452,668</u></u>

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

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	General Obligation Refunding Notes	General Obligation E911 Equipment Notes	Iowa Rural Community 2000 Loan	Drainage Warrants	Compen- sated Absences	Total
Balance beginning of year	\$ 905,000	230,000	23,403	299,048	400,704	1,858,155
Increases	-	-	-	248,616	389,954	638,570
Decreases	295,000	55,000	11,417	190,906	401,100	953,423
Balance end of year	<u>\$ 610,000</u>	<u>175,000</u>	<u>11,986</u>	<u>356,758</u>	<u>389,558</u>	<u>1,543,302</u>
Due within one year	<u>\$ 300,000</u>	<u>55,000</u>	<u>11,986</u>	<u>356,758</u>	<u>389,558</u>	<u>1,113,302</u>

A summary of the County's June 30, 2005 general obligation indebtedness is as follows:

Year ending June 30,	General Obligation Refunding Notes			General Obligation E911 Equipment Notes			Total		
	Interest			Interest			Principal	Interest	Total
	Rates	Principal	Interest	Rates	Principal	Interest			
2006	1.85%	\$ 300,000	12,525	2.45%	\$ 55,000	4,978	355,000	17,503	372,503
2007	2.25	310,000	6,975	2.85	60,000	3,630	370,000	10,605	380,605
2008		-	-	3.20	60,000	1,920	60,000	1,920	61,920
Total		\$ 610,000	19,500		\$ 175,000	10,528	785,000	30,028	815,028

Iowa Rural Community 2000 Loan

Webster County was awarded an Iowa Rural Community 2000 low interest loan for \$129,000 to construct two sewage lagoons. During the year ended June 30, 1990, the principal amount of \$129,000 was loaned to the County by the Iowa Department of Economic Development. In accordance with a 28E agreement entered into between the County and the Savage Sanitary Sewer District, dated August 8, 1989, the District agreed to make principal and interest payments to the County on the promissory note executed by the County to the State of Iowa. The County in turn makes annual payments to the Iowa Department of Economic Development. Details of the loan at June 30, 2005 are as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2006	5.00%	\$ 11,986	599	12,585

Drainage Warrants Payable

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

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

**(7) E911 Lease Receivable**

The County entered into a lease agreement with the E911 Service Board. Under the agreement, the E911 Service Board is to make annual payments from the E911 Service Fund to the General Fund in amounts sufficient to pay the debt service on the general obligation E911 equipment notes issued by the County discussed in Note 6 above.

**(8) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$395,369, \$396,076 and \$406,433, respectively, equal to the required contributions for each year.

**(9) Risk Management**

Webster County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 509 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2005 were \$150,490.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective



individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$200,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **(10) Employee Health Insurance Plan**

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

The payments for plan contributions to the Internal Service, Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments are made to Group Services for service fees and for contributions into a Safe-T fund. Claims are processed from the Safe-T fund to ensure timely payment. The County's contribution to the fund for the year ended June 30, 2005 was \$1,414,411.

Amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2005 total \$22,740, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$135,775 at June 30, 2005 and is reported as a designation of the Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 27,970
Included claims (including claims incurred but not reported at June 30, 2005)	151,740
Payment on claims during the fiscal year	<u>156,970</u>
Unpaid claims end of year	<u><u>\$ 22,740</u></u>

**(11) Pending Litigation**

The County is a defendant in a lawsuit seeking damages of approximately \$575,000. The probability and amount of loss, if any, is indeterminable.

**(12) Restatement**

Governmental activities net assets has been restated as follows:

Net assets June 30, 2004, as previously reported	\$ 25,589,137
Increase capital assets by \$31,883,444, less accumulated depreciation of \$13,971,856, to retroactively report road infrastructure acquired prior to July 1, 2002 not previously reported as permitted by U.S. generally accepted accounting principles.	<u>17,911,588</u>
Net assets July 1, 2004, as restated	<u><u>\$ 43,500,725</u></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, 2005

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 9,406,652	-	9,406,652
Interest and penalty on property tax	125,609	-	125,609
Intergovernmental	9,015,227	-	9,015,227
Licenses and permits	37,998	-	37,998
Charges for service	958,236	-	958,236
Use of money and property	293,873	-	293,873
Miscellaneous	477,904	262,945	214,959
Total receipts	20,315,499	262,945	20,052,554
Disbursements:			
Public safety and legal services	3,991,861	-	3,991,861
Physical health and social services	2,047,440	-	2,047,440
Mental health	4,233,531	-	4,233,531
County environment and education	740,078	-	740,078
Roads and transportation	4,793,321	-	4,793,321
Governmental services to residents	610,287	-	610,287
Administration	2,119,421	-	2,119,421
Non-program	413,474	261,440	152,034
Debt service	599,096	212,701	386,395
Capital projects	1,196,572	-	1,196,572
Total disbursements	20,745,081	474,141	20,270,940
Excess (deficiency) of receipts over (under) disbursements	(429,582)	(211,196)	(218,386)
Other financing sources, net	276,781	248,616	28,165
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(152,801)	37,420	(190,221)
Balance beginning of year	11,210,245	198,793	11,011,452
Balance end of year	\$ 11,057,444	236,213	10,821,231

See accompanying independent auditor's report.

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Budgeted Amounts		Final to Net Variance
Original	Final	
9,505,814	9,505,814	(99,162)
-	-	125,609
9,574,629	10,404,307	(1,389,080)
35,250	35,250	2,748
868,434	899,434	58,802
364,105	364,105	(70,232)
68,100	68,100	146,859
20,416,332	21,277,010	(1,224,456)
4,236,243	4,236,243	244,382
2,068,776	2,074,576	27,136
4,300,780	4,300,780	67,249
858,687	858,687	118,609
4,950,000	4,950,000	156,679
615,228	658,728	48,441
2,232,930	2,262,930	143,509
90,000	840,000	687,966
325,612	386,990	595
3,100,000	3,100,000	1,903,428
22,778,256	23,668,934	3,397,994
(2,361,924)	(2,391,924)	2,173,538
21,665	21,665	6,500
(2,340,259)	(2,370,259)	2,180,038
9,138,679	9,138,679	1,872,773
6,798,420	6,768,420	4,052,811

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Webster County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2005

	Governmental Fund Types		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 20,315,499	322,306	20,637,805
Expenditures	20,745,081	223,304	20,968,385
Net	(429,582)	99,002	(330,580)
Other financing sources, net	276,781	(28,165)	248,616
Beginning fund balances	11,210,245	625,127	11,835,372
Ending fund balances	\$ 11,057,444	695,964	11,753,408

See accompanying independent auditor's report.

Webster County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$890,678. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted by function.



Webster County  
Combining Balance Sheet  
Nonmajor Special Revenue Funds

June 30, 2005

	Public Health	Supplemental Environment Project	Public Health Resources	County Recorder's Records Management	Resource Enhancement and Protection
<b>Assets</b>					
Cash and pooled investments	\$ 417,552	2,629	25	44,308	79,305
Receivables:					
Accounts	134,800	-	25	-	-
Accrued interest	-	5	-	54	94
Due from other governments	94,611	-	-	-	-
<b>Total assets</b>	<b>\$ 646,963</b>	<b>2,634</b>	<b>50</b>	<b>44,362</b>	<b>79,399</b>
<b>Liabilities and Fund Equity</b>					
Liabilities:					
Accounts payable	\$ 17,899	-	-	-	-
Salaries and benefits payable	10,923	-	-	-	-
Due to other governments	17,323	-	-	-	-
Deferred revenue	26,920	-	-	-	-
Total liabilities	73,065	-	-	-	-
Fund equity:					
Unreserved fund balances	573,898	2,634	50	44,362	79,399
<b>Total liabilities and fund equity</b>	<b>\$ 646,963</b>	<b>2,634</b>	<b>50</b>	<b>44,362</b>	<b>79,399</b>

See accompanying independent auditor's report.

Sheriff Confiscated Property	Attorney Confiscated Property	Conservation Land Acquisition	DARE	Canine	County Recorder's Electronic Transaction Fee	Total
5,480	5,307	118,119	13,037	4,549	10,617	700,928
-	-	-	-	-	-	134,825
-	-	-	-	-	-	153
-	-	-	-	-	-	94,611
-	-	-	-	-	-	-
5,480	5,307	118,119	13,037	4,549	10,617	930,517
1,746	-	-	-	8	-	19,653
-	-	-	-	-	-	10,923
-	-	-	-	-	-	17,323
-	-	-	-	-	-	26,920
1,746	-	-	-	8	-	74,819
3,734	5,307	118,119	13,037	4,541	10,617	855,698
5,480	5,307	118,119	13,037	4,549	10,617	930,517

Webster County

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

Year ended June 30, 2005

	Public Health	Supplemental Environment Project	Public Health Resources	County Recorder's Records Management
Revenues:				
Intergovernmental	\$ 1,487,154	-	50	-
Charges for service	152,843	-	-	7,956
Use of money and property	-	55	-	605
Miscellaneous	21,520	840	-	-
Total revenues	1,661,517	895	50	8,561
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Physical health and social services	1,419,786	-	-	-
County environment and education	-	4,840	-	-
Governmental services to residents	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	1,419,786	4,840	-	-
Excess (deficiency) of revenues over (under) expenditures	241,731	(3,945)	50	8,561
Other financing sources (uses):				
Operating transfers in	151,184	-	-	-
Operating transfers out	-	-	(26,184)	-
Total other financing sources (uses)	151,184	-	(26,184)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	392,915	(3,945)	(26,134)	8,561
Fund balances beginning of year	180,983	6,579	26,184	35,801
Fund balances end of year	\$ 573,898	2,634	50	44,362

See accompanying independent auditor's report.

Resource Enhancement and Protection	Sheriff Confiscated Property	Attorney Confiscated Property	Conservation Land Acquisition	DARE	Canine	County Recorder's Electronic Transaction Fee	Total
16,310	-	2,054	28,967	-	-	14,196	1,548,731
-	-	-	-	-	-	-	160,799
1,061	-	-	-	-	-	86	1,807
-	-	-	-	3,497	-	-	25,857
17,371	-	2,054	28,967	3,497	-	14,282	1,737,194
-	7,038	-	-	4,654	631	-	12,323
-	-	-	-	-	-	-	1,419,786
1,418	-	-	-	-	-	-	6,258
-	-	-	-	-	-	26,362	26,362
-	-	-	47,333	-	-	-	47,333
1,418	7,038	-	47,333	4,654	631	26,362	1,512,062
15,953	(7,038)	2,054	(18,366)	(1,157)	(631)	(12,080)	225,132
-	-	-	34,705	-	-	-	185,889
-	-	-	-	-	-	-	(26,184)
-	-	-	34,705	-	-	-	159,705
15,953	(7,038)	2,054	16,339	(1,157)	(631)	(12,080)	384,837
63,446	10,772	3,253	101,780	14,194	5,172	22,697	470,861
79,399	3,734	5,307	118,119	13,037	4,541	10,617	855,698

Webster County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ -	3,310	128,442	327,590
Other County officials	27,598	-	-	-
Receivables:				
Property tax:				
Delinquent	-	858	1,469	78,884
Succeeding year	-	174,000	348,000	16,984,000
Accounts	241	-	3	-
Special assessments	-	-	-	-
Drainage assessments:				
Current	-	-	-	-
Future	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 27,839</b>	<b>178,168</b>	<b>477,914</b>	<b>17,390,474</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	665	-
Salaries and benefits payable	-	-	3,837	-
Due to other governments	24,630	178,168	456,143	17,390,474
Stamped warrants payable	-	-	-	-
Trusts payable	3,209	-	-	-
Compensated absences	-	-	17,269	-
<b>Total liabilities</b>	<b>\$ 27,839</b>	<b>178,168</b>	<b>477,914</b>	<b>17,390,474</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
16,249	225,978	4,373	810,189	214,142	1,730,273
-	-	-	-	-	27,598
4,836	88,316	58	-	47	174,468
981,000	11,577,000	278,000	-	37,000	30,379,000
-	-	-	-	26,858	27,102
-	-	-	-	127,744	127,744
-	-	-	-	8,219	8,219
-	-	-	-	52,196	52,196
-	-	-	-	4,678	4,678
<b>1,002,085</b>	<b>11,891,294</b>	<b>282,431</b>	<b>810,189</b>	<b>470,884</b>	<b>32,531,278</b>
-	-	-	-	14,782	15,447
-	-	-	-	602	4,439
1,002,085	11,891,294	282,431	810,189	417,254	32,452,668
-	-	-	-	36,840	36,840
-	-	-	-	-	3,209
-	-	-	-	1,406	18,675
<b>1,002,085</b>	<b>11,891,294</b>	<b>282,431</b>	<b>810,189</b>	<b>470,884</b>	<b>32,531,278</b>

Webster County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 25,149	175,827	484,187	17,335,647
Additions:				
Property and other county tax	-	174,260	348,044	16,998,295
E911 surcharge	-	-	-	-
State tax credits	-	9,803	19,498	947,915
Office fees and collections	588,737	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	483,108	-	-	-
Miscellaneous	1,382	-	312	-
Total additions	1,073,227	184,063	367,854	17,946,210
Deductions:				
Agency remittances:				
To other funds	327,597	-	-	-
To other governments	260,381	181,722	374,127	17,891,383
Trusts paid out	482,559	-	-	-
Total deductions	1,070,537	181,722	374,127	17,891,383
Balances end of year	\$ 27,839	178,168	477,914	17,390,474

See accompanying independent auditor's report.

Community Colleges	Corpora- tions	Townships	Auto License and Use Tax	Other	Total
862,283	11,445,282	261,524	654,185	464,759	31,708,843
983,532	11,495,992	279,167	-	37,043	30,316,333
-	-	-	-	139,815	139,815
47,625	544,767	15,670	-	1,975	1,587,253
-	-	-	-	-	588,737
-	-	-	8,021,729	375	8,022,104
-	-	-	-	42,960	42,960
-	-	-	-	573,102	1,056,210
-	-	-	-	95,740	97,434
1,031,157	12,040,759	294,837	8,021,729	891,010	41,850,846
-	-	-	254,240	-	581,837
891,355	11,594,747	273,930	7,611,485	884,885	39,964,015
-	-	-	-	-	482,559
891,355	11,594,747	273,930	7,865,725	884,885	41,028,411
1,002,085	11,891,294	282,431	810,189	470,884	32,531,278



**Schedule 5**

## Webster County

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

For the Last Six Years

	Modified Accrual Basis					
	2005	2004	2003	2002	2001	2000
<b>Revenues:</b>						
Property and other county tax	\$ 9,420,176	9,612,231	9,224,170	9,006,850	8,453,628	7,834,444
Interest and penalty on property tax	126,175	126,424	147,030	116,397	98,387	85,980
Intergovernmental	9,287,058	8,523,465	8,221,990	7,917,842	8,273,336	8,192,705
Licenses and permits	37,961	37,467	34,870	21,258	11,705	12,586
Charges for service	943,330	960,634	936,357	855,576	725,322	653,288
Use of money and property	298,314	254,530	306,698	379,909	680,252	803,567
Miscellaneous	524,791	729,867	562,867	1,128,696	360,968	358,507
Total	\$ 20,637,805	20,244,618	19,433,982	19,426,528	18,603,598	17,941,077
<b>Expenditures:</b>						
Operating:						
Public safety and legal services	\$ 4,006,398	3,887,030	3,793,770	3,285,526	3,578,205	3,156,739
Physical health and social services	2,002,786	2,082,151	2,075,150	1,945,048	1,895,832	2,010,911
Mental health	4,144,544	4,113,502	3,666,856	3,776,587	3,635,593	3,466,260
County environment and education	743,513	849,307	874,326	817,688	851,146	747,434
Roads and transportation	4,663,415	4,584,459	4,518,209	4,405,928	4,469,849	4,401,075
Governmental services to residents	611,466	656,351	584,718	511,790	474,842	450,698
Administration	2,101,383	2,014,704	2,055,254	2,657,988	2,472,130	2,170,810
Non-program	989,983	1,004,592	216,946	377,345	147,783	170,271
Debt service	599,097	808,549	757,971	1,375,272	530,279	593,483
Capital projects	1,105,800	806,400	278,857	319,388	1,932,110	1,326,784
Total	\$ 20,968,385	20,807,045	18,822,057	19,472,560	19,987,769	18,494,465

See accompanying independent auditor's report.

**Webster County**

**Schedule 6**

## Webster County

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture: Wetlands Reserve Program	10.072	66-6114-0-334	\$ 3,432
Indirect:			
U.S. Department of Agriculture: Iowa Department of Public Health: Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5884A050	1,184
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5885A050	309,252
			310,436
Iowa Department of Human Services: Human Services Administrative Reimbursements: State Administrative Matching Grants for Food Stamp Program	10.561		21,077
Iowa Department of Agriculture and Land Stewardship: WIC Farmers' Market Nutrition Program (FMNP)	10.572	1191-04-50	885
WIC Farmers' Market Nutrition Program (FMNP)	10.572	1191-05-50	741
			1,626
U.S. Department of Housing and Urban Development: Iowa Department of Economic Development: Community Development Block Grants/State's Program	14.228	04-WS-100	600,000
U.S. Department of Justice: Iowa Department of Justice: Crime Victim Assistance	16.575	VA-04-2812	11,288
Governor's Office Of Drug Control Policy: Byrne Formula Grant	16.579	04B-1366	48,488
Byrne Formula Grant	16.579	04D-1371	20,635
			69,123
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction	20.205	BROS-CO94(45)--8J-94	202,645
Highway Planning and Construction	20.205	BROS-CO94(46)--8J-94	362,187
Highway Planning and Construction	20.205	BROS-CO94(54)--8J-94	406,906
			971,738
U.S. Department of Health and Human Services: Iowa Department of Human Services: Temporary Assistance for Needy Families	93.558		27,969
Refugee and Entrant Assistance - State Administered Programs	93.566		38

Webster County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		5,429
Foster Care - Title IV-E	93.658		14,702
Adoption Assistance	93.659		3,425
Medical Assistance Program	93.778		30,252
Social Services Block Grant	93.667		18,625
Social Services Block Grant	93.667		188,301
			<u>206,926</u>
Iowa Department of Public Health:			
Elderbridge Agency on Aging, Inc.:			
Special Programs for the Aging - Title III Part D - Disease Prevention and Health Promotion Services	93.043	SL90022	7,500
Special Programs for the Aging - Title III Part D - Disease Prevention and Health Promotion Services	93.043	D90021	8,000
			<u>15,500</u>
Cerro Gordo County Public Health Department:			
Childhood Lead Poisoning Prevention Projects- State and Local-Based Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	5884LP13	25,805
Abstinence Education	93.235	5885AB73 5884AB51	6,416 8,739
			<u>15,155</u>
Immunization Grants	93.268	5884I404	9,961
Immunization Grants	93.268	5885I404	10,509
			<u>20,470</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5884BT001	34,039
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5885BT01	9,028
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5884EHC9	2,138
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5885EH30	457
			<u>45,662</u>
Mid-Iowa Community Action, Inc.:			
HIV Care Formula Grants	93.917	5883HCO4	7,095
HIV Care Formula Grants	93.917	5883HC05	23,525
			<u>30,620</u>

**Schedule 6**

## Webster County

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Calhoun County Department of Health:			
Cooperative Agreements for State-Based Cancer Early Detection Programs	93.919	5885NB04	16,371
Preventive Health and Health Services Block Grant	93.991	5885HP07	14,533
Maternal and Child Health Services Block Grant to the States	93.994	5885AO50	17,863
Block Grant to the States	93.994	5884AO50	57,906
			75,769
Governor's Developmental Disabilities Council:			
State University of Iowa:			
Developmental Disabilities			
Basic Support and Advocacy Grants	93.630	GDDC-05-004	1,990
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
State Domestic Preparedness Equipment Support Program	97.004		201,605
Public Assistance Grants	97.036	FEMA DR-1518-IA	197,303
Hazard Mitigation Grants	97.039		6,020
Emergency Management Performance Grants	97.042		11,650
Total indirect			2,952,482
Total			\$ 2,955,914

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

See accompanying independent auditor's report.



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

To the Officials of Webster County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Webster County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 6, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

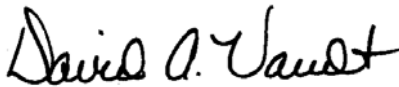
Compliance and Other Matters


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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 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.

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

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

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 6, 2006

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



**Webster County**



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

To the Officials of Webster County:

Compliance

We have audited the compliance of Webster County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Webster County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Webster County's management. Our responsibility is to express an opinion on Webster County's compliance based on our audit.

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

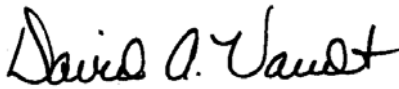
In our opinion, Webster County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

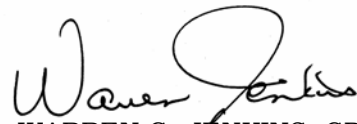
The management of Webster County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Webster County's internal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

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 6, 2006

Webster County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2005

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, none of which were considered to be material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
  - CFDA Number 14.228 – Community Development Block Grants/State's Program.
  - CFDA Number 20.205 – Highway Planning and Construction.
  - CFDA Number 97.036 – Public Assistance Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Webster County did not qualify as a low-risk auditee.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

II-A-05 Segregation of Duties – During our review of the internal control, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in these offices may have control over the following areas for which no compensating controls exist:

	Applicable Offices
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared.	Sheriff and Treasurer
(2) Bank reconciliations are not prepared by someone who doesn't sign checks, handle or record cash.	Recorder
(3) Bank reconciliations are not reviewed periodically by an independent person for propriety.	Recorder
(4) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.	Recorder and Sheriff
(5) The person who signs checks is not independent of the person preparing the checks, approving disbursements, recording cash disbursements and handling cash.	Recorder
(6) Accounting manuals are not maintained.	Auditor, Recorder and Sheriff
(7) Voided receipts are not reviewed by an independent person and the review is not evidenced by initials.	Recorder and Sheriff

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the control activities of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

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

Responses –

County Auditor – Working on having in place by final year end.

County Treasurer – We will start doing this once a week on a random basis. The tax statements and checks will be copied on 11 x 14 paper. They will be receipted in the balancing. A copy of each transaction will be printed out and attached to the copy and placed in a folder for your next audit.

County Recorder – Our office is trying to comply with these recommendations by changing some responsibilities, but as I have stated before, it is difficult with a limited number of people.

County Sheriff – We will try to comply with the above with the limited staff that we have. An accounting manual will be implemented.

Conclusions – Responses accepted.

II-B-05 Information Systems – The County does not have a written disaster recovery plan.

Recommendation – A written disaster recovery plan should be developed.

Response – The IT Department along with Emergency Management Administration are working on the finer details and we should have a disaster recovery plan in place on or before final year end.

Conclusion – Response accepted.

II-C-05 County Sheriff –

Jail Inmate Account

Monthly bank reconciliations were not prepared by someone who does not sign checks or handle cash. In addition, monthly subsidiary ledger balances for individual inmate accounts were not totaled and reconciled to the jail inmate account balance.

Weapons Permit Account

Refunds issued for weapons permits are made by cash and the original receipt is marked void.

Commissary Account

Monthly bank reconciliations were not prepared by someone who does not sign checks or handle cash.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Recommendations –

Jail Inmate Account

Monthly bank reconciliations should be reviewed by someone who does not sign checks or handle cash. Such reviews should be performed by independent persons to the extent possible and should be evidenced by the reviewer's initials or signature and date of review. In addition, monthly subsidiary ledger balances for individual inmate accounts should be totaled and reconciled to the jail inmate account balances.

Weapons Permit Account

Disbursement of weapons permit refunds should be made by check and the original receipts should not be marked void.

Commissary Account

Monthly bank reconciliations should be prepared by someone who does not sign checks or handle cash.

Responses –

Jail Inmate Account – This account will be reviewed by someone in the office after I am finished. Also, a printout with all active inmates cash totals will be printed out at the end of the month and be reconciled with the bank statements.

Weapons Permit Account – Refunds will be made by check.

Commissary Account – This account will be reviewed by someone in the office after I am finished.

Conclusions–

Jail Inmate Account – Response accepted.

Weapons Permit Account – Response accepted.

Commissary Account – Response accepted.

II-D-05 Accounts Receivable and Payable – Certain revenues were not properly identified as receivables. Certain accounts payable and road construction retainage payable were not properly identified and included in the financial statements. This matter was resolved for audit purposes.

Recommendation – Accounts receivable, accounts payable and retainage payable should be properly identified and included in the County's financial statements.

Response – Payables will be reviewed by the County Auditor's Office before payment of claims and receivables will be reviewed by the County Treasurer's Office. Also, at the end of the accrual period both the County Auditor and the County Treasurer will review accrual reports.

Conclusion – Response accepted.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

II-E-05 Public Health Nurse Receivables – Proper accounts receivable listings were not prepared and retained at the end of each month for Medicare. Also, amounts billed for Medicare, Medicaid and other reimbursements were not reconciled to collections and accounts receivable. In addition, an accounting manual is not maintained.

Recommendation – Accounts receivable listings should be prepared and retained and a reconciliation of billings, collections and accounts receivable should be prepared monthly. In addition, an accounting manual should be developed and maintained.

Response – Accounts receivable listings will be prepared and retained and a reconciliation of billings, collections and ending accounts receivables will be prepared monthly. We will update our accounting manual to better accommodate office staff.

Conclusion – Response accepted.

II-F-05 Emergency Management Grant Tracking – Webster County Emergency Management received a grant under which it was provided equipment, some of which was passed on to other local governments. During fiscal year 2005, no dates were recorded to document when equipment was received and, if applicable, when it was transferred to another local governmental entity.

Recommendation – Webster County Emergency Management should develop procedures to document the dates equipment is received and transferred.

Response – The Iowa Homeland Security and Emergency Management Division has upgraded their equipment grant database to include a “date received” field.

I have upgraded our Agency’s Internal Equipment Grant database to include a field for “date equipment received,” and a field for “date equipment distributed.”

Conclusion – Response accepted.

II-G-05 Secondary Roads Infrastructure – Certain construction in progress projects were not included in the Secondary Roads infrastructure. Also, certain projects were duplicated and other projects below the County’s capitalization policy of \$50,000 were included. This matter was resolved for audit purposes.

Recommendation – The Secondary Roads Department should ensure construction in progress at June 30 is properly documented for capital assets. Also, the Secondary Roads Department should reconcile total capital project expenditures to capitalized construction in progress.



Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Response – The Secondary Roads Department will comply with the above recommendation.

Conclusion – Response accepted.

Webster County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2005

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

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**REPORTABLE CONDITIONS:**

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

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

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

- IV-A-05 Official Depositories – Resolutions naming official depositories have been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolutions were not exceeded during the year ended June 30, 2005.
- IV-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted by function.
- IV-C-05 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-D-05 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-E-05 Business Transactions – No business transactions between the County and County officials or employees were noted.
- IV-F-05 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-G-05 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-H-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-I-05 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-J-05 Deficit Treasurer’s Drainage District Balances – Thirteen drainage districts under the control of the Board of Supervisors and one under the control of Drainage District Trustees have deficit Treasurer’s Balances. Chapter 468.54 of the Code of Iowa does not permit expenditures on behalf of any district in excess of its share of the Special Revenue, Drainage Districts Fund or the Agency, Drainage Districts Fund.

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

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Response – Assessments have been levied against those districts unless they have waived payments still outstanding. The Treasurer is taking steps to avoid this from happening in the future.

Conclusion – Response accepted.

IV-K-05 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, 2005 for the County Extension Office did not exceed the amount budgeted.

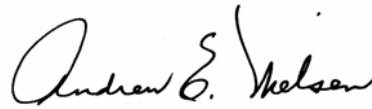
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Webster County

Staff

This audit was performed by:

K. David Voy, CPA, Manager  
Ernest H. Ruben, Jr., CPA, Senior Auditor II  
Scott P. Boisen, Staff Auditor  
Tracy L. Haronik, Assistant Auditor  
Donald J. Lewis, Assistant Auditor  
Richard W. Reeves, Jr., Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State