



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

David A. Vaudt, CPA  
Auditor of State

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**NEWS RELEASE**

FOR RELEASE

March 26, 2010

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$44,599,913 for the year ended June 30, 2009, which included \$1,882,912 in tax credits from the state. The County forwarded \$33,911,521 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$10,688,392 of the local tax revenue to finance County operations, a 2.4% increase over the prior year. Other revenues included charges for service of \$3,979,341, operating grants and contributions of \$7,990,292, capital grants and contributions of \$5,178,786, tax increment financing of \$305,322, local option sales tax of \$803,332, unrestricted investment earnings of \$171,969 and other general revenues of \$564,754.

Expenses for County operations totaled \$27,357,222, a 6.9% increase over the prior year. Expenses included \$8,747,924 for roads and transportation, \$4,804,845 for public safety and legal services and \$4,458,172 for mental health.

The increases in revenues and expenses are due primarily to federal awards received and expended for flood related repairs and a Community Economic Betterment Account pass-through award for an economic development project.

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

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**WEBSTER COUNTY**

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

**JUNE 30, 2009**

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**Webster County**

**Officials**

**(Before January 2009)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Phil Condon	Board of Supervisors	Jan 2009
Joel Lizer	Board of Supervisors	Jan 2009
Greg Nolting	Board of Supervisors	Jan 2009
Keith Dencklau	Board of Supervisors	Jan 2011
Kim Motl	Board of Supervisors	Jan 2011
Carol Messerly	County Auditor	Jan 2009
Janice Horton	County Treasurer	Jan 2011
Judy Cosgrove	County Recorder	Jan 2011
Brian Mickelson	County Sheriff	Jan 2009
Timothy N. Schott	County Attorney	Jan 2011
Jeanette Thanupakorn	County Assessor	Jan 2010

**(After January 2009)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Keith Dencklau	Board of Supervisors	Jan 2011
Kim Motl	Board of Supervisors	Jan 2011
Phil Condon	Board of Supervisors	Jan 2013
Eddie Petersen	Board of Supervisors	Jan 2013
Robert Singer	Board of Supervisors	Jan 2013
Carol Messerly	County Auditor	Jan 2013
Janice Horton	County Treasurer	Jan 2011
Judy Cosgrove	County Recorder	Jan 2011
Brian Mickelson	County Sheriff	Jan 2013
Timothy N. Schott	County Attorney	Jan 2011
Jeanette Thanupakorn	County Assessor	Jan 2010

**Webster County**



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Independent Auditor's Report

To the Officials of Webster County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Webster County, Iowa, as of and for the year ended June 30, 2009, 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.

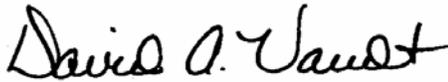
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2009, 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.

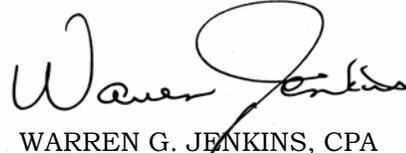
In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2010 on our consideration of Webster County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and 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, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 14 and 46 through 51 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 nine years ended June 30, 2008 (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

February 19, 2010

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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, 2009. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 4.7%, or approximately \$1,330,000, from fiscal year 2008 to fiscal year 2009. Property tax revenue increased approximately \$278,000, or 2.8%.
- Program expenses of the County's governmental activities were 6.9%, or approximately \$1,776,000, more in fiscal year 2009 than in fiscal year 2008. Roads and transportation expenses increased approximately \$1,219,000, non-program expenses increased approximately \$1,174,000 and physical health and social services expenses increased approximately \$155,000 while mental health expenses decreased approximately \$1,063,000.
- The County's net assets increased 4.8%, or approximately \$2,326,000, from June 30, 2008 to June 30, 2009.

### **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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

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

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has three kinds of funds:

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

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

2) 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 special districts, emergency management services and the County Assessor, to name a few.

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

Reconciliations between the government-wide financial statements and the 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 approximately 4.8% from a year ago, increasing from approximately \$48.5 million to approximately \$50.8 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

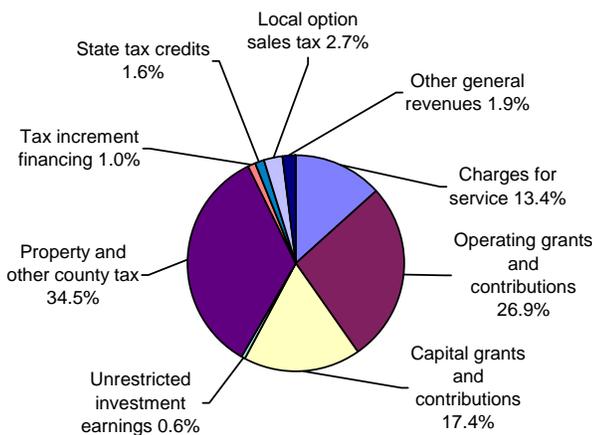
Net Assets of Governmental Activities		
(Expressed in Thousands)		
	June 30,	
	2009	2008
Current and other assets	\$ 24,120	25,353
Capital assets	43,135	39,285
Total assets	67,255	64,638
Long-term liabilities	3,378	3,613
Other liabilities	13,051	12,525
Total liabilities	16,429	16,138
Net assets:		
Invested in capital assets	42,690	38,680
Restricted	7,821	9,440
Unrestricted	315	380
Total net assets	\$ 50,826	48,500

Net assets of Webster County's governmental activities increased 4.8% (approximately \$48.5 million compared to approximately \$50.8 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased approximately \$65,000, or 17.1%, as a result of fiscal year 2009 operations.

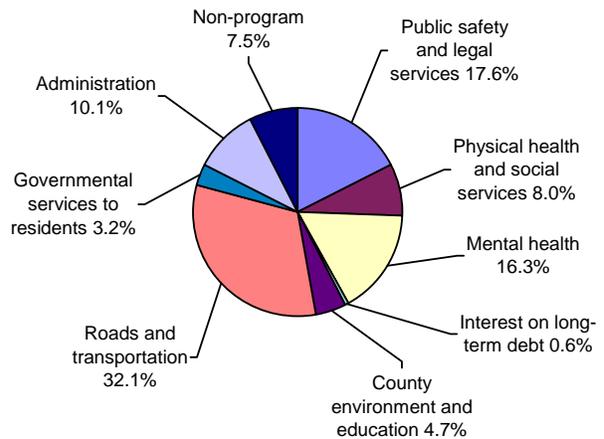
**Changes in Net Assets of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2009	2008
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 3,979	3,558
Operating grants and contributions	7,990	9,284
Capital grants and contributions	5,179	3,018
<b>General revenues:</b>		
Property and other county tax	10,225	9,947
Tax increment financing	305	303
State tax credits	463	486
Local option sales tax	803	826
Unrestricted investment earnings	172	504
Other general revenues	567	427
<b>Total revenues</b>	<b>29,683</b>	<b>28,353</b>
<b>Program expenses:</b>		
Public safety and legal services	4,805	4,767
Physical health and social services	2,191	2,036
Mental health	4,458	5,521
County environment and education	1,293	1,172
Roads and transportation	8,748	7,529
Governmental services to residents	873	828
Administration	2,759	2,663
Non-program	2,062	888
Interest on long-term debt	168	177
<b>Total expenses</b>	<b>27,357</b>	<b>25,581</b>
<b>Increase in net assets</b>	<b>2,326</b>	<b>2,772</b>
<b>Net assets beginning of year</b>	<b>48,500</b>	<b>45,728</b>
<b>Net assets end of year</b>	<b>\$ 50,826</b>	<b>48,500</b>

**Revenues by Source**



**Expenses by Program**



Webster County's net assets of governmental activities increased approximately \$2,326,000 during the year. Revenues for governmental activities increased approximately \$1,330,000 over the prior year, with property tax revenue up from the prior year approximately \$278,000, or 2.8%.

The cost of all governmental activities this year was approximately \$27.4 million compared to approximately \$25.6 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 \$10.2 million.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Webster County completed the year, its governmental funds reported a combined fund balance of approximately \$10,609,500, a decrease of approximately \$1,812,500 below last year's total of approximately \$12,422,000. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$803,000 and expenditures increased approximately \$1,156,000 over the prior year. The ending fund balance decreased approximately \$838,000 from the prior year to approximately \$2,704,000. The majority of the increase in revenues is due to a \$1,000,000 pass through CEBA award the County received from the Iowa Department of Economic Development. The increase in expenditures is mostly attributable to the construction costs for the roof of the Law Enforcement Center and expenditures resulting from the \$1,000,000 pass through award from the Iowa Department of Economic Development for the ethanol plant.
- Mental Health Fund revenues decreased approximately \$1,260,000 from the previous year due to a decrease in mental health funding from the State. For the year, expenditures decreased approximately \$543,000, or 10.9%, from the prior year. The Mental Health Fund balance at year end increased approximately \$245,000 over the prior year. Revenues decreased due to decreases in community service funds and allowable growth funds from the Iowa Department of Human Services, which was a one-time increase during the previous fiscal year. Expenditures decreased due to completion of renovations to the Community Services building during the previous fiscal year.
- Rural Services Fund revenues increased approximately \$143,000 over the previous fiscal year and expenditures increased approximately \$52,000. The increase in revenues is attributable to a significant increase in the rural services levy compared to the previous fiscal year. Expenditures increased due to equipment purchased for agricultural and horticultural purposes. Transfers from the Rural Services Fund to the Secondary Roads Fund increased approximately \$109,000. The Rural Services Fund balance decreased approximately \$140,000.
- Revenues in the Secondary Roads Fund increased approximately \$840,000 over the previous year. Secondary Roads Fund expenditures increased approximately \$1,416,000 over the prior year. Revenues increased due to funding received from an Iowa Department of Transportation grant and FEMA money for bridge repair. Expenditures for capital projects increased from the prior year due to the maintenance shed built during the fiscal year, as well as increased operating costs and granular surfacing to repair the damage to the County's roads due to flooding. Transfers from the Rural Services Fund to the Secondary Roads Fund increased approximately \$109,000 while other transfers increased \$50,000. The Secondary Roads Fund balance decreased approximately \$1,096,000.
- The Drainage Districts Fund ended the year with a \$1,035,550 balance compared to a \$826,522 balance at the end of the previous year. Proceeds from stamped warrants increased approximately \$7,000 and FEMA funds of approximately \$150,000 were received during fiscal year 2009 due to flooding. Debt service payment decreased approximately \$134,000 during the fiscal year compared to the prior fiscal year. The Drainage Districts Fund ending balance increased approximately \$209,000.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Webster County amended its budget two times. The first amendment was made November 10, 2009 and resulted in an increase in budgeted receipts and budgeted disbursements due to capital projects. The mental health, administration, non-program and capital project functions were increased to allow payment of capital improvements for a mental health building and other capital improvements. Receipts were re-estimated for a Community Economic Betterment Account (CEBA) pass-through loan from the Iowa Department of Economic Development, which was not initially estimated at the time of the budget adoption.

The second amendment was made March 10, 2009 and resulted in an increase in budgeted receipts and disbursements due to re-estimating disbursements for the Secondary Roads department for unanticipated flood related repairs and a decrease in capital projects disbursements. Receipts were re-estimated for pass through funds from the Iowa Department of Economic Development for a Community Economic Betterment Account (CEBA) loan.

The County's actual receipts were \$1,424,928 less than budgeted receipts, due primarily to expected intergovernmental receipts not received prior to June 30, 2009.

Total disbursements were \$1,416,440 less than the final amended budget. Mental health actual disbursements were \$299,473 less than budgeted due to planned renovation costs not occurring prior to June 30, 2009. The actual disbursements for several other functions were less than budgeted due to reduced spending in all areas.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, Webster County had approximately \$43,135,000 invested (net of depreciation) in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$3,850,000, or 9.8%, over fiscal year 2008.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2009	2008
Land	\$ 1,105	1,105
Construction in progress	1,752	3,557
Buildings and improvements	5,646	5,890
Machinery and equipment	4,354	4,047
Infrastructure	30,278	24,686
Totals	\$ 43,135	39,285
This year's major additions included (in thousands):		
Secondary roads infrastructure	\$	5,478
Secondary roads equipment		800
Information system equipment		19
Vehicles for the Sheriff's Office		110
Conservation equipment and park building		126
Total	\$	6,533

The County had depreciation expense of approximately \$2,740,000 in fiscal year 2009 and total accumulated depreciation of \$37,683,610 at June 30, 2009.

The County's fiscal year 2009 capital projects budget totaled \$2,291,000, principally for Secondary Roads Fund projects and public improvements provided for the private development construction of an ethanol plant. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

**Long-Term Debt**

At June 30, 2009, Webster County had approximately \$2,891,000 in general obligation notes and other debt outstanding, compared to approximately \$3,193,000 at June 30, 2008, as shown below:

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2009	2008
General obligation capital loan notes	\$ 445	605
Drainage warrants	441	313
Tax increment revenue bonds	2,005	2,275
Totals	\$ 2,891	3,193

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 debt of \$2,891,306 is significantly below its constitutional debt limit of approximately \$99.9 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Webster County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 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 1999-2009. Unemployment in the County now stands at 7.5% versus 4.4% a year ago. This compares with the State's unemployment rate of 6.2% and is below the national rate of 9.5%.

Inflation in the State was comparable to the national Consumer Price Index decrease at the close of the fiscal year. The Midwest Region of the Department of Labor, of which Iowa is a member, CPI rate decrease was 1.7% for fiscal year 2009 compared with the national rate of 1.4%. Inflation has been modest here due, in part, to the slowing of the residential housing market and modest increases in energy prices in 2007-2009.

These indicators were taken into account when adopting the budget for fiscal year 2010. Amounts available for appropriation in the operating budget are approximately \$27.9 million, a decrease of approximately \$1 million from the final fiscal year 2009 budget. Modest wage and cost-of-living adjustments are included in the fiscal year 2010 budget. The County has added no major new programs or initiatives to the fiscal year 2010 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$3 million by the close of fiscal year 2010.

## **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, 2009

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 10,009,481
Receivables:	
Property tax:	
Delinquent	45,473
Succeeding year	10,683,000
Accounts	279,594
Drainage assessments:	
Current	24,642
Future	304,805
Due from other governments	1,283,142
Inventories	1,466,145
Prepaid insurance	23,050
Capital assets (net of accumulated depreciation)	<u>43,135,244</u>
<b>Total assets</b>	<u>67,254,576</u>
<b>Liabilities</b>	
Accounts payable	1,747,107
Accrued interest payable	47,101
Salaries and benefits payable	234,162
Due to other governments	339,509
Deferred revenue:	
Succeeding year property tax	10,683,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan notes	165,000
Tax increment revenue bonds	284,189
Drainage warrants	440,903
Compensated absences	369,311
Portion due or payable after one year:	
General obligation capital loan notes	280,000
Tax increment revenue bonds	1,721,214
Net OPEB liability	<u>117,410</u>
<b>Total liabilities</b>	<u>16,428,906</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	42,690,244
Restricted for:	
Supplemental levy purposes	1,045,179
Mental health purposes	1,461,368
Secondary roads purposes	2,885,525
Drainage district purposes	887,313
Debt service	108,384
Other purposes	1,432,956
Unrestricted	<u>314,701</u>
<b>Total net assets</b>	<u>\$ 50,825,670</u>

See notes to financial statements.

Webster County

Statement of Activities

Year ended June 30, 2009

	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	\$ 4,804,845	209,246	506,066	-	(4,089,533)
Physical health and social services	2,190,924	765,796	1,265,233	-	(159,895)
Mental health	4,458,172	871,426	1,659,239	-	(1,927,507)
County environment and education	1,292,940	148,276	213,728	-	(930,936)
Roads and transportation	8,747,924	692,381	3,090,989	5,123,212	158,658
Governmental services to residents	873,515	564,001	81,136	55,574	(172,804)
Administration	2,759,155	136,560	-	-	(2,622,595)
Non-program	2,061,909	591,655	1,173,901	-	(296,353)
Interest on long-term debt	167,838	-	-	-	(167,838)
<b>Total</b>	<b>\$ 27,357,222</b>	<b>3,979,341</b>	<b>7,990,292</b>	<b>5,178,786</b>	<b>(10,208,803)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					10,224,949
Tax increment financing					305,322
Penalty and interest on property tax					125,291
State tax credits					463,443
Local option sales tax					803,332
Unrestricted investment earnings					171,969
Gain on disposition of capital assets					56,945
Rent					242,032
Miscellaneous					140,486
<b>Total general revenues</b>					<b>12,533,769</b>
Change in net assets					2,324,966
Net assets beginning of year					48,500,704
Net assets end of year					<b>\$ 50,825,670</b>

See notes to financial statements.

Webster County  
Balance Sheet  
Governmental Funds

June 30, 2009

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ 2,891,657	1,767,181	229,508	3,024,169
Receivables:				
Property tax:				
Delinquent	34,459	10,223	791	-
Succeeding year	6,649,000	2,033,000	2,001,000	-
Accounts	16,855	65,154	105	58,947
Drainage assessments:				
Current	-	-	-	-
Future	-	-	-	-
Due from other funds	6,164	-	-	-
Due from other governments	116,778	57,255	-	463,068
Inventories	-	-	-	1,466,145
Prepaid insurance	17,567	-	-	47
<b>Total assets</b>	<b>\$ 9,732,480</b>	<b>3,932,813</b>	<b>2,231,404</b>	<b>5,012,376</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 203,594	72,991	2,225	1,280,480
Salaries and benefits payable	131,367	19,370	1,048	58,247
Due to other funds	-	-	-	-
Due to other governments	10,983	317,766	-	10,760
Deferred revenue:				
Succeeding year property tax	6,649,000	2,033,000	2,001,000	-
Other	33,631	10,223	791	55,574
Total liabilities	7,028,575	2,453,350	2,005,064	1,405,061
Fund balances:				
Reserved for:				
Supplemental levy purposes	1,035,532	-	-	-
Drainage warrants	-	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	1,668,373	-	-	-
Special revenue funds	-	1,479,463	226,340	3,607,315
Capital projects fund	-	-	-	-
Total fund balances	2,703,905	1,479,463	226,340	3,607,315
<b>Total liabilities and fund balances</b>	<b>\$ 9,732,480</b>	<b>3,932,813</b>	<b>2,231,404</b>	<b>5,012,376</b>

See notes to financial statements.

Drainage Districts	Nonmajor	Total
674,442	1,333,217	9,920,174
-	-	45,473
-	-	10,683,000
-	132,821	273,882
24,642	-	24,642
304,805	-	304,805
-	-	6,164
488,640	157,401	1,283,142
-	-	1,466,145
-	5,436	23,050
<u>1,492,529</u>	<u>1,628,875</u>	<u>24,030,477</u>
127,532	39,400	1,726,222
-	24,130	234,162
-	6,164	6,164
-	-	339,509
-	-	10,683,000
329,447	2,234	431,900
<u>456,979</u>	<u>71,928</u>	<u>13,420,957</u>
-	-	1,035,532
440,903	-	440,903
-	108,384	108,384
-	-	1,668,373
594,647	1,469,833	7,377,598
-	(21,270)	(21,270)
<u>1,035,550</u>	<u>1,556,947</u>	<u>10,609,520</u>
<u>1,492,529</u>	<u>1,628,875</u>	<u>24,030,477</u>

**Webster County**

Webster County

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

June 30, 2009

**Total governmental fund balances (page 19)**

<b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>	\$ 10,609,520
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$80,818,854 and the accumulated depreciation is \$37,683,610	43,135,244
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	431,900
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.	74,134
Long-term liabilities, including bonds and notes payable, drainage warrants payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(3,425,128)</u>
<b>Net assets of governmental activities (page 16)</b>	<u><u>\$ 50,825,670</u></u>

See notes to financial statements.

Webster County

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

Year ended June 30, 2009

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 6,265,178	2,044,769	1,913,242	803,332
Interest and penalty on property tax	125,291	-	-	-
Tax increment financing	-	-	-	-
Intergovernmental	2,698,534	2,592,999	85,369	4,529,086
Licenses and permits	24,507	-	-	7,040
Charges for service	775,244	32,000	1,022	35
Use of money and property	391,535	-	8,080	19,582
Miscellaneous	104,765	15,960	-	626,661
Total revenues	<u>10,385,054</u>	<u>4,685,728</u>	<u>2,007,713</u>	<u>5,985,736</u>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	4,706,911	-	-	-
Physical health and social services	570,960	-	-	-
Mental health	-	4,440,537	-	-
County environment and education	769,738	-	347,787	-
Roads and transportation	-	-	-	7,848,518
Governmental services to residents	787,637	-	-	-
Administration	2,655,140	-	-	-
Non-program	1,312,551	-	-	-
Debt service	184,110	-	-	-
Capital projects	-	-	-	1,182,837
Total expenditures	<u>10,987,047</u>	<u>4,440,537</u>	<u>347,787</u>	<u>9,031,355</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(601,993)</u>	<u>245,191</u>	<u>1,659,926</u>	<u>(3,045,619)</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	2,334	-	-	1,950,000
Operating transfers out	(238,036)	-	(1,800,000)	-
Drainage warrants issued	-	-	-	-
Total other financing sources (uses)	<u>(235,702)</u>	<u>-</u>	<u>(1,800,000)</u>	<u>1,950,000</u>
Net change in fund balances	(837,695)	245,191	(140,074)	(1,095,619)
Fund balances beginning of year	<u>3,541,600</u>	<u>1,234,272</u>	<u>366,414</u>	<u>4,702,934</u>
Fund balances end of year	<u>\$ 2,703,905</u>	<u>1,479,463</u>	<u>226,340</u>	<u>3,607,315</u>

See notes to financial statements.

Drainage Districts	Nonmajor	Total
-	-	11,026,521
-	-	125,291
-	305,322	305,322
402,229	1,609,916	11,918,133
-	-	31,547
-	140,580	948,881
-	7,567	426,764
112,800	82,586	942,772
515,029	2,145,971	25,725,231
-	12,142	4,719,053
-	1,593,285	2,164,245
-	-	4,440,537
-	23,644	1,141,169
-	-	7,848,518
-	11,186	798,823
-	-	2,655,140
426,619	-	1,739,170
145,696	390,485	720,291
-	394,325	1,577,162
572,315	2,425,067	27,804,108
(57,286)	(279,096)	(2,078,877)
-	88,036	2,040,370
-	(2,334)	(2,040,370)
266,314	-	266,314
266,314	85,702	266,314
209,028	(193,394)	(1,812,563)
826,522	1,750,341	12,422,083
1,035,550	1,556,947	10,609,520

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, 2009

**Net change in fund balances - Total governmental funds (page 23)** \$ (1,812,563)

**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	\$ 2,788,741	
Capital assets contributed by the Iowa Department of Transportation	3,744,066	
Depreciation expense	<u>(2,739,507)</u>	3,793,300

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 56,945

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	1,760	
Other	<u>33,343</u>	35,103

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

Issued	(266,314)	
Repaid	<u>567,628</u>	301,314

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

Compensated absences	51,037	
Other postemployment benefits	(117,410)	
Interest on long-term debt	<u>(15,173)</u>	(81,546)

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 32,413

**Change in net assets of governmental activities (page 17)** \$ 2,324,966

See notes to financial statements.

Webster County  
 Statement of Net Assets  
 Proprietary Fund  
 June 30, 2009

	Internal Service - Employee Group Health
<b>Assets</b>	
Cash and cash equivalents	\$ 89,307
Accounts receivable	5,712
Total assets	95,019
<b>Liabilities</b>	
Accounts payable	20,885
<b>Net Assets</b>	
Unrestricted	\$ 74,134

See notes to financial statements.

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

Year ended June 30, 2009

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,493,215
COBRA reimbursements		58,484
Miscellaneous		5,712
Total operating revenues		<u>1,557,411</u>
Operating expenses:		
Insurance premiums	\$ 1,379,174	
Medical claims	108,800	
Administrative fees	38,591	1,526,565
Operating income		<u>30,846</u>
Non-operating revenues:		
Interest income		1,567
Net income		<u>32,413</u>
Net assets beginning of year		<u>41,721</u>
Net assets end of year		<u><u>\$ 74,134</u></u>

See notes to financial statements.

Webster County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2009

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund contributions	\$ 1,493,215
Cash received from COBRA reimbursements	58,484
Cash received from other sources	5,712
Cash paid for insurance premiums	(1,379,174)
Cash paid for medical claims	(143,902)
Cash paid for administrative expenses	(38,591)
Net cash used for operating activities	(4,256)
Cash flows from investing activities:	
Interest on investments	1,567
Net decrease in cash and cash equivalents	(2,689)
Cash and cash equivalents beginning of year	91,996
Cash and cash equivalents end of year	\$ 89,307
<b>Reconciliation of operating income to net cash used for operating activities:</b>	
Operating income	\$ 30,846
Adjustments to reconcile operating income to net cash used for operating activities:	
(Increase) in accounts receivable	(5,712)
(Decrease) in accounts payable	(29,390)
Net cash used for operating activities	\$ (4,256)

See notes to financial statements.

Webster County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2009

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 1,773,245
Other County officials	153,545
Receivables:	
Property tax:	
Delinquent	195,386
Succeeding year	32,875,000
Accounts	30,053
Special assessments	234,058
Drainage assessments	903
Due from other governments	1,105
<b>Total assets</b>	<u>35,263,295</u>

**Liabilities**

Accounts payable	22,917
Salaries and benefits payable	10,074
Due to other governments	35,200,930
Trusts payable	15,439
Compensated absences	13,935
<b>Total liabilities</b>	<u>35,263,295</u>

<b>Net assets</b>	<u><u>\$ -</u></u>
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See notes to financial statements.

Webster County

Notes to Financial Statements

June 30, 2009

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

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

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

A. Reporting Entity

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

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

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

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

Jointly Governed Organizations – The County 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 North Central IA Regional Solid Waste Agency, the Webster County Telecommunications Board, Central Iowa Juvenile Detention Center, Region V Narcotic Task Force, Mid-Iowa Development Association Council of Governments, Hazardous Materials Response Commission and Local Emergency Planning Commission, jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa. In addition, the County 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.

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 financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2008.

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 2009.

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, 2009, 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 acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County) are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Buildings and improvements	\$ 25,000
Land and improvements	5,000
Equipment and vehicles	5,000
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, 2009. 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, 2009 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, 2009, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,960,972 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, 2009 is as follows:

Transfer to	Transfer from	Amount
General	Debt Service	\$ 2,334
Special Revenue:		
Secondary Roads	General	150,000
	Special Revenue:	
	Rural Services	1,800,000
		<u>1,950,000</u>
Conservation Land		
Acquisition	General	9,196
Capital Projects	General	78,840
		<u>78,840</u>
Total		<u>\$ 2,040,370</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, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,105,446	-	-	1,105,446
Construction in progress	3,557,412	5,477,709	(7,282,824)	1,752,297
Total capital assets not being depreciated	<u>4,662,858</u>	<u>5,477,709</u>	<u>(7,282,824)</u>	<u>2,857,743</u>
Capital assets being depreciated:				
Buildings	15,063,564	13,450	-	15,077,014
Improvements other than buildings	150,000	-	-	150,000
Equipment and vehicles	9,384,620	1,111,407	(204,474)	10,291,553
Infrastructure, road network	45,159,720	7,282,824	-	52,442,544
Total capital assets being depreciated	<u>69,757,904</u>	<u>8,407,681</u>	<u>(204,474)</u>	<u>77,961,111</u>
Less accumulated depreciation for:				
Buildings	9,174,268	256,258	-	9,430,526
Improvements other than buildings	150,000	-	-	150,000
Equipment and vehicles	5,337,674	792,177	(191,660)	5,938,191
Infrastructure, road network	20,473,821	1,691,072	-	22,164,893
Total accumulated depreciation	<u>35,135,763</u>	<u>2,739,507</u>	<u>(191,660)</u>	<u>37,683,610</u>
Total capital assets being depreciated, net	<u>34,622,141</u>	<u>5,668,174</u>	<u>(12,814)</u>	<u>40,277,501</u>
Governmental activities capital assets, net	<u>\$ 39,284,999</u>	<u>11,145,883</u>	<u>(7,295,638)</u>	<u>43,135,244</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 174,573
Physical health and social services	40,255
Mental health	11,763
County environment and education	57,235
Roads and transportation	2,273,914
Governmental services to residents	69,355
Administration	<u>112,412</u>
Total depreciation expense - governmental activities	<u>\$ 2,739,507</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	\$ 10,983
Special Revenue:		
Mental Health	Services	317,766
Secondary Roads	Services	10,760
		<u>328,526</u>
Total for governmental funds		<u>\$ 339,509</u>
Agency:		
Agricultural Extension Education	Collections	\$ 216,629
County Assessor		621,332
Schools		20,075,323
Community Colleges		1,208,669
Corporations		11,274,513
Townships		345,310
Auto License and Use Tax		729,136
Special Districts		337,094
All other		392,924
Total for agency funds		<u>\$ 35,200,930</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	General Obligation Capital Loan Notes	Tax Increment Revenue Bonds	Drainage Warrants	Compen- sated Absences	Other Post- employment Benefits	Total
Balance beginning of the year	\$ 605,000	2,274,583	313,037	420,348	-	3,612,968
Increases	-	-	266,314	347,502	117,410	731,226
Decreases	160,000	269,180	138,448	398,539	-	966,167
Balance end of year	<u>\$ 445,000</u>	<u>2,005,403</u>	<u>440,903</u>	<u>369,311</u>	<u>117,410</u>	<u>3,378,027</u>
Due within one year	<u>\$ 165,000</u>	<u>284,189</u>	<u>440,903</u>	<u>369,311</u>	<u>-</u>	<u>1,259,403</u>

General Obligation Capital Loan Notes

A summary of the County's June 30, 2009 general obligation capital loan note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2010	3.85%	\$ 165,000	17,550	182,550
2011	3.85	170,000	11,115	181,115
2012	3.85	110,000	4,400	114,400
Total		\$ 445,000	33,065	478,065

On June 28, 2007, the County issued \$720,000 of general obligation capital loan notes, Series 2007A dated June 15, 2007, for the purpose of paying the costs of improvements and equipment for County buildings, including the acquisition and installation of equipment for emergency telecommunications and E911 response services, and acquiring, equipping and furnishing real property purchased. The general obligation capital loan notes are split among two issuances, which include \$500,000 for real property and \$220,000 for equipment in County buildings.

Tax Increment Revenue Bonds

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

The beginning balance of the bonds at July 1, 2008 was \$2,274,583. The total principal and interest remaining to be paid on the bonds is \$2,388,221. For the current year, principal and interest paid and total tax increment financing revenues were \$390,485 and \$305,322, respectively.

The bonds bear interest at 5.50% per annum with final maturity on December 1, 2016. On June 1, 2011 and on June 1, 2016, the interest rate on the bonds shall be adjusted to a rate 75 basis points higher than the five year U.S. Treasury rate. Principal and interest on the bonds shall be payable in semi annual payments of \$195,242 on June 1 and December 1, beginning June 1, 2008 and continuing through and including December 1, 2015, with an additional payment on June 1, 2016 in the amount of one half of the principal and interest remaining unpaid on that date and a final payment of all remaining principal and interest on December 1, 2016.

A summary of the County's June 30, 2009 tax increment revenue bond indebtedness is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2010	5.5%	\$ 284,189	106,297	390,486
2011	5.5	300,034	90,451	390,485
2012	5.5	316,763	73,723	390,486
2013	5.5	334,424	56,061	390,485
2014	5.5	353,071	37,415	390,486
2015-2016	5.5	416,922	18,871	435,793
Total		\$ 2,005,403	382,818	2,388,221

### Drainage Warrants

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

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

## **(7) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the County is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$515,841, \$466,948 and \$433,242, respectively, equal to the required contributions for each year.

## **(8) Other Postemployment Benefits (OPEB)**

The County implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 172 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 117,410
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>117,410</u>
Contributions made	-
Increase in net OPEB obligation	<u>117,410</u>
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$ 117,410</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

Plan members eligible for benefits contributed \$30,708, or 100%, of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 117,410	0%	\$ 117,410

Funded Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$965,356, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$965,356. The covered payroll (annual payroll of active employees covered by the plan) was \$7,233,526 and the ratio of the UAAL to covered payroll was 13.3%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2008 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% investment return rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

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

Projected claim costs of the medical plan are \$461 per month for retirees less than age 65 and \$1,049 per month for family plans of retirees less than age 65 under Iowa State Association of Counties (ISAC) plan 9 and \$466 per month for retirees less than age 65 and \$1,041 per month for family plans of retirees less than age 65 under ISAC plan 10. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

The County is a member 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 whose 577 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 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, 2009 were \$184,973.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 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 by The Travelers Insurance Company.

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

sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2009, no liability has been recorded in the County's financial statements. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

**(10) Employee Health Insurance Plan**

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

The payments of plan contributions to the Internal Service, Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments are made to Group Services for service fees and for contributions into a Safe-T fund. Claims are processed from the Safe-T fund to ensure timely payment. The County's contribution to the fund for the year ended June 30, 2009 was \$1,493,215.

The amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2009 for incurred but not reported (IBNR) and reported but not paid claims has been estimated but has not been actuarially determined since the County is exempt from obtaining an actuarial opinion under Chapter 509A.15(4) of the Code of Iowa. The combined County liability for unpaid claims is as follows:

Unpaid claims beginning of year	\$ 50,275
Incurred claims (including claims incurred but not reported at June 30, 2009)	108,800
Payment on claims during the fiscal year	<u>138,190</u>
Unpaid claims end of year	<u><u>\$ 20,885</u></u>

**(11) Industrial Development Revenue Bonds**

The County has issued a total of \$670,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$616,996 is outstanding at June 30, 2009. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the County.

**(12) Economic Development Agreement**

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

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

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

**(13) Construction Commitment**

On March 19, 2009, the County entered into an agreement with the Iowa Department of Transportation (DOT) for a Federal Highway Stimulus Program Project. The award amount of \$350,000 is for the replacement of a bridge deck on a County road. As of June 30, 2009, the County has not received nor expended any funds from the award.

**(14) Deficit Fund Balance**

The Capital Projects Fund had a deficit balance of \$21,270 at June 30, 2009. The deficit balance was a result of costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of funds.

**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, 2009

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 11,403,320	-	11,403,320
Interest and penalty on property tax	124,835	-	124,835
Intergovernmental	12,348,275	159,154	12,189,121
Licenses and permits	30,794	-	30,794
Charges for service	936,136	-	936,136
Use of money and property	426,276	-	426,276
Miscellaneous	662,156	112,802	549,354
Total receipts	<u>25,931,792</u>	<u>271,956</u>	<u>25,659,836</u>
<b>Disbursements:</b>			
Public safety and legal services	4,694,415	-	4,694,415
Physical health and social services	2,179,941	-	2,179,941
Mental health	4,887,371	-	4,887,371
County environment and education	1,109,762	-	1,109,762
Roads and transportation	7,144,902	-	7,144,902
Governmental services to residents	789,448	-	789,448
Administration	2,687,354	-	2,687,354
Non-program	1,696,407	310,335	1,386,072
Debt service	720,292	145,696	574,596
Capital projects	2,090,494	-	2,090,494
Total disbursements	<u>28,000,386</u>	<u>456,031</u>	<u>27,544,355</u>
Excess (deficiency) of receipts over (under) disbursements	(2,068,594)	(184,075)	(1,884,519)
Other financing sources, net	266,314	266,314	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,802,280)	82,239	(1,884,519)
Balance beginning of year	<u>11,722,454</u>	<u>592,203</u>	<u>11,130,251</u>
Balance end of year	<u>\$ 9,920,174</u>	<u>674,442</u>	<u>9,245,732</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
11,443,188	11,443,188	(39,868)
132,500	132,500	(7,665)
11,889,627	13,540,332	(1,351,211)
32,400	32,400	(1,606)
937,095	937,095	(959)
816,949	816,949	(390,673)
182,300	182,300	367,054
<u>25,434,059</u>	<u>27,084,764</u>	<u>(1,424,928)</u>
4,896,486	4,896,486	202,071
2,428,431	2,428,431	248,490
4,986,844	5,186,844	299,473
1,299,574	1,299,574	189,812
6,500,000	7,145,000	98
832,084	832,084	42,636
2,661,147	2,811,147	123,793
355,000	1,495,000	108,928
575,229	575,229	633
2,375,000	2,291,000	200,506
<u>26,909,795</u>	<u>28,960,795</u>	<u>1,416,440</u>
(1,475,736)	(1,876,031)	(8,488)
<u>64,933</u>	<u>64,933</u>	<u>(64,933)</u>
(1,410,803)	(1,811,098)	(73,421)
<u>9,299,031</u>	<u>9,299,031</u>	<u>1,831,220</u>
<u>7,888,228</u>	<u>7,487,933</u>	<u>1,757,799</u>

Webster County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 25,931,792	(206,561)	25,725,231
Expenditures	28,000,386	(196,278)	27,804,108
Net	(2,068,594)	(10,283)	(2,078,877)
Other financing sources, net	266,314	-	266,314
Beginning fund balances	11,722,454	699,629	12,422,083
Ending fund balances	\$ 9,920,174	689,346	10,609,520

See accompanying independent auditor's report.

Webster County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$2,051,000. 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, 2009, disbursements did not exceed the amounts budgeted.

**Webster County**

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Webster County

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

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Jul 1, 2008	-	\$ 965	965	0.00%	\$ 7,234	13.3%

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

Webster County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2009

	Public Health	Supplemental Environment Project	County Recorder's Records Management	Resource Enhancement and Protection
<b>Assets</b>				
Cash and pooled investments	\$ 976,376	815	16,503	136,611
Accounts receivable	132,796	-	-	-
Due from other governments	157,401	-	-	-
Prepaid insurance	5,436	-	-	-
<b>Total assets</b>	<b>\$ 1,272,009</b>	<b>815</b>	<b>16,503</b>	<b>136,611</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 23,765	-	-	529
Salaries and benefits payable	24,130	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	2,234	-	-	-
Total liabilities	50,129	-	-	529
Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved	1,221,880	815	16,503	136,082
Total fund balances	1,221,880	815	16,503	136,082
<b>Total liabilities and fund balances</b>	<b>\$ 1,272,009</b>	<b>815</b>	<b>16,503</b>	<b>136,611</b>

See accompanying independent auditor's report.

Special Revenue							
Sheriff Confiscated Property	Attorney Confiscated Property	Conservation Land Acquisition	DARE	Canine	Frontier Ethanol Urban Renewal Tax Increment Financing	Capital Projects	Total
1,150	16,916	72,207	3,014	1,241	108,384	-	1,333,217
-	-	-	-	25	-	-	132,821
-	-	-	-	-	-	-	157,401
-	-	-	-	-	-	-	5,436
1,150	16,916	72,207	3,014	1,266	108,384	-	1,628,875
-	-	-	-	-	-	15,106	39,400
-	-	-	-	-	-	-	24,130
-	-	-	-	-	-	6,164	6,164
-	-	-	-	-	-	-	2,234
-	-	-	-	-	-	21,270	71,928
-	-	-	-	-	108,384	-	108,384
1,150	16,916	72,207	3,014	1,266	-	(21,270)	1,448,563
1,150	16,916	72,207	3,014	1,266	108,384	(21,270)	1,556,947
1,150	16,916	72,207	3,014	1,266	108,384	-	1,628,875

Webster County

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

Year ended June 30, 2009

	Public Health	Supplemental Environment Project	County Recorder's Records Management	Resource Enhancement and Protection
Revenues:				
Tax increment financing	\$ -	-	-	-
Intergovernmental	1,575,703	-	-	33,169
Charges for service	133,274	-	7,306	-
Use of money and property	-	11	165	1,448
Miscellaneous	1,425	-	-	-
Total revenues	1,710,402	11	7,471	34,617
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Physical health and social services	1,593,285	-	-	-
County environment and education	-	-	-	23,644
Governmental services to residents	-	-	11,186	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	1,593,285	-	11,186	23,644
Excess (deficiency) of revenues over (under) expenditures	117,117	11	(3,715)	10,973
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	117,117	11	(3,715)	10,973
Fund balances beginning of year	1,104,763	804	20,218	125,109
Fund balances end of year	\$ 1,221,880	815	16,503	136,082

See accompanying independent auditor's report.

Special Revenue								
Sheriff Confiscated Property	Attorney Confiscated Property	Conservation Land Acquisition	DARE	Canine	Frontier Ethanol Urban Renewal Tax Increment Financing	Debt Service	Capital Projects	Total
-	-	-	-	-	305,322	-	-	305,322
794	250	-	-	-	-	-	-	1,609,916
-	-	-	-	-	-	-	-	140,580
-	-	5,943	-	-	-	-	-	7,567
-	-	81,136	-	25	-	-	-	82,586
794	250	87,079	-	25	305,322	-	-	2,145,971
9,319	-	-	1,464	1,359	-	-	-	12,142
-	-	-	-	-	-	-	-	1,593,285
-	-	-	-	-	-	-	-	23,644
-	-	-	-	-	-	-	-	11,186
-	-	-	-	-	390,485	-	-	390,485
-	-	187,336	-	-	-	-	206,989	394,325
9,319	-	187,336	1,464	1,359	390,485	-	206,989	2,425,067
(8,525)	250	(100,257)	(1,464)	(1,334)	(85,163)	-	(206,989)	(279,096)
-	-	9,196	-	-	-	-	78,840	88,036
-	-	-	-	-	-	(2,334)	-	(2,334)
-	-	9,196	-	-	-	(2,334)	78,840	85,702
(8,525)	250	(91,061)	(1,464)	(1,334)	(85,163)	(2,334)	(128,149)	(193,394)
9,675	16,666	163,268	4,478	2,600	193,547	2,334	106,879	1,750,341
1,150	16,916	72,207	3,014	1,266	108,384	-	(21,270)	1,556,947

Webster County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ -	3,598	178,328	330,457
Other County officials	33,614	-	-	-
Receivables:				
Property tax:				
Delinquent	-	1,031	1,526	91,866
Succeeding year	-	212,000	463,000	19,653,000
Accounts	400	-	29	-
Special assessments	-	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 34,014</b>	<b># 216,629</b>	<b>- 642,883</b>	<b>20,075,323</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	177	-
Salaries and benefits payable	-	-	8,544	-
Due to other governments	18,575	216,629	621,332	20,075,323
Trusts payable	15,439	-	-	-
Compensated absences	-	-	12,830	-
<b>Total liabilities</b>	<b>\$ 34,014</b>	<b>216,629</b>	<b>642,883</b>	<b>20,075,323</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Special Districts	Other	Total
22,287	256,155	4,198	729,136	23,946	225,140	1,773,245
-	-	-	-	-	119,931	153,545
6,382	94,358	112	-	90	21	195,386
1,180,000	10,924,000	341,000	-	79,000	23,000	32,875,000
-	-	-	-	-	29,624	30,053
-	-	-	-	234,058	-	234,058
-	-	-	-	-	903	903
-	-	-	-	-	1,105	1,105
<b>1,208,669</b>	<b>11,274,513</b>	<b>345,310</b>	<b>729,136</b>	<b>337,094</b>	<b>399,724</b>	<b>35,263,295</b>
-	-	-	-	-	22,740	22,917
-	-	-	-	-	1,530	10,074
1,208,669	11,274,513	345,310	729,136	337,094	374,349	35,200,930
-	-	-	-	-	-	15,439
-	-	-	-	-	1,105	13,935
<b>1,208,669</b>	<b>11,274,513</b>	<b>345,310</b>	<b>729,136</b>	<b>337,094</b>	<b>399,724</b>	<b>35,263,295</b>

Webster County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 29,890	209,100	526,496	18,912,956
Additions:				
Property and other county tax	-	213,121	464,321	19,700,306
E911 surcharge	-	-	-	-
State tax credits	-	9,377	16,678	842,319
Office fees and collections	712,530	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	676,839	-	-	-
Miscellaneous	-	-	2,936	-
Total additions	1,389,369	222,498	483,935	20,542,625
Deductions:				
Agency remittances:				
To other funds	383,867	-	-	-
To other governments	355,653	214,969	367,548	19,380,258
Trusts paid out	645,725	-	-	-
Total deductions	1,385,245	214,969	367,548	19,380,258
Balances end of year	\$ 34,014	216,629	642,883	20,075,323

See accompanying independent auditor's report.

Community Colleges	Corpora- tions	Townships	Auto License and Use Tax	Special Districts	Other	Total
1,287,397	11,957,498	325,019	715,460	219,728	356,080	34,539,624
1,188,022	10,543,570	343,174	-	26,065	13,473	32,492,052
-	-	-	-	-	207,065	207,065
58,084	476,301	15,106	-	1,408	196	1,419,469
-	-	-	-	-	-	712,530
-	-	-	8,047,272	-	409	8,047,681
-	-	-	-	153,980	94	154,074
-	-	-	-	-	573,403	1,250,242
-	-	-	-	-	138,032	140,968
1,246,106	11,019,871	358,280	8,047,272	181,453	932,672	44,424,081
-	-	-	256,534	-	-	640,401
1,324,834	11,702,856	337,989	7,777,062	64,087	889,028	42,414,284
-	-	-	-	-	-	645,725
1,324,834	11,702,856	337,989	8,033,596	64,087	889,028	43,700,410
1,208,669	11,274,513	345,310	729,136	337,094	399,724	35,263,295

Webster County

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

For the Last Ten Years

	2009	2008	2007	2006
<b>Revenues:</b>				
Property and other county tax	\$ 11,331,843	11,083,478	10,626,585	10,232,642
Interest and penalty on property tax	125,291	120,461	137,344	112,680
Intergovernmental	11,918,133	12,099,302	8,908,603	10,424,458
Licenses and permits	31,547	44,819	39,764	36,289
Charges for service	948,881	939,967	923,006	996,223
Use of money and property	426,764	701,379	647,815	539,678
Miscellaneous	942,772	537,801	425,068	610,787
<b>Total</b>	<b>\$ 25,725,231</b>	<b>25,527,207</b>	<b>21,708,185</b>	<b>22,952,757</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 4,719,053	4,625,204	4,349,153	4,203,515
Physical health and social services	2,164,245	1,990,046	2,113,678	2,037,675
Mental health	4,440,537	4,983,980	4,392,210	4,112,304
County environment and education	1,141,169	1,079,285	1,009,538	797,784
Roads and transportation	7,848,518	6,379,563	6,255,432	5,639,429
Governmental services to residents	798,823	753,660	726,483	1,030,812
Administration	2,655,140	2,610,725	2,328,777	2,312,763
Non-program	1,739,170	755,011	506,882	2,049,461
Debt service	720,291	745,429	759,718	752,223
Capital projects	1,577,162	1,890,975	303,954	1,899,019
<b>Total</b>	<b>\$ 27,804,108</b>	<b>25,813,878</b>	<b>22,745,825</b>	<b>24,834,985</b>

See accompanying independent auditor's report.

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

**Schedule 6**

Webster County  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2009

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Edward Byrne Memorial Formula Grant Program	16.579	2008-DJ-BX-0441	\$ 10,053
Bulletproof Vest Partnership Program	16.607		363
Edward Byrne Memorial Justice Assistance Grant Program	16.738	08JAG-CO6A32	28,786
U. S. Environmental Protection Agency:			
Hazardous Waste Management State Program Support	66.801		2,839
Total Direct			<u>42,041</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5888A050	131,705
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5889A050	284,308
			<u>416,013</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561		27,617
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	5889NU55	22,018
			<u>49,635</u>
Iowa Department of Agriculture and Land Stewardship:			
WIC Farmers' Market Nutrition Program	10.572	1191-05-50	898
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	14.228	06-CF-030	169,781
U.S. Department of Justice:			
Iowa Department of Justice:			
Crime Victim Assistance	16.575	VA-09-29	20,586
Governor's Office of Drug Control Policy:			
Edward Byrne Memorial Formula Grant Program	16.579	06JAG-B35	16,202
Edward Byrne Memorial Formula Grant Program	16.579	08JAG-B15	31,900
			<u>48,102</u>

Webster County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2009

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO94(56)-8J-94	303,248
Highway Planning and Construction	20.205	BROS-CO94(70)-5F-94	124,314
Highway Planning and Construction	20.205	BROS-CO94(74)-8J-94	74,489
Highway Planning and Construction	20.205	BROS-CO94(75)-8J-94	126,321
Highway Planning and Construction	20.205	BROS-2690(611)-8J-94	17,552
			<u>645,924</u>
U.S.Environmental Protection Agency:			
Iowa Department of Agriculture and Land Stewardship:			
Nonpoint Source Implementation Grants	66.460		<u>15,500</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Elderbridge Agency on Aging, Inc.:			
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	D90021	6,428
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	SL90022	8,031
			<u>14,459</u>
Immunization Grants	93.268	5888I480	4,468
Immunization Grants	93.268	5889I480	7,997
			<u>12,465</u>
Center for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5889BT01	<u>16,103</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		16,629
Temporary Assistance for Needy Families	93.558		25,532
			<u>42,161</u>
Refugee and Entrant Assistance - State Administered Program	93.566		<u>48</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>7,191</u>
Foster Care - Title IV-E	93.658		<u>15,732</u>
Adoption Assistance	93.659		<u>3,742</u>
State Children's Insurance Program	93.767		<u>214</u>

**Schedule 6**

## Webster County

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Medical Assistance Program	93.778		33,966
Social Services Block Grant	93.667		16,734
Social Services Block Grant	93.667		189,176
			205,910
Iowa Department of Public Health:			
Mid-Iowa Community Action, Inc.:			
HIV Care Formula Grants	93.917	5886HCO3	34,171
Calhoun County Department of Health:			
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs			
	93.919	5889NB04	6,091
Maternal and Child Health Services			
Block Grant to the States	93.994	5888MH31	14,006
Maternal and Child Health Services			
Block Grant to the States	93.994	5889MH31	70,240
			84,246
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA DR-1727	243,880
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA DR 1763	446,075
			689,955
Emergency Management Performance Grants	97.042		33,925
			33,925
Total indirect			2,566,818
Total			\$ 2,608,859

**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, 2009, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 19, 2010. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Webster County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Webster County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Webster County's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Webster County's financial statements that is more than inconsequential will not be prevented or detected by Webster County's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Webster County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-09 and II-B-09 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, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Webster County and other parties to whom Webster County may report, including federal awarding agencies and pass-through entities. 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

February 19, 2010

**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**  
**STATE OF IOWA**

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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, 2009. 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, 2009.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Webster County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a significant deficiency.

A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

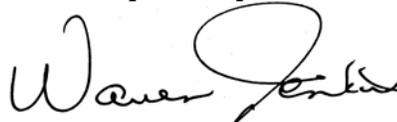
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. We do not consider the significant deficiency in internal control described as item III-A-09 in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Webster County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the County's response, we did not audit Webster County's response and, accordingly, we express no opinion on it.

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

February 19, 2010

Webster County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over a major program was disclosed by the audit, which was not considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are 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 20.205 – Highway Planning and Construction
  - CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- (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, 2009

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

**SIGNIFICANT DEFICIENCIES:**

II-A-09 Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. Generally, one or two individuals in 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.	Treasurer
(2) Bank reconciliations are not prepared by someone who doesn't sign checks, handle or record cash.	Recorder and Sheriff
(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, Sheriff and Treasurer
(5) The person who signs checks is not independent of the person preparing the checks, approving disbursements, recording cash disbursements and handling cash.	Recorder and Sheriff
(6) Voided receipts are not reviewed by an independent person.	Recorder

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

Responses –

County Treasurer – All my staff in my office opens mail, and we do not have time to keep a list of checks and cash when we are busy. The Treasurer’s office will recommend surprise cash counts to be performed by the Board of Supervisors. My employees are honest and hard workers.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

County Recorder – With only five people in my office, it is difficult to segregate duties the way they need to be. We will work on changes where possible.

County Sheriff –

- (2) Bank reconciliations are done by people that handle and record cash for a different account. The one that handles and records cash for the civil account, reconciles the weapons account, while the other one handles and records cash for the weapons account and reconciles the civil account. In addition, every month the sheriff reconciles both accounts.
- (4) Currently the office manager records and accounts for the cash. One clerk does collection and deposit preparation, while the other clerk does the reconciliations.
- (5) Currently the office manager and Chief Deputy are the ones that sign the checks for both the civil and weapons accounts. Neither the Chief Deputy or the office manager prepares the checks or approves the cash disbursements. The Chief Deputy opens the mail, the office manager only opens the mail when the Chief Deputy is gone. Once the mail is opened, the office manager endorses the checks received, pulls the documents and writes receipts. After that, one of the clerks enters the written receipts in the cash book and the Sleuth program. We have no other way of doing this because the second clerk does the reconciliations for the civil account so she cannot prepare the checks, approve disbursements, record cash disbursements or handle any cash for that account.

Conclusion – Responses accepted.

II-B-09 Financial Reporting – During the audit, we identified material amounts of payables and a capital asset deletion which were not recorded in the County's financial statements. In addition, inventory was not carried at the appropriate value. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all payables and capital asset deletions are identified and included in the County's financial statements and inventory is carried at the appropriate value.

Response – With the acquisition of the new Eden software, the County is implementing procedures to identify payables and deletions to avoid such circumstances. Inventory calculations will be reviewed for proper valuation.

Conclusion – Response accepted.

II-C-09 Information Systems – The County has prepared a written disaster recovery plan and the plan has been tested. However, the plan has not been approved by the Board of Supervisors.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Recommendation – The written disaster recovery plan should be approved by the Board of Supervisors.

Response – County’s written plan will be placed on the Board’s agenda for approval on February 23, 2010.

Conclusion – Response accepted.

II-D-09 County Sheriff Jail Intake Account – Monthly subsidiary ledger balances for individual intake accounts were not reconciled to the jail inmate bank account balance.

Recommendations – Monthly subsidiary ledger balances for individual inmate accounts should be reconciled to the jail inmate bank account balance.

Response – New accounting software will help accomplish this.

Conclusion – Response accepted.

II-E-09 County Sheriff – The Sheriff’s Office does not prepare a year-to-date spreadsheet of receipts and disbursements which should reconcile beginning and ending book balances.

Recommendation – The Sheriff’s Office should prepare a year-to-date spreadsheet of receipts and disbursements which should reconcile to the beginning and ending book balances.

Response – We are already doing this quarterly using Sleuth and Excel programs.

Conclusion – Response accepted.

II-F-09 Undeposited Receipt – There was no record of deposit into the County’s bank accounts for a \$3,470 warrant issued to the Webster County Sheriff’s Department from the State of Iowa. The redeemed warrant also did not contain a proper endorsement. The Webster County Sheriff’s Department was not able to provide documentation as to where the warrant was deposited.

Recommendation – The County Sheriff’s Department should ensure all cash receipts are appropriately receipted into the County’s bank accounts and continue to investigate and locate the missing warrant.

Response – The warrant for \$3,470 was a check that was for the Webster County Sheriff Reserves doing a tobacco sting for the State. That was why their was no documentation for it. The Webster County Sheriff Reserves is its own entity with its own accounts. The person in charge of the Sheriff Reserves is willing to allow the auditors to look at their bank statements if that is what needs to be done. Also from now on they will receipt every check that they receive. We will also request that any check’s that are for the Sheriffs Reserves be written out to them and not the Sheriff’s Department

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Conclusion – The deposit of the amount into a bank account for the Webster County Sheriff Reserves is acknowledged. Although the Sheriff's Office may receive funds for the Sheriff Reserves account, the proceeds should be remitted to the County Treasurer and credited to a Special Revenue Fund. Expenditures should be budgeted and accounted for through the normal disbursement process, including Board of Supervisor approval.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

**CFDA Number 97.036: Disaster Grants – Public Assistance  
(Presidentially Declared Disasters)**

**Pass-through Number: FEMA DR-1727  
FEMA DR-1763**

**Federal Award Year: 2009**

**U.S. Department of Homeland Security**

**Passed through the Iowa Department of Public Defense**

III-A-09 Suspension and Debarment – OMB Circular A-133 states the County is prohibited from contracting with or making awards under covered transactions to parties who are suspended or debarred. The County has not established procedures to ensure transactions are with contractors who are not suspended or debarred.

Recommendation – The County should establish and perform procedures to ensure transactions are with contractors who are not suspended or debarred.

Response and Corrective Action Planned – The County was not aware of this until notified by the Office of Auditor of State on November 30, 2009. Now that the County is aware of the requirement, steps will be taken to include the clause in all County issued contracts effective December 1, 2009 and later. Also, the County will verify all contracts entered into since July 1, 2009 are not with vendors who are suspended or debarred.

Conclusion – Response accepted.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

IV-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.

IV-B-09 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-09 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-09 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-E-09 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-09 Board Minutes – Six of twenty-four capital asset additions were not approved in the Board of Supervisors minutes.

Recommendation – Capital assets purchases should be properly approved by the Board of Supervisors.

Response – We will have all capital asset purchases be properly approved by the Board of Supervisors.

Conclusion – Response accepted.

IV-G-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

IV-H-09 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-09 Electronic Checks – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check.

The Sheriff’s Office did not obtain an image of the back of each cancelled check as required.

Recommendation – The Sheriff’s Office should obtain and retain check images as required.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Response – We are currently having our bank scan both the front and back of all checks that are processed in our civil account.

Conclusion – Response accepted.

IV-J-09 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, 2009 for the County Extension Office did not exceed the amount budgeted.

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

Also, the mail opener has access to the accounting records.

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

Response – The Webster County Extension Office has the following procedures in place: Deposits are receipted on prenumbered receipts by the staff handling the transaction; deposits are made when there is over \$200 in cash box; deposits are made routinely by several staff; deposits and cash balance are regularly reconciled with our Cougar Mountain Accounting system; checks are only written when approved by Council, signed by a Council Member and verified with a voucher request or supporting documentation; checks are ordered and prenumbered and are kept in a secure fire proof file; and all financial payroll records and perishable documents are in a secure room. With limited staff we believe we have taken reasonable and affordable safeguards.

Conclusion – Response accepted.

IV-K-09 Financial Condition – The Capital Projects Fund had a deficit fund balance at June 30, 2009.

Recommendation – The County should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

Response – New software was installed during the first quarter of the fiscal year resulting in processing delays. County will ensure timely receipt of revenue into financial system to avoid a deficit fund balance.

Conclusion – Response accepted.

Webster County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

IV-L-09 County Assessor Vehicle – The County Assessor’s Office purchased a vehicle to be used by the County Assessor’s office. The County Assessor also uses the vehicle to commute to and from work. Although the County Conference Board approved the County Assessor using the vehicle for commuting, the County Assessor is not appropriately taxed according to the IRS Taxable Fringe Benefit Guide.

Recommendation – The IRS Taxable Fringe Benefit Guide requires a commuting rule of \$1.50 each way if the employer requires the employee to commute in the vehicle for a valid non-compensatory business reason. The Conference Board should consult legal counsel to determine if a public purpose is being met by using the vehicle for commuting. If it is, \$3.00 per round trip should be added to the County Assessor’s wages to be taxed as required by the IRS.

Response – The County Auditor’s Office received the \$3.00 per round trip benefit charge, from me, for the 2009 year. This took into account every day I drove the vehicle to the courthouse, as I do not commute every day. I supplied the documentation at the end of 2009 to be added to my wages.

I will consult with the County Attorney to determine an opinion on my situation, regarding storing the vehicle and using it to commute.

Conclusion – Response accepted.

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Webster County

Staff

This audit was performed by:

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Tracy L. Daugherty, CPA, Senior Auditor  
Jenny R. Lawrence, Staff Auditor  
Adam D. Steffensmeir, Staff Auditor  
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