



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____ September 19, 2014

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$16,869,872 for the year ended June 30, 2013, which included \$788,196 in tax credits from the state. The County forwarded \$10,919,273 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,950,599 of the local tax revenue to finance County operations, a 20% increase over the prior year. Other revenues included charges for service of \$2,106,433, operating grants, contributions and restricted interest of \$5,510,464, capital grants, contributions and restricted interest of \$218,504, local option sales tax of \$303,416, unrestricted investment earnings of \$63,503 and other general revenues of \$320,056. The significant increase in local tax revenue is due to an increase in property tax rates of approximately 10% and an increase in assessed valuation of approximately 10.6%.

Expenses for County operations for the year ended June 30, 2013 totaled \$13,740,573, an increase of 10.7% over the prior year. Expenses included \$4,100,839 for roads and transportation, \$3,801,686 for non-program services and \$1,651,680 for public safety and legal services. The increase in expenses is primarily due to increased costs related to drainage system improvements, partially offset by a decrease in mental health expenses due to a change in the method the State pays for Medicaid reimbursed services.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1310-0076-B00F.pdf>.

###

POCAHONTAS COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor’s Report	5-7
Management’s Discussion and Analysis	8-14
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Position	A 16
Statement of Activities	B 17
Governmental Fund Financial Statements:	
Balance Sheet	C 18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D 21
Statement of Revenues, Expenditures and Changes in Fund Balances	E 22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F 24
Proprietary Fund Financial Statements:	
Statement of Net Position	G 25
Statement of Revenues, Expenses and Changes in Fund Net Position	H 26
Statement of Cash Flows	I 27
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	J 28
Notes to Financial Statements	29-43
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	46-47
Budget to GAAP Reconciliation	48
Notes to Required Supplementary Information – Budgetary Reporting	49
Schedule of Funding Progress for the Retiree Health Plan	50
Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 52-53
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 54-55
Agency Funds:	
Combining Schedule of Fiduciary Assets and Liabilities	3 56-57
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4 58-59
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5 60-61
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	63-64
Schedule of Findings	65-80
Staff	81

Pocahontas County

Officials

(Before January 2013)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ed Dewey	Board of Supervisors	Jan 2013
Jack Dewolf	Board of Supervisors	Jan 2013
Louis Stauter	Board of Supervisors	Jan 2013
Paul R. Beneke	Board of Supervisors	Jan 2015
Vincent Triggs	Board of Supervisors	Jan 2015
Margene A. Bunda	County Auditor	Jan 2013
Sarah Winkler	County Treasurer	Jan 2015
Michael P. Bollard	County Recorder	Jan 2015
Robert Lampe	County Sheriff	Jan 2013
Ann E. Beneke	County Attorney	Jan 2015
Sue Reisglesberger	County Assessor	Jan 2016

(After January 2013)

Paul R. Beneke	Board of Supervisors	Jan 2015
Vincent Triggs	Board of Supervisors	Jan 2015
Ed Dewey	Board of Supervisors	Jan 2017
Jeff Ives	Board of Supervisors	Jan 2017
Louis Stauter	Board of Supervisors	Jan 2017
Margene A. Bunda	County Auditor	Jan 2017
Sarah Winkler	County Treasurer	Jan 2015
Michael P. Bollard	County Recorder	Jan 2015
Robert Lampe	County Sheriff	Jan 2017
Ann E. Beneke	County Attorney	Jan 2015
Sue Reisglesberger	County Assessor	Jan 2016

Pocahontas County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Officials of Pocahontas County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pocahontas County, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Pocahontas County as of June 30, 2013, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 8 through 14 and 46 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pocahontas County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 27, 2014 on our consideration of Pocahontas County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Pocahontas County's internal control over financial reporting and compliance.



MARY MOSIMAN, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 27, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pocahontas 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, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Beginning net position for governmental activities was restated to report certain receivables and payables and to report the correct capital assets balance. The beginning fund balance for the General Fund was also restated to correct payables. To facilitate and enhance comparability in this discussion and analysis, fiscal year 2012 amounts have been revised to reflect the change as if it had been made in the prior year.

2013 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 9.5%, or approximately \$1,258,000, from fiscal year 2012 to fiscal year 2013. Property tax increased approximately \$918,000 and capital grants, contributions and restricted interest decreased approximately \$1,349,000.
- The County's governmental activities' expenses increased 10.7%, or approximately \$1,333,000, from fiscal year 2012 to fiscal year 2013. Non-program expenses increased approximately \$2,654,000, mental health expenses decreased approximately \$587,000 and roads and transportation expenses decreased approximately \$573,000.
- The County's net position increased 3.4%, or approximately \$732,000, from June 30, 2012 to June 30, 2013.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Pocahontas 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 Pocahontas County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Pocahontas County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets 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 Position presents all of the County's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as 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 years.

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

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) the Special Revenue Funds, such as Mental Health, Rural Services, Secondary Roads and Drainage Districts. 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 are a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

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

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for the E-911 Service Board, the Emergency Management Commission and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis below shows the changes in the net position of governmental activities from a year ago.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2013	2012
Current and other assets	\$ 17,897	14,138
Capital assets	16,342	16,994
Total assets	<u>34,239</u>	<u>31,132</u>
Long-term liabilities	4,737	2,783
Other liabilities	6,961	6,540
Total liabilities	<u>11,698</u>	<u>9,323</u>
Net position:		
Net investment in capital assets	16,342	16,994
Restricted	5,171	4,197
Unrestricted	1,028	618
Total net position	<u>\$ 22,541</u>	<u>21,809</u>

Net position of Pocahontas County’s governmental activities increased approximately \$732,000, or 3.4%. The largest portion of the County’s net position is net investment in capital assets (e.g., land, infrastructure, buildings and equipment). This net position category decreased approximately \$652,000, or 3.8%, from the prior year.

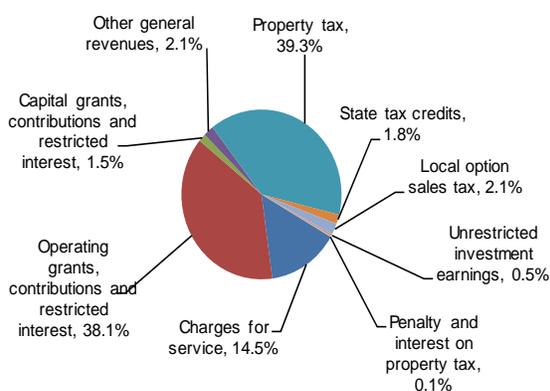
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position category increased approximately \$974,000, or 23.2%, over the prior year. This increase is primarily due to an increase in the amount held in the Special Revenue, Secondary Roads Fund at year end restricted for road purposes.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$410,000, or 66.3%, over the prior year. This increase is due to an increase in the amount held in the General Fund at year end.

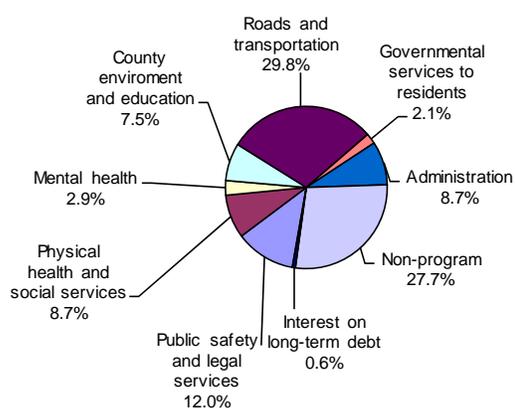
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2013	2012
Revenues:		
Program revenues:		
Charges for service	\$ 2,106	2,018
Operating grants, contributions and restricted interest	5,511	4,059
Capital grants, contributions and restricted interest	218	1,567
General revenues:		
Property tax	5,687	4,769
State tax credits	264	189
Penalty and interest on property tax	17	26
Local option sales tax	303	360
Unrestricted investment earnings	64	59
Other general revenues	303	168
Total revenues	14,473	13,215
Program expenses:		
Public safety and legal services	1,652	1,621
Physical health and social services	1,194	1,277
Mental health	397	984
County environment and education	1,024	967
Roads and transportation	4,101	4,674
Governmental services to residents	293	328
Administration	1,200	1,306
Non-program	3,802	1,148
Interest on long-term debt	78	103
Total expenses	13,741	12,408
Change in net position	732	807
Net position beginning of year, as restated	21,809	21,002
Net position end of year	\$ 22,541	21,809

Revenues by Source



Expenses by Function



Pocahontas County's net position of governmental activities increased approximately \$732,000 during the year. Revenues for governmental activities increased approximately \$1,258,000 over the prior year.

Property tax increased approximately \$918,000, or 19.2%, primarily due to an increase in property tax rates of approximately 10% and an increase in assessed valuation of approximately \$56 million, or 10.6%. Operating grants, contributions and restricted interest increased approximately \$1,452,000, or 35.8%, primarily due to receipt of approximately \$1.5 million from the Iowa Department of Agriculture and Land Stewardship, Division of Soil Conservation to help fund the cost of drainage system improvements in Drainage District No. 178. Capital grants, contributions and restricted interest decreased approximately \$1,349,000, or 86.1%, due to a decrease in assets contributed by the Iowa Department of Transportation during the current year.

Expenses in fiscal year 2013 increased approximately \$1,333,000, or 10.7%, over the prior year. Non-program expenses increased approximately \$2,654,000, or 231%, due to increased costs related to drainage system improvements. This increase was partially offset by a decrease in mental health expenses due to a change in the method the State pays for Medicaid reimbursed services.

INDIVIDUAL MAJOR FUND ANALYSIS

As Pocahontas County completed the year, its governmental funds reported a combined fund balance of approximately \$7.7 million, an increase of approximately \$1.9 million from last year's total of approximately \$5.8 million. The following are reasons for the changes in fund balances of the major funds from the prior year:

General Fund revenues exceeded expenditures by approximately \$504,000. The ending fund balance increased approximately \$439,000 over the prior year to approximately \$1,648,000. General Fund revenues increased approximately \$549,000, or 12.6%, primarily due to an increase in property tax. Expenditures decreased approximately \$203,000, or 4.4%.

The Special Revenue, Mental Health Fund balance at year end increased approximately \$94,000 over the prior year to a balance of approximately \$183,000. Mental Health Fund revenues decreased approximately \$580,000, or 54%, from the prior year and expenditures decreased approximately \$584,000, or 59.3%. These decreases are due to a change in the method the State pays for Medicaid reimbursed services.

Special Revenue, Rural Services Fund revenues increased approximately \$327,000, or 16.9%. The Rural Services Fund balance at year end increased approximately \$302,000 over a prior year deficit of approximately \$267,000. Fiscal year 2013 property tax revenue increased approximately \$356,000, or 23.5%, due to an increase in tax rates and valuations.

Revenues in the Special Revenue, Secondary Roads Fund increased approximately \$197,000 over the previous year, primarily due to an increase in road use tax revenue during fiscal year 2013. Expenditures decreased approximately \$375,000, or 9.9%, from the prior year due to completion of roads and bridge maintenance projects. The Secondary Roads Fund ending balance increased approximately \$854,000 to approximately \$4.9 million.

The Special Revenue, Drainage Districts Fund ending balance increased approximately \$256,000 over the prior year to approximately \$860,000. Revenue/proceeds from grants and issuance of drainage warrants increased approximately \$3.6 million, or 217%, over the prior year while expenditures increased approximately \$2.8 million, or 132%, primarily due to improvements in Drainage District No. 178.

BUDGETARY HIGHLIGHTS

Over the course of the year, Pocahontas County amended its budget once. The amendment was made in May 2013 and resulted in an increase in budgeted disbursements for the conservation and sheriff departments.

The County's receipts were \$478,149 less than budgeted, a variance of 4.3%.

Total disbursements were \$3,632,386 less than the amended budget. Actual disbursements for the capital projects, roads and transportation and mental health functions were \$1,325,059, \$1,247,234 and \$436,060, respectively, less than budgeted, while the other functions were also less than budgeted. This was primarily due to roads and bridge maintenance projects, equipment purchases and stockpile supply purchases which were less than anticipated and a change in the method the State pays for Medicaid reimbursed services. The remaining decrease was accomplished by reduced spending in all areas.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, Pocahontas County had approximately \$16.3 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$651,000, or 3.8%, from last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2013	2012
Land	\$ 1,961	1,913
Construction in progress	-	75
Buildings and building improvements	1,566	1,564
Equipment and vehicles	2,235	2,368
Infrastructure, road network	10,580	11,073
Total	\$ 16,342	16,993
This year's major additions included (in thousands):		
Road and bridge construction projects	\$ 163	
Secondary road equipment	154	
Conservation equipment and land	80	
Total	\$ 397	

The County had depreciation expense of \$1,122,672 in fiscal year 2013 and total accumulated depreciation of \$10,243,302 at June 30, 2013. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2013, Pocahontas County had approximately \$4,487,000 of outstanding debt, compared to approximately \$2,538,000 at June 30, 2012. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2013	2012
Drainage warrants and improvement certificates	\$ 3,722	1,482
State Revolving Fund improvement certificates	765	1,056
Total	\$ 4,487	2,538

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Pocahontas County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 3.8%, a slight decrease from a year ago. This compares with the State's unemployment rate of 4.8% and the national rate of 7.5%.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Pocahontas 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 Pocahontas County Auditor's Office, 99 Court Square Pocahontas, Iowa 50574.

Basic Financial Statements

Pocahontas County
 Statement of Net Position
 June 30, 2013

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 6,774,665
Receivables:	
Property tax:	
Delinquent	8,151
Succeeding year	6,055,000
Interest and penalty on property tax	63,722
Accounts	112,211
Accrued interest	2,956
Drainage assessments	2,361,797
Due from other governments	1,439,945
Inventories	997,418
Prepaid insurance	81,995
Capital assets, net of accumulated depreciation	16,341,578
	34,239,438
Liabilities	
Accounts payable	686,607
Salaries and benefits payable	152,265
Due to other governments	67,247
Deferred revenue:	
Succeeding year property tax	6,055,000
Long-term liabilities:	
Portion due or payable within one year:	
Drainage warrants/drainage improvement certificates	3,471,167
State Revolving Fund improvement certificates	32,000
Compensated absences	211,538
Portion due or payable after one year:	
Drainage improvement certificates	251,182
State Revolving Fund improvement certificates	733,000
Net OPEB Liability	38,303
	11,698,309
Net Position	
Net investment in capital assets	16,341,578
Restricted for:	
Mental health purposes	183,521
Rural services purposes	15,216
Secondary roads purposes	4,835,417
Other purposes	136,800
Unrestricted	1,028,597
	\$ 22,541,129

See notes to financial statements.

Pocahontas County
 Statement of Activities
 Year ended June 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,651,680	53,026	30,717	-	(1,567,937)
Physical health and social services	1,193,723	246,072	594,875	-	(352,776)
Mental health	397,986	-	51,694	-	(346,292)
County environment and education	1,023,889	46,771	9,101	-	(968,017)
Roads and transportation	4,100,839	128,359	2,785,790	218,504	(968,186)
Governmental services to residents	292,999	169,129	-	-	(123,870)
Administration	1,199,524	-	-	-	(1,199,524)
Non-program	3,801,686	1,463,076	2,038,287	-	(300,323)
Interest on long-term debt	78,247	-	-	-	(78,247)
Total	\$ 13,740,573	2,106,433	5,510,464	218,504	(5,905,172)
General Revenues:					
Property and other county tax levied for general purposes					5,686,657
Penalty and interest on property tax					17,034
State tax credits					263,942
Local option sales tax					303,416
Unrestricted investment earnings					63,503
Gain on disposition of capital assets					144,804
Miscellaneous					158,218
Total general revenues					6,637,574
Change in net position					732,402
Net position beginning of year, as restated					21,808,727
Net position end of year					\$ 22,541,129

See notes to financial statements.

Pocahontas County

Balance Sheet

June 30, 2013

	General	Special	
		Mental Health	Rural Services
Assets			
Cash, cash equivalents and pooled investments	\$ 1,510,876	185,070	356,232
Receivables:			
Property tax:			
Delinquent	7,317	645	189
Succeeding year	3,694,000	325,000	2,036,000
Interest and penalty on property tax	63,722	-	-
Accounts	39,619	-	-
Accrued interest	2,956	-	-
Drainage assessments	-	-	-
Advance to other funds	350,000	-	-
Due from other governments	243,392	-	49,102
Inventories	-	-	-
Prepaid insurance	46,248	2,502	6,122
Total assets	\$ 5,958,130	513,217	2,447,645
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 219,560	2,033	1,336
Salaries and benefits payable	84,440	2,337	15,131
Advance from other funds	-	-	350,000
Due to other governments	56,666	69	9,781
Deferred revenue:			
Succeeding year property tax	3,694,000	325,000	2,036,000
Other	255,719	645	189
Total liabilities	4,310,385	330,084	2,412,437
Fund balances:			
Nonspendable:			
Advance to other funds	350,000	-	-
Inventories	-	-	-
Prepaid insurance	46,248	2,502	6,122
Restricted for:			
Mental health purposes	-	180,631	-
Rural services purposes	-	-	29,086
Secondary roads purposes	-	-	-
Drainage warrants/drainage improvement certificates	-	-	-
Other purposes	-	-	-
Unassigned	1,251,497	-	-
Total fund balances	1,647,745	183,133	35,208
Total liabilities and fund balances	\$ 5,958,130	513,217	2,447,645

See notes to financial statements.

Revenue			
Secondary Roads	Drainage Districts	Nonmajor	Total
3,801,944	714,585	133,771	6,702,478
-	-	-	8,151
-	-	-	6,055,000
-	-	-	63,722
72,592	-	-	112,211
-	-	-	2,956
-	2,361,797	-	2,361,797
-	-	-	350,000
213,634	933,817	-	1,439,945
997,418	-	-	997,418
27,123	-	-	81,995
5,112,711	4,010,199	133,771	18,175,673
160,809	287,851	146	671,735
50,357	-	-	152,265
-	-	-	350,000
731	-	-	67,247
-	-	-	6,055,000
37,297	2,862,369	-	3,156,219
249,194	3,150,220	146	10,452,466
-	-	-	350,000
997,418	-	-	997,418
27,123	-	-	81,995
-	-	-	180,631
-	-	-	29,086
3,838,976	-	-	3,838,976
-	859,979	-	859,979
-	-	133,755	133,755
-	-	(130)	1,251,367
4,863,517	859,979	133,625	7,723,207
5,112,711	4,010,199	133,771	18,175,673

Pocahontas County

Pocahontas County

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

June 30, 2013

Total governmental fund balances (page 19)	\$ 7,723,207
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$26,584,880 and the accumulated depreciation is \$10,243,302.	16,341,578
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	3,156,219
The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	57,315
Long-term liabilities, including drainage warrants/drainage improvement certificates payable, State Revolving Fund improvement certificates payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	(4,737,190)
Net position of governmental activities (page 16)	<u><u>\$ 22,541,129</u></u>

See notes to financial statements.

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

Year ended June 30, 2013

	General	Special	
		Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 3,393,557	420,616	1,872,794
Local option sales tax	-	-	303,416
Interest and penalty on property tax	17,380	-	-
Intergovernmental	844,078	72,002	82,352
Licenses and permits	28,519	-	-
Charges for service	436,103	-	-
Use of money and property	131,474	-	-
Miscellaneous	63,189	1,110	330
Total revenues	<u>4,914,300</u>	<u>493,728</u>	<u>2,258,892</u>
Expenditures:			
Operating:			
Public safety and legal services	1,119,083	-	538,573
Physical health and social services	1,191,880	-	-
Mental health	-	400,135	-
County environment and education	593,907	-	395,482
Roads and transportation	-	-	-
Governmental services to residents	268,071	-	2,965
Administration	1,180,837	-	-
Non-program	8,794	-	-
Debt service	-	-	-
Capital projects	48,012	-	-
Total expenditures	<u>4,410,584</u>	<u>400,135</u>	<u>937,020</u>
Excess (deficiency) of revenues over (under) expenditures	<u>503,716</u>	<u>93,593</u>	<u>1,321,872</u>
Other financing sources (uses):			
Sale of capital assets	25,580	-	345
Operating transfers in	-	-	-
Operating transfers out	(90,000)	-	(1,020,000)
Drainage warrants/drainage improvement certificates issued	-	-	-
Total other financing sources (uses)	<u>(64,420)</u>	<u>-</u>	<u>(1,019,655)</u>
Change in fund balances	439,296	93,593	302,217
Fund balances beginning of year, as restated	1,208,449	89,540	(267,009)
Fund balances end of year	<u>\$ 1,647,745</u>	<u>183,133</u>	<u>35,208</u>

See notes to financial statements.

Revenue			
Secondary Roads	Drainage Districts	Nonmajor	Total
-	-	-	5,686,967
-	-	-	303,416
-	-	-	17,380
3,001,960	1,537,710	18,941	5,557,043
7,889	-	-	36,408
48,375	-	2,285	486,763
2,400	-	182	134,056
63,814	346,813	10,863	486,119
3,124,438	1,884,523	32,271	12,708,152
-	-	3,095	1,660,751
-	-	10,110	1,201,990
-	-	-	400,135
-	-	14,452	1,003,841
3,264,071	-	-	3,264,071
-	-	4,570	275,606
-	-	-	1,180,837
-	3,500,186	-	3,508,980
-	1,482,030	-	1,482,030
161,009	-	-	209,021
3,425,080	4,982,216	32,227	14,187,262
(300,642)	(3,097,693)	44	(1,479,110)
45,000	-	-	70,925
1,110,000	-	-	1,110,000
-	-	-	(1,110,000)
-	3,353,531	-	3,353,531
1,155,000	3,353,531	-	3,424,456
854,358	255,838	44	1,945,346
4,009,159	604,141	133,581	5,777,861
4,863,517	859,979	133,625	7,723,207

Pocahontas County

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances -
Governmental Funds to the Statement
of Activities

Year ended June 30, 2013

Change in fund balances - Total governmental funds (page 23) \$ 1,945,346

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

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

Expenditures for capital assets	\$ 397,169	
Depreciation expense	<u>(1,122,672)</u>	(725,503)

In the Statement of Activities, the gain on the disposition of capital assets is reported. 73,879

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	(310)	
Other	<u>1,447,597</u>	1,447,287

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

Issued	(3,353,531)	
Repaid	<u>1,403,783</u>	(1,949,748)

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	(4,037)	
Other postemployment benefits	<u>(303)</u>	(4,340)

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported in governmental activities. (54,519)

Change in net position of governmental activities (page 17) \$ 732,402

See notes to financial statements.

Pocahontas County
Statement of Net Position
Proprietary Fund
June 30, 2013

	<u>Internal Service Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 72,187
Liabilities	
Accounts payable	<u>14,872</u>
Net Position	
Unrestricted	<u>\$ 57,315</u>

See notes to financial statements.

Exhibit H

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

Year ended June 30, 2013

		<u>Internal Service Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 66,002
Reimbursements from employees and others		172,946
Total operating revenues		<u>238,948</u>
Operating expenses:		
Medical claims	\$ 170,291	
Premiums	115,655	
Administrative charges	7,606	293,552
Operating loss		<u>(54,604)</u>
Non-operating revenues:		
Interest income		85
Net loss		<u>(54,519)</u>
Net position beginning of year		111,834
Net position end of year		<u>\$ 57,315</u>

See notes to financial statements.

Pocahontas County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2013

	Internal Service Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund contributions	\$ 66,002
Cash received from employees and others	172,946
Cash paid for medical claims, premiums and other	(286,130)
Net cash used by operating activities	<u>(47,182)</u>
Cash flows from investing activities:	
Interest on investments	85
Net decrease in cash and cash equivalents	<u>(47,097)</u>
Cash and cash equivalents beginning of year	119,284
Cash and cash equivalents end of year	<u><u>\$ 72,187</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (54,604)
Adjustment to reconcile operating loss to net cash used by operating activities:	
Increase in accounts payable	7,422
Net cash used by operating activities	<u><u>\$ (47,182)</u></u>

See notes to financial statements.

Pocahontas County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2013

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 1,099,988
Other County officials	7,131

Receivables:

Property tax:

Delinquent	37,724
Succeeding year	10,418,000
Accrued interest	10
Special assessments	21,851

Total assets11,584,704**Liabilities**

Accounts payable	3,673
Salaries and benefits payable	10,869
Due to other governments	11,556,319
Trusts payable	6,307
Compensated absences	7,536

Total liabilities11,584,704**Net position**\$ -

See notes to financial statements.

Pocahontas County

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

Pocahontas 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, Pocahontas 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 Pocahontas 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.

One hundred eighty-three 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 Pocahontas County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Pocahontas County Auditor's Office.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Pocahontas County Assessor’s Conference Board, Pocahontas County Emergency Management Commission, Pocahontas County Joint E911 Service Board and Pocahontas County Economic Development Commission. 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 following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Northwest Iowa Multicounty Regional Juvenile Detention Center, Pocahontas County Solid Waste Commission, Region V Hazardous Material Commission and Northwest Central Iowa Drug Task Force. In addition, the County is involved in the following jointly governed organizations: Northwest Iowa Mental Health Center, North Central Alcohol Research Foundation, Second Judicial District Department of Correctional Services and MIDAS Council of Governments.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position (previously referred to as 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 Position presents the County’s nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation.

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

Unrestricted net position consist of net position not meeting the definition of the preceding categories. Unrestricted net position often has 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, intellectual disabilities and developmental disabilities services.

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

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

The Drainage Districts Fund is used to account for assessments and other revenues used for drainage 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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

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

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

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 have been made but have not been collected.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at 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
Infrastructure	\$ 65,000
Land, buildings and improvements	25,000
Intangibles	75,000
Equipment and vehicles	5,000

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 building improvements	25 - 50
Infrastructure	30 - 50
Intangibles	5 - 20
Equipment	3 - 20
Vehicles	5 - 15

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

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

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

Deferred revenue in the Statement of Net Position 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 sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements by department exceeded the amounts appropriated.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2013 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, 2013, the County had investments in drainage warrants and improvement certificates of \$860,343 and \$219,473, respectively.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 90,000
	Special Revenue:	
	Rural Services	1,020,000
		<u>1,020,000</u>
Total		<u>\$ 1,110,000</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, 2013 was as follows:

	Balance			Balance
	Beginning			End
	of Year,			of Year
	As Restated			
	(Note 16)	Increases	Decreases	
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,913,345	47,631	-	1,960,976
Construction in progress	74,831	-	(74,831)	-
Total capital assets not being depreciated	<u>1,988,176</u>	<u>47,631</u>	<u>(74,831)</u>	<u>1,960,976</u>
Capital assets being depreciated:				
Buildings and building improvements	3,081,958	74,831	-	3,156,789
Equipment and vehicles	7,416,585	276,359	(340,098)	7,352,846
Infrastructure, road network	13,951,818	162,451	-	14,114,269
Total capital assets being depreciated	<u>24,450,361</u>	<u>513,641</u>	<u>(340,098)</u>	<u>24,623,904</u>
Less accumulated depreciation for:				
Buildings and building improvements	1,517,884	72,917	-	1,590,801
Equipment and vehicles	5,048,788	394,355	(324,705)	5,118,438
Infrastructure, road network	2,878,663	655,400	-	3,534,063
Total accumulated depreciation	<u>9,445,335</u>	<u>1,122,672</u>	<u>(324,705)</u>	<u>10,243,302</u>
Total capital assets being depreciated, net	<u>15,005,026</u>	<u>(609,031)</u>	<u>(15,393)</u>	<u>14,380,602</u>
Governmental activities capital assets, net	<u>\$ 16,993,202</u>	<u>(561,400)</u>	<u>(90,224)</u>	<u>16,341,578</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 69,140
County environment and education	30,092
Roads and transportation	962,581
Governmental services to residents	20,260
Administration	40,599
Total depreciation expense - governmental activities	<u>\$ 1,122,672</u>

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2013 is as follows:

Fund	Description	Amount
General	Services	\$ 56,666
Special Revenue:		
Mental Health	Services	69
Rural Services	Services	9,781
Secondary Road	Services	731
		<u>10,581</u>
Total for governmental funds		<u>\$ 67,247</u>
Agency:		
Agriculture Extension Education	Collections	\$ 140,717
County Assessor		354,106
Schools		7,449,690
Community Colleges		546,754
Corporations		1,872,232
Townships		300,031
Auto License and Use Tax		163,071
Pocahontas County Economic Development		560,956
All other		168,762
Total for agency funds		<u>\$ 11,556,319</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	State				Net OPEB Liability	Total
	Drainage Warrants	Drainage Improvement Certificates	Revolving Fund Improvement Certificates	Compen-sated Absences		
Balance beginning of year	\$ 1,162,273	319,328	1,056,000	207,501	38,000	2,783,102
Increases	3,353,531	-	-	106,686	13,768	3,473,985
Decreases	1,070,672	42,111	291,000	102,649	13,465	1,519,897
Balance end of year	<u>\$ 3,445,132</u>	<u>277,217</u>	<u>765,000</u>	<u>211,538</u>	<u>38,303</u>	<u>4,737,190</u>
Due within one year	<u>\$ 3,445,132</u>	<u>26,035</u>	<u>32,000</u>	<u>211,538</u>	<u>-</u>	<u>3,714,705</u>

Drainage Warrants/Drainage Improvement Certificates Payable

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

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installments over a designated number of years with interest at a designated interest rate. The improvement certificates representing those assessments or installments due from the landowner are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest is paid to the bearer of the certificate upon receipt of the installment payment plus interest from the landowner.

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

State Revolving Fund Improvement Certificates

On January 27, 2010, the County entered into a loan agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of \$1,096,000 of improvement certificates with interest at 3.0% per annum. The agreement also requires the County to annually pay a .25% servicing fee on the outstanding principal balance. The certificates were issued pursuant to the provisions of Chapter 468.70 of the Code of Iowa and the American Recovery and Reinvestment Act of 2009 (ARRA) for the purpose of providing funds to pay a portion of the costs of constructing improvements and repairs to Drainage District No. 65 of the County. The County will draw down funds from the Trustee upon request to reimburse the County for costs as they are incurred. An initiation fee of 1%, or \$10,960, of the authorized borrowing for the improvement certificates was charged by the Iowa Finance Authority. At June 30, 2013, the County had drawn down the entire authorized amount. During the year ended June 30, 2013, the County paid \$291,000 of principal and \$8,924 of interest on these certificates.

The County has pledged assessments against property in Drainage District No. 65 to repay the improvement certificates. The certificates are payable solely from drainage assessments against property in Drainage District No. 65 and are payable through December 2030.

A summary of the County's June 30, 2013 State Revolving Fund Improvement Certificate indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	3.00%*	\$ 32,000	22,955	54,955
2015	3.00	33,000	21,990	54,990
2016	3.00	34,000	21,000	55,000
2017	3.00	35,000	19,980	54,980
2018	3.00	36,000	18,930	54,930
2019-2023	3.00	201,000	77,550	278,550
2024-2028	3.00	234,000	45,510	279,510
2029-2031	3.00	160,000	9,690	169,690
Total		\$ 765,000	237,605	1,002,605

* The County is required to annually pay a .25% servicing fee on the outstanding principal balance.

(7) Interfund Assets/Liabilities

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

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Rural Services	\$ 350,000

The advance to/from other funds resulted from the General Fund extending a loan to the Special Revenue, Rural Services Fund. The loan will be repaid in the future as property tax collections become available.

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% 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, 2013, 2012 and 2011 were \$323,876, \$304,211 and \$275,476, respectively, equal to the required contributions for each year.

(9) Employee Group Health

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Administrative Solutions, Inc. The agreement is subject to automatic renewal provisions.

Monthly contributions to the Internal Service, Employee Group Health Fund are recorded as expenditures from the operating funds. These contributions represent the difference between premiums required for a higher deductible and those for a lower deductible. Payments from the Internal Service, Employee Group Health Fund are for insurance premiums, employee reimbursements of medical claims up to the individual's funded deductible and administrative costs. The County's contribution for the year ended June 30, 2013 was \$66,002.

The amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2013 for reported but not paid claims have been determined by the plan administrator since the County has not obtained an actuarial opinion as required by Chapter 509A.15 of the Code of Iowa.

A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 7,450
Incurred claims (including claims incurred but not reported at June 30, 2013)	170,291
Payment on claims during the year	<u>(162,869)</u>
Unpaid claims end of year	<u>\$ 14,872</u>

(10) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 85 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. 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 determined using the alternate measurement method permitted by 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, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 14,391
Interest on net OPEB obligation	1,710
Adjustment to annual required contribution	(2,333)
Annual OPEB cost	<u>13,768</u>
Contributions made	(13,465)
Increase in net OPEB obligation	303
Net OPEB obligation beginning of year	<u>38,000</u>
Net OPEB obligation end of year	<u><u>\$ 38,303</u></u>

For the year ended June 30, 2013, the County contributed \$13,465 to the medical plan and there were no contributions from plan members eligible for benefits.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 16,800	23.0 %	\$ 26,000
2012	16,700	28.1	38,000
2013	13,768	97.8	38,303

Funded Status and Funding Progress – As of June 30, 2013, the actuarial accrued liability was approximately \$108,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$108,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,322,000 and the ratio of the UAAL to covered payroll was 3.3%. As of June 30, 2013, there were no trust fund assets.

The projection of future benefit payments for the ongoing plan involves 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 health care cost trend. Amounts determined regarding the funded status of the plan and the annual contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions – 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 benefits costs between the employer and plan members to that point. The methods and assumptions used include techniques designed to reduce the effects of short-term volatility in the actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 valuation date, a simplified version of the unit credit actuarial cost method was used. The assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced to 1.0% each year until reaching the 5% ultimate trend rate. An inflation rate of 3% is assumed for the purpose of this calculation.

Mortality rates are from the 2004 United States Life Tables. Annual retirement and termination probabilities were based on historical retirement patterns for the covered group.

Projected claim costs of the medical plan are \$553 (single coverage) and \$1,239 (coverage, with spouse) per month for retirees less than age 65. The salary increase rate was assumed to be 2% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(11) Risk Management

The County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) Deficit Fund Balances

The Special Revenue, Veterans Grants Fund had a deficit balance of \$130 at June 30, 2013. The deficit will be eliminated through a transfer from the General Fund. The Agency, Housing Corporation Fund had a deficit balance of \$13,062 at June 30, 2013. This fund is reported as part of the Other Agency Funds in Schedules 3 and 4 of this report. The Housing Corporation and County are reviewing options for eliminating these deficits.

(13) Related Party Transactions

The County purchased \$262,331 of road rock from Martin Marietta, a business at which Board Member Ed Dewey is employed. The County also purchased \$378,670 of bulk fuel, chemicals, oats, seed, parts and repairs from Pro Cooperative for the Secondary Roads Department. The Deputy Auditor's daughter is employed by Pro-Cooperative and the Auditor's Office Clerk's husband is a Board Member of Pro-Cooperative.

(14) Drainage District Project

On January 20, 2011, the County entered into a 28E agreement with the Iowa Department of Agriculture and Land Stewardship (IDALS), Division of Soil Conservation to secure funding of \$1,524,522 for agricultural drainage wells within Drainage District No. 178. On January 17, 2012, the agreement was amended to include an additional \$418,219, for a total of \$1,942,741. The funding is pursuant to the Agricultural Drainage Wells – Alternative Drainage System Assistance Program, a State program. Pursuant to the agreement, the County agreed to construct alternative drainage system improvements and remove all cisterns located within the watershed served by the alternative drainage system. At June 30, 2013 the project is approximately 83% complete and IDALS has reimbursed the County \$1,537,710 for the project.

(15) Jointly Governed Organization

Pocahontas County participates in the Pocahontas County Economic Development Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization and includes some financial transactions from resources separately held by the organization. The following financial data is for the year ended June 30, 2013:

Additions:		
Contributions from governmental units:		
Pocahontas County	\$ 195,000	
Fonda	2,750	
Gilmore City	2,750	
Havelock	250	
Laurens	17,378	
Palmer	300	
Pocahontas City	17,375	
Rolfe	4,950	
Varina	50	\$ 240,803
Donations		6,210
Economic development loan repayments		36,046
Interest		507
Total additions		<u>283,566</u>
Deductions:		
Salaries and benefits	100,700	
Consultants	3,979	
Office supplies	1,958	
Travel	5,107	
Telephone	1,817	
Building	2,400	
Training	2,497	
Shared program services	30,874	
Insurance	3,443	
Economic development loans	51,000	
Miscellaneous	435	204,210
Net		<u>79,356</u>
Balance beginning of year		616,463
Balance end of year		<u>\$ 695,819</u>

(16) Restatements

Beginning net position of governmental activities and the beginning fund balance of the General Fund were restated to include previously excluded receivable and payable balances and to properly report the beginning balance for capital assets.

	<u>Governmental Activities</u>	<u>General Fund</u>
Balances June 30, 2012, as previously reported	\$ 21,308,275	1,392,577
Previously unrecorded receivable	184,128	- *
Previously unrecorded payable	(184,128)	(184,128)
Capital assets correction	500,452	-
Balances July 1, 2012, as restated	<u>\$ 21,808,727</u>	<u>1,208,449</u>

*Receivable is deferred in the fund financial statement, resulting in no net impact on the General Fund balance.

Pocahontas County

Required Supplementary Information

Pocahontas 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, 2013

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 5,965,414	-	5,965,414
Interest and penalty on property tax	17,508	-	17,508
Intergovernmental	5,031,165	1,117,185	3,913,980
Licenses and permits	35,800	-	35,800
Charges for service	482,462	-	482,462
Use of money and property	135,081	-	135,081
Miscellaneous	547,944	341,812	206,132
Total receipts	12,215,374	1,458,997	10,756,377
Disbursements:			
Public safety and legal services	1,674,816	-	1,674,816
Physical health and social services	1,216,326	-	1,216,326
Mental health	589,667	-	589,667
County environment and education	994,188	-	994,188
Roads and transportation	3,090,110	-	3,090,110
Governmental services to residents	274,835	-	274,835
Administration	1,158,499	-	1,158,499
Non-program	3,501,330	3,492,363	8,967
Debt service	1,482,030	1,482,030	-
Capital projects	229,941	-	229,941
Total disbursements	14,211,742	4,974,393	9,237,349
Excess (deficiency) of receipts over (under) disbursements	(1,996,368)	(3,515,396)	1,519,028
Other financing sources, net	3,463,371	3,436,968	26,403
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,467,003	(78,428)	1,545,431
Balance beginning of year	5,235,475	793,013	4,442,462
Balance end of year	\$ 6,702,478	714,585	5,987,893

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net
Original	Final	Variance
6,035,156	6,035,156	(69,742)
24,000	24,000	(6,492)
4,467,050	4,477,050	(563,070)
29,900	29,900	5,900
435,360	461,360	21,102
129,510	157,210	(22,129)
49,850	49,850	156,282
11,170,826	11,234,526	(478,149)
1,720,169	1,740,169	65,353
1,475,666	1,475,666	259,340
1,025,727	1,025,727	436,060
999,929	1,022,429	28,241
4,337,344	4,337,344	1,247,234
354,026	354,026	79,191
1,348,989	1,348,989	190,490
10,385	10,385	1,418
-	-	-
1,555,000	1,555,000	1,325,059
12,827,235	12,869,735	3,632,386
(1,656,409)	(1,635,209)	3,154,237
10,000	25,500	903
(1,646,409)	(1,609,709)	3,155,140
1,698,212	4,325,181	117,281
51,803	2,715,472	3,272,421

Pocahontas County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 12,215,374	492,778	12,708,152
Expenditures	14,211,742	(24,480)	14,187,262
Net	(1,996,368)	517,258	(1,479,110)
Other financing sources, net	3,463,371	(38,915)	3,424,456
Beginning fund balances, as restated	5,235,475	542,386	5,777,861
Ending fund balances	\$ 6,702,478	1,020,729	7,723,207

See accompanying independent auditor's report.

Pocahontas County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

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, the Internal Service Fund and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$42,500. The budget amendment is reflected in the final budgeted amounts.

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

Disbursements by department exceeded the amounts appropriated. Disbursements during the year did not exceed the amounts budgeted by function.

Pocahontas County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 124	124	0.0%	\$ 3,335	3.7%
2011	Jul 1, 2009	-	124	124	0.0	3,335	3.7
2012	Jul 1, 2009	-	124	124	0.0	3,335	3.7
2013	Jul 1, 2012	-	108	108	0.0	3,322	3.3

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Pocahontas County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

	County Attorney	County Recorder's Records Management	Forfeiture	Courthouse Security
Assets				
Cash, cash equivalents and pooled investments	\$ 5,127	20,884	7,743	5,109
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ -	-	-	-
Fund balances:				
Restricted for other purposes	5,127	20,884	7,743	5,109
Unassigned	-	-	-	-
Total fund balances	5,127	20,884	7,743	5,109
Total liabilities and fund balances	\$ 5,127	20,884	7,743	5,109

See accompanying independent auditor's report.

Special Revenue						
	County					
Veterans Grants	Recorder's Electronic Transaction Fee	Community Disaster Grants	REAP	Environmental Education Trust	Total	
16	393	2,000	91,543	956	133,771	
146	-	-	-	-	146	
-	393	2,000	91,543	956	133,755	
(130)	-	-	-	-	(130)	
(130)	393	2,000	91,543	956	133,625	
16	393	2,000	91,543	956	133,771	

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

Year ended June 30, 2013

	County Attorney	County Recorder's Records Management	Forfeiture	Courthouse Security
Revenues:				
Intergovernmental	\$ -	-	-	-
Charges for service	-	1,995	-	-
Use of money and property	-	20	-	-
Miscellaneous	-	-	10,838	-
Total revenues	-	2,015	10,838	-
Expenditures:				
Operating:				
Public safety and legal services	-	-	3,095	-
Physical health and social services	-	-	-	-
County environment and education	-	-	-	-
Governmental services to residents	-	4,570	-	-
Total expenditures	-	4,570	3,095	-
Change in fund balances	-	(2,555)	7,743	-
Fund balances beginning of year	5,127	23,439	-	5,109
Fund balances end of year	\$ 5,127	20,884	7,743	5,109

See accompanying independent auditor's report.

Special Revenue						
County						
Veterans Grants	Recorder's Electronic Transaction Fee	Community Disaster Grants	REAP	Environmental Education Trust	Total	
10,000	-	-	8,941	-	18,941	
-	-	-	-	290	2,285	
-	1	-	160	1	182	
-	-	-	-	25	10,863	
10,000	1	-	9,101	316	32,271	
-	-	-	-	-	3,095	
10,110	-	-	-	-	10,110	
-	-	-	14,279	173	14,452	
-	-	-	-	-	4,570	
10,110	-	-	14,279	173	32,227	
(110)	1	-	(5,178)	143	44	
(20)	392	2,000	96,721	813	133,581	
(130)	393	2,000	91,543	956	133,625	

Pocahontas County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	1,441	104,391	76,181
Other County officials	7,131	-	-	-
Receivables:				
Property tax:				
Delinquent	-	276	519	15,509
Succeeding year	-	139,000	261,000	7,358,000
Accrued interest	-	-	-	-
Special assessments	-	-	-	-
Total assets	\$ 7,131	140,717	365,910	7,449,690
Liabilities				
Accounts payable	\$ -	-	280	-
Salaries and benefits payable	-	-	4,771	-
Due to other governments	824	140,717	354,106	7,449,690
Trusts payable	6,307	-	-	-
Compensated absences	-	-	6,753	-
Total liabilities	\$ 7,131	140,717	365,910	7,449,690

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	E911 Services Board	Pocahontas County Economic Development	Other	Total
4,682	23,923	10,996	163,071	133,759	565,855	15,689	1,099,988
-	-	-	-	-	-	-	7,131
1,072	20,309	35	-	-	-	4	37,724
541,000	1,828,000	289,000	-	-	-	2,000	10,418,000
-	-	-	-	10	-	-	10
-	-	-	-	-	-	21,851	21,851
546,754	1,872,232	300,031	163,071	133,769	565,855	39,544	11,584,704
-	-	-	-	1,093	384	1,916	3,673
-	-	-	-	-	4,515	1,583	10,869
546,754	1,872,232	300,031	163,071	132,676	560,956	35,262	11,556,319
-	-	-	-	-	-	-	6,307
-	-	-	-	-	-	783	7,536
546,754	1,872,232	300,031	163,071	133,769	565,855	39,544	11,584,704

Pocahontas County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2013

	Agricultural				
	County Offices	Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 1,853	143,609	334,957	7,497,632	468,668
Additions:					
Property and other county tax	-	139,803	261,596	7,368,794	542,371
E911 surcharge	-	-	-	-	-
State tax credits	-	6,826	12,144	359,121	22,168
Drivers license fees	-	-	-	-	-
Office fees and collections	257,079	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	162,212	-	-	-	-
Miscellaneous	-	44	328	2,372	142
Total additions	419,291	146,673	274,068	7,730,287	564,681
Deductions:					
Agency remittances:					
To other funds	80,537	-	-	-	-
To other governments	175,718	149,565	243,115	7,778,229	486,595
Trusts paid out	157,758	-	-	-	-
Total deductions	414,013	149,565	243,115	7,778,229	486,595
Balances end of year	\$ 7,131	140,717	365,910	7,449,690	546,754

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	E911 Service Board	Pocahontas County Economic Development	Other	Total
1,851,445	222,923	176,814	90,280	466,783	48,113	11,303,077
1,790,300	290,309	-	-	-	1,846	10,395,019
-	-	-	87,082	-	-	87,082
113,806	10,101	-	-	-	88	524,254
-	-	-	-	-	36,180	36,180
-	-	-	-	-	14,126	271,205
-	-	2,709,262	-	-	-	2,709,262
-	-	-	-	-	3,021	3,021
-	-	-	-	-	39,776	201,988
2,727	152	-	136	250,803	141,904	398,608
1,906,833	300,562	2,709,262	87,218	250,803	236,941	14,626,619
-	-	85,998	-	-	14,861	181,396
1,886,046	223,454	2,637,007	43,729	151,731	103,499	13,878,688
-	-	-	-	-	127,150	284,908
1,886,046	223,454	2,723,005	43,729	151,731	245,510	14,344,992
1,872,232	300,031	163,071	133,769	565,855	39,544	11,584,704

Pocahontas County

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

For the Last Ten Years

	2013	2012	2011	2010
Revenues:				
Property and other county tax	\$ 5,686,967	4,767,911	4,258,656	4,254,131
Local option sales tax	303,416	360,080	274,851	260,424
Interest and penalty on property tax	17,380	19,995	24,833	28,515
Intergovernmental	5,557,043	4,389,514	4,788,780	4,077,843
Licenses and permits	36,408	43,901	66,025	43,759
Charges for service	486,763	535,335	496,136	487,811
Use of money and property	134,056	132,441	181,153	150,090
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	486,119	689,652	1,110,658	471,260
Total	\$ 12,708,152	10,938,829	11,201,092	9,773,833
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,660,751	1,618,096	1,654,138	1,528,951
Physical health and social services	1,201,990	1,287,291	1,366,444	1,341,200
Mental health	400,135	983,756	823,218	860,327
County environment and education	1,003,841	930,825	933,688	880,862
Roads and transportation	3,264,071	3,672,750	3,559,990	4,073,896
Governmental services to residents	275,606	313,726	324,948	303,558
Administration	1,180,837	1,260,080	1,430,837	1,326,687
Non-program	3,508,980	909,061	1,619,701	1,601,325
Debt service	1,482,030	1,251,433	1,978,053	593,733
Capital projects	209,021	190,738	276,989	108,903
Total	\$ 14,187,262	12,417,756	13,968,006	12,619,442

See accompanying independent auditor's report.

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
4,005,332	3,803,263	3,789,868	3,709,574	3,699,102	3,883,390
334,590	253,327	271,106	192,734	348,556	161,200
22,915	15,548	17,232	19,166	23,871	30,419
4,160,900	4,392,022	4,044,917	4,089,221	3,985,573	3,938,152
42,326	154,215	70,049	25,364	55,259	23,938
466,799	458,511	488,566	476,654	437,342	458,307
285,578	420,871	286,712	325,094	165,285	180,817
-	-	-	-	-	17,145
304,007	1,090,291	242,089	284,439	410,640	125,767
9,622,447	10,588,048	9,210,539	9,122,246	9,125,628	8,819,135
1,324,684	1,289,443	1,143,838	1,102,064	893,329	965,340
1,342,135	1,295,630	1,197,529	1,284,731	1,001,683	1,039,758
896,475	938,376	852,551	976,923	912,302	902,017
817,339	772,033	707,212	599,434	534,984	566,157
3,463,907	3,713,055	3,061,030	3,137,882	3,059,974	2,089,357
305,130	282,882	323,048	327,218	252,585	262,469
1,177,814	1,138,003	940,180	1,002,141	1,028,349	1,239,195
554,673	263,954	265,868	209,554	276,621	440,522
339,138	1,013,686	146,113	157,120	369,424	85,263
370,687	459,265	503,498	737,879	1,058,689	387,693
10,591,982	11,166,327	9,140,867	9,534,946	9,387,940	7,977,771

Pocahontas County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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 Pocahontas County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pocahontas County, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 27, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in of the accompanying Schedule of Findings as items (E) through (J) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pocahontas 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 which are described the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 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.

Pocahontas County's Responses to the Findings

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

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 27, 2014

Pocahontas County
 Schedule of Findings
 Year ended June 30, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES

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

	<u>Applicable Offices</u>
(1) Receipts – collecting, depositing, posting and daily reconciling. Mail is opened by a person who also has access to accounting records.	Treasurer, Recorder, Sheriff and Conservation
(2) Bank reconciliation is not prepared by someone who doesn't sign checks, handle or record cash.	Treasurer, Recorder and Sheriff
(3) Bank reconciliations are not reviewed in a timely manner by an independent person for propriety.	Treasurer, Auditor and Recorder
(4) Responsibility for the change fund is not assigned to only one person.	Treasurer
(5) One individual has custody of receipts and performs all investment record keeping and reconciling functions.	Treasurer
(6) Disbursements – processing of vouchers, check writing, signing, posting, reconciling and final approval.	Recorder
(7) An initial listing is not prepared.	Sheriff

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Each 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 documented by the signature or initials of the reviewer and the date of the review.

Pocahontas County
Schedule of Findings
Year ended June 30, 2013

Responses –

Treasurer –

- (1) Limited staff makes this impossible to segregate. One person counts the money, another person processes the deposit and another person posts the deposit. Due to limited staff, we do have in place a couple of “receipt” internal control procedures. All voided transactions for both property tax and motor vehicle are reviewed by the County Treasurer and a list of the checks received is compared to the checks deposited the next day.
- (2) Limited staff makes this difficult to segregate
- (3) Limited staff makes this difficult. All bank statements are reconciled by the County Treasurer and reviewed every month by the Tax Deputy or the County Auditor. A listing of the bank balances is presented to the Board of Supervisors every quarter as part of the quarterly investment report.
- (4) Even though all employees have access to the change fund, it is counted twice each day by different people
- (5) A member of the Board of Supervisors does make an impromptu examination of the investment book and reconciles the book back to the actual CD’s and also compares the listing of warrants purchased as investments to the actual warrants.

Auditor – A response was not provided.

Recorder – We will try to comply with the recommendations in the future.

Sheriff – Due to limited personnel in our office, we only have two to three people to work with the receipts and financial records. All transactions are reviewed by the Sheriff. Mail is opened by the Civil Deputy and reviewed by the Sheriff.

Conservation – Pocahontas County Conservation will review its internal control procedures and work to comply with better receipt collection processes working with the limited number of employees we have available to assist.

Conclusions – Responses acknowledged. Each official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

- (B) Financial Reporting – During the audit, we identified material amounts of receivables, payables and capital assets not recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include those amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables, payables and capital assets are identified and included in the County’s financial statements.

Response – The processes have begun to ensure a more accurate accounting/recording in these areas.

Conclusion – Response accepted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2013

- (C) Drainage Assessments – One hundred eighty-three drainage districts have been established by the County 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. The drainage districts are controlled, managed and supervised by the Board of Supervisors. Improvements to drainage districts are governed by Chapter 468 of the Code of Iowa. This Chapter establishes required procedures for assessing benefited properties for the cost of drainage district improvements. Specifically, Chapter 468.50 states, in part, “When the board has finally determined the matter of assessments of benefits and apportionment, the board shall levy the assessments as fixed by it upon the lands within the district, but an assessment on a tract, parcel, or lot within the district which is computed at less than five dollars shall be fixed at the sum of five dollars. All assessments shall be levied at that time as a tax and shall bear interest at a rate determined by the board notwithstanding chapter 74A from that date, payable annually, except as provided as to cash payments within a specified time.” The County generally levies assessments annually for the cost of improvements incurred each preceding year. The following were noted regarding the County’s drainage funds and related assessments:

Sixty three County drainage districts have deficit cash balances totaling approximately \$3,334,000 at June 30, 2013, of which approximately \$934,000 will be reimbursed through grant funds awarded by the Iowa Department of Agriculture and Land Stewardship and the U.S. Department of Homeland Security (FEMA), leaving a balance of approximately \$2,400,000 to be paid by benefited land owners via drainage assessments. The County has not levied drainage assessments since fiscal year 2011 and, as of the date of this report, no assessments have been made to recover the improvement costs.

In addition, as of June 30, 2013, \$40,881 of corrections which have accumulated since 2009 have not been processed by the County. The corrections pertain to amounts owed between drainage districts or to other funds and to refunds owed to contractors for preliminary bonds.

Recommendation – The Board of Supervisors should establish procedures to ensure drainage district improvement costs are assessed to benefited land owners timely to return the drainage districts to a sound financial condition. Amounts owed between drainage districts or to other funds and refunds owed to contractors should be processed timely.

Response – The special, larger drainage projects have been ongoing for longer periods than usual and have accumulated a large deficit balance. The assessments must be based on the classification process which occasionally takes a longer time and thus we cannot levy.

There are levies being made currently on some drainage districts with deficient funds. Staff will be able to continue this process to reduce the deficient funded districts.

Conclusion – Response accepted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2013

(D) Community Oriented Policing Services (COPS) Grant – In September 2010, the County was awarded a \$200,000 COPS technology grant from the U.S. Department of Justice (DOJ) to provide funding for an aerial photo project for law enforcement purposes. The County Auditor was responsible for monitoring project completion and submitting the required quarterly progress reports and claims for reimbursement to the DOJ. The project was completed in June 2011 at a total cost of \$184,128. The following were noted regarding this grant:

- The grant agreement was signed by the County Auditor on September 28, 2010 on behalf of the County Board of Supervisors. The agreement was not approved by the Board.
- The required quarterly progress reports were not completed, as required. The first progress report for the quarter ended June 2011 was filed in September 2013.
- The County contracted with Pictometry International Corporation (Pictometry) for the project and received two invoices dated June 3, 2011 for the aerial photos and related costs, one for \$98,500 due June 30, 2011 and one for \$85,627 due June 3, 2012. The County did not pay the balance owed the vendor pending receipt of the DOJ grant funds. The claim for grant funds was not filed with the DOJ until September 2013, 27 months after completion of the project.
- The County did not record a payable in its June 30, 2012 or June 30, 2013 financial statements for the \$184,128 owed to Pictometry at those dates. See item (B) above.
- The County did not record a receivable in its June 30, 2012 or June 30, 2013 financial statements for the \$184,128 due from the DOJ for allowable project costs at those dates. See item (B) above.

Recommendation – The County should establish policies and implement procedures to ensure all grants awarded the County are approved by the Board of Supervisors. The County should implement procedures to ensure required grant reporting is properly and timely completed for future grants awarded to the County. The County should establish procedures to ensure all receivables and payables are properly recorded in the financial statements.

Response – The Board had authorized the grant process. The County Auditor will take special precautions to ensure definitive documentation in the Board minutes. This grant was to be managed by the Sheriff's department because it was a COPS grant which eventually they refused to do. The Federal computer program had been rewritten, was inaccessible, and the auditor reported to the COPS by telephone.

Once the program became accessible the County Auditor completed the final reporting to receive the money. The Pictometry Company was aware of the issues, advised the County Auditor to continue the processing and to send payment when the grant dollars came through. This is atypical of the grant processing in Pocahontas County. Procedures will be reviewed.

Conclusion – Response accepted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2013

- (E) Computer Systems – During our review of internal control, the existing control activities in the County’s computer systems were evaluated in order to determine activities, from a control standpoint, are designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the County’s computer systems were noted:

The County does not have written policies for:

- password privacy and confidentiality.
- security, including procedures upon termination of employment and minimum password length.
- requiring password changes because software does not require the user to change log-ins/passwords periodically.
- ensuring only software licensed to the County is installed on computers.
- usage of the internet, including downloading files.
- requiring user profiles to help limit access to programs to those who have a legitimate need.
- personal use of computer equipment and software.
- requiring personnel to scan media to upgrade computer programs before loading them onto the County’s computer systems.

Also, the County does not have a written disaster recovery plan and does not require back up tapes be stored off site daily in a fire proof vault or safe.

Recommendation – The County should develop written policies addressing the above items in order to improve the County’s control over its computer systems. A written disaster recovery plan should be developed and back-up tapes should be stored off site daily in a fireproof vault or safe.

Response – The County will review policies for future implementation. A disaster recovery plan will be considered. The County stores a week of tapes off-site and all nightly saved tapes are stored in our fire proof vault. In addition, our data is saved to the Cloud.

Conclusion – Response accepted.

- (F) Capital Asset Inventory – The capital assets listing is not reviewed periodically to verify assets on the listing exist or all assets are properly included on the capital asset listing. Written authorization is not required from the department heads prior to deleting items from or adding items to the capital asset listing.

Recommendation – A person who does not have responsibility for capital assets or maintenance of the capital asset listing should periodically verify assets on the listing exist and all capital assets are on the listing. Written authorization should be required before capital assets are deleted from or added to the capital assets listing.

Pocahontas County

Schedule of Findings

Year ended June 30, 2013

Response – The process for disposal of assets will be documented. A procedure will be considered to verify the assets.

Conclusion – Response accepted.

(G) Disbursements – During the year ended June 30, 2013, we noted certain disbursements were not approved by the Board, including the following:

- Two invoices dated June 3, 2011 and totaling \$184,128 which were held by the County Auditor and paid October 15, 2013.
- An invoice dated December 2012 totaling \$224,604 representing additional principal paid on the County's State Revolving Fund Improvement Certificate debt.

Recommendation – The County should establish procedures to ensure all disbursements are approved by the Board prior to payment.

Response – The County Auditor will ensure documentation of Board approval.

Conclusion – Response accepted.

(H) Vacation Accruals/Payouts – County policy allows employees to carry over up to ten days of vacation from one year to the next. An accrual “day” for most County employees is equal to seven hours, based on a 35 hour work week. Employees accrue vacation days based upon the number of years worked, as follows:

- One year: five days
- Two years: ten days
- Nine years: fifteen days
- Twenty years: twenty days

Based on the maximum number days allowed to be carried over plus the maximum allowed accrual in a year for an employee working at least twenty years, the most an employee could carry as a vacation balance at any one time is 210 hours. Upon termination of employment, County policy allows employees who have completed at least one year of continuous service to be paid for all earned but unused vacation.

For the year ended June 30, 2013, 31 employees were allowed to carry over vacation days greater than the maximum allowed 10 days. Of these, 6 employees had accrued vacation exceeding 210 hours.

In addition, two employees retired with Board approved retirement dates of October 1, 2013 and November 9, 2013, respectively. The employees had vacation balances of 546 hours and 316 hours, respectively, both in excess of the amount allowed by County policy. In addition, rather than providing a vacation payout at their respective termination dates, the individuals remained on payroll for a period of three and five months, respectively, continuing to receive pay and benefits (including health insurance and holiday pay). The County also continued to pay IPERS on the amounts paid after the termination dates.

Pocahontas County

Schedule of Findings

Year ended June 30, 2013

Recommendation – The County should establish procedures to ensure compliance with the County vacation accrual policy. The County should review vacation balances for all employees and ensure balances do not exceed the amount allowed by County policy. Employees who have retired from County employment should be removed from payroll as of their termination date.

Response – The County has employed a human resources company to review and update the personnel policy handbook.

Conclusion – Response acknowledged. The County should also implement procedures to ensure compliance with County policies.

- (I) Untimely Deposits – Receipts are not always deposited timely. Twenty five receipts tested from various County departments were deposited 18 to 133 days after receipt.

Recommendation – Procedures should be established to ensure all receipts are deposited timely.

Response – Procedures will be reviewed.

Conclusion – Response accepted.

- (J) Cellular Phones - Expenditures were made by the County and other Boards for County owned cellular phone service. However, written policies governing the use of cellular phones have not been adopted.

Recommendation – The Board of Supervisors and other Boards, in conjunction with the department heads, should establish written policies governing the use of cellular phones.

Response – Policy review will be implemented and we will begin preparing written policies.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

Pocahontas County
Schedule of Findings
Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Chapter 331.434(6) of the Code of Iowa requires the Board of Supervisors, by resolution, to appropriate amounts deemed necessary for each county department during the ensuing fiscal year. The County could not provide evidence the appropriations were made as required for the year ended June 30, 2012. Disbursements during the year did not exceed the amounts budgeted by function for the year ended June 30, 2013.

Recommendation – Appropriations by department should be made prior to incurring disbursements in the ensuing fiscal year, as required.

Response – A response was not provided.

Conclusion – The recommendation should be implemented.

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

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Pizza Ranch	Departmental meetings	\$ 642

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

Recommendation – The Board of Supervisors should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the Board should establish written policies and procedures which clearly document the public purpose, including the requirement for proper documentation.

Response – A response was not provided.

Conclusion – The recommendation should be implemented.

- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2013

- (4) Business Transactions – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Ray Wolf, Conservation Board member, owner of Ray's Plumbing and Heating	Septic system installation and repair and maintenance	\$ 673
Ed Dewey, Board Member, employee of Martin Marietta	Road rock	262,331
Janis Hanson, Deputy Auditor, daughter is employed by Pro-Cooperative, and Carol McLain, Auditor's Office Clerk, spouse of a Pro-Cooperative Board member	Bulk fuel for Secondary Roads, informally bid Chemicals, oats, seed, parts and repair	376,007 2,663

The transactions with Ray's Plumbing and Heating and Pro-Cooperative for services, chemicals, oats, seed, parts and repair for the Secondary Roads Department do not appear to represent conflicts of interest in accordance with Chapter 331.342(4) of the Code of Iowa since the Conservation Board member's, the Deputy Auditor's and the Auditor's Office Clerk's employment are not directly affected as a result of the contract and the duties of employment do not directly involve procurement or preparation of any part of the contracts.

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Martin Marietta may represent a conflict of interest since the total transactions were greater than \$1,500 during the fiscal year and the transactions were not competitively bid.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – A response was not provided.

Conclusion – The recommendation should be implemented.

- (5) 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.

- (6) Board Minutes – Except as noted in item (G) above and the following, no transactions we believe should have been approved in the Board minutes but were not were noted:

Chapter 349.18(1) of the Code of Iowa states, "All proceedings of each regular, adjourned or special meeting of a board of supervisors...shall be published immediately after the adjournment of the meeting." Chapter 349.18(3) states, "The county auditor shall furnish a copy of the proceedings to be published, within one week following the adjournment of the board." Certain minutes of Board proceedings were not published timely as required by Chapter 349.18 of the Code of Iowa. For 8 of 10 meetings tested, publication of the minutes ranged from 35 to 50 days after the meeting date.

Pocahontas County

Schedule of Findings

Year ended June 30, 2013

For the period July 1, 2011 through June 30, 2013, the Board minutes record is maintained only in electronic format and none of the minutes are signed to authenticate the actions taken.

The electronic version of the minutes record from July 2, 2012 through October 22, 2013, noting each Board meeting date, the date each record was created, the date each record was last printed (to provide to the Board for approval), the date each record was approved by the Board and the date the record was last modified were reviewed. For the sixty minutes records reviewed:

- Minutes records for 29 meetings appeared to be modified after Board approval.
- Minutes records for six meetings were not approved by the Board.
- Minutes records for three meetings were not available.

Recommendation – The County should ensure minutes are printed, signed and published timely, as required. An official minutes record should be maintained and protected against modification subsequent to Board approval of the minutes.

Response – A response was not provided.

Conclusion – The recommendation should be implemented.

- (7) 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.
- (8) 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).
- (9) Housing Loan – The Housing Corporation of Northwest Iowa (Housing Corporation) was organized under Chapter 504A of the Code of Iowa as a non-profit corporation on May 10, 2010. According to the Articles of Incorporation, “the corporation is organized for charitable, religious, educational, and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code” with one of its purposes being to “utilize public and/or private resources to increase the number of housing units available in Pocahontas County and any adjacent county desiring to participate in joint housing initiatives”.

On June 1, 2011, the County, on behalf of the Housing Corporation, entered into a loan agreement with Mid Iowa Development Association (MIDAS) Council of Governments for \$84,935 to provide funds to renovate a house located in Laurens, Iowa owned by the Housing Corporation. The Pocahontas County Economic Development Commission (PCEDC) also donated \$25,000 toward renovation of the house. The County acts as fiscal agent for the Housing Corporation's resources related to the housing renovation. The note proceeds and funds provided by the PCEDC were credited to an Agency Fund of the County and all expenditures for the housing renovation were accounted for through that Agency Fund.

Pocahontas County

Schedule of Findings

Year ended June 30, 2013

A housing contractor and a housing project manager were hired by the Housing Corporation to construct and manage the renovation project.

On May 15, 2013, the Internal Revenue Service (IRS) rescinded the non-profit status for the Housing Corporation for failure to submit Form 990 for three years.

The following were noted:

- a) Promissory Note - Resolution 2011-01-#8 titled "Loan Application – NW IA Housing Corp" was dated April 26, 2011 and signed by the Board Chair and County Auditor. The Resolution documents each Board member's "aye" vote for a loan in the amount of \$80,935 for which "said Board of Supervisors will be liable if the Housing Corporation defaults on the repayment of the loan".
- Approval of the Resolution was not documented in the Board of Supervisor's minutes record. When questioned, several Board members did not recall voting for or approving the loan application.
 - The actual loan amount was \$84,935, \$4,000 more than the amount approved in the Resolution.
 - A formal agreement was not entered into between the Housing Corporation and the County requiring the Housing Corporation to repay the loan amount to the County.

The County did not hold a public hearing prior to entering into the loan agreement, as required by Chapter 331.479 of the Code of Iowa.

- b) Public Funds - The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 states, "No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly."

We are not aware of any statutory authority for the County or the PCEDC, a governmental organization organized under 28E of the Code of Iowa, to borrow money on behalf of or provide funds to a separate non-profit organization.

- c) Project Status - As of June 30, 2013, \$122,997 had been spent from the Agency, Housing Corporation Fund for the housing renovation, insurance, utilities and other related costs. These costs exceeded the available resources of \$109,935 (loan proceeds of \$84,935 plus the PCEDC contribution of \$25,000) at that date by \$13,062, causing a deficit in the Agency, Housing Corporation Fund. It is unclear whether the Board of Supervisors was aware of the fund deficit. The Agency, Housing Corporation Fund is not listed separately on the Treasurer's Semi-Annual Report provided to the County Board of Supervisors. The Fund is combined with the PCEDC Fund on the Treasurer's Semi-Annual Report, making the Agency, Housing Corporation Fund deficit not readily apparent.

Pocahontas County

Schedule of Findings

Year ended June 30, 2013

On December 27, 2012, the Board voted to deny further funding for the housing project. However, an additional \$6,610 was spent on the project after that date.

Based on representations from County personnel, renovations on the home are not complete and there is no funding available to continue with the project. The August 28, 2013 Housing Corporation Board meeting minutes report the estimate for completing the house is approximately \$75,000. The County Assessor's records show the house is currently assessed at \$20,024.

- d) Competitive Bidding Requirements - The County did not comply with the competitive bidding requirements of Chapter 26.3 of the Code of Iowa for public improvement contracts exceeding \$100,000.
- e) Potential Conflicts of Interest - Chapter 331.342 of the Code of Iowa states in part, "An officer or employee of a county shall not have an interest, direct or indirect, in a contract with that county. A contract entered into in violation of this section is void."

The County Auditor, Margene Bunda, is also the Secretary/Treasurer of the Housing Corporation Board. Board of Supervisor member Jack DeWolf also serves as the MIDAS Board Chair. Board of Supervisor member Vince Triggs serves on the MIDAS Board. We noted the following:

- The loan agreement with MIDAS was signed by Margene Bunda, County Auditor, acting as the Secretary/Treasurer of the Housing Corporation of Northwest Iowa.
 - The loan agreement with MIDAS was signed by Jack DeWolf, Board of Supervisor member, acting as Chair of the MIDAS Board.
 - Vince Triggs, Board of Supervisor member and a member of the MIDAS Board, voted to approve the loan agreement with MIDAS.
- f) Renovation Expenditures - The County Auditor, acting as the Housing Corporation Secretary/Treasurer, approves all Housing Corporation expenditures and evidences her approval by initialing each invoice (see item e above). There is no evidence expenditures are approved by the Housing Corporation Board and not all expenditures were approved by the Board of Supervisors. For the expenditures tested and found to be approved by the Board of Supervisors, it was not clear on the approval list the expenditure was for the housing renovation project. Certain expenditures, such as utilities, were included with other County expenditures and not separately identified as relating to the housing renovation.
 - g) Housing Contractor and Housing Project Manager - No formal, written contracts identifying contract amounts or terms were entered into with the housing contractor or the housing project manager.

The housing project manager fees increased from \$18 to \$20 per hour after six months of work with no approval by the Housing Corporation Board or the Board of Supervisors.

Pocahontas County

Schedule of Findings

Year ended June 30, 2013

Not all expenditures to the housing project manager and the housing contractor were approved by the Board of Supervisors.

Invoices from the housing contractor were not itemized as to hours worked. The invoices listed the number of hours worked (i.e., 266 hours), but did not provide dates and times the work was performed. In addition, several contractor invoices included project materials and supplies, the cost of which were not supported by vendor invoices. For example, one contractor invoice listed "stripper", but included no vendor invoice to support the date of purchase or how much was purchased. One housing contractor payment tested was approved at \$6,303, but the actual payment was for \$12,540.

Recommendation – The County should consult legal counsel to determine the disposition of these matters.

Response – A response was not provided.

Conclusion – The recommendation should be implemented.

- (10) Payroll Reports and IPERS Remittances – Forms 1099 and W-2 for calendar year 2012 were not filed with the Internal Revenue Service by March 31, 2013, as required. The calendar 2012 Form W-2s were filed on October 20, 2013 and the calendar year 2012 Form 1099s were submitted on October 28, 2013.

The County remits the employer and employee portion of IPERS monthly. However an interest fee is charged if the amount remitted is late or if the amount remitted does not match the amount due. The County has accumulated interest charges totaling \$314 since 2009.

Recommendation – The County should file the Internal Revenue Service Forms W-2 and 1099 by March 31, as required, to avoid potential fees and penalties. The County should remit interest charges owed to IPERS and establish procedures to ensure all IPERS remittances are timely and for the correct amount.

Response – A response was not provided.

Conclusion – The recommendation should be implemented.

- (11) Sheriff Employee Payroll – In September and October 2013, the County paid a part-time dispatcher and jailor trainee through accounts payable rather than processing the payments through payroll. Accordingly, the proper federal and state tax withholdings were not applied to the wages. The dispatcher's subsequent payments have all been made through payroll. Based on discussion with County personnel, due to high turnover of newer employees in the County Sheriff's office, it is the County's policy to pay the first one or two paychecks for new hires in that office through accounts payable rather than payroll.

Recommendation – The County should ensure all taxable income for employees is properly processed through payroll as required.

Response – A response was not provided.

Conclusion – The recommendation should be implemented.

Pocahontas County

Schedule of Findings

Year ended June 30, 2013

- (12) Tax Increment Financing (TIF) Reconciliation – For the year ended June 30, 2013, the County Auditor did not prepare a reconciliation reconciling TIF receipts with total outstanding TIF debt for each city.

Recommendation – In accordance with Chapter 403.19(6)(a)(1) of the Code of Iowa, “to provide for the division of taxes in each subsequent year without further certification ... until the amount of the loans, advances, indebtedness, or bonds is paid to the special fund”, the County Auditor should prepare a reconciliation of each City’s TIF receipts and TIF debt certified.

Response – A response was not provided.

Conclusion – The recommendation should be implemented.

- (13) Pocahontas County Drainage Board Meetings – Chapter 21.3 of the Code of Iowa requires “Each governmental body shall keep minutes of all its meetings showing the date, time and place, the members present, and the action taken at each meeting.” Chapter 21.4 of the Code of Iowa states in part, “...a governmental body shall give notice of the time, date, and place of each meeting including a reconvened meeting of the governmental body, and the tentative agenda of the meeting, in a manner reasonably calculated to apprise the public of that information...Notice shall be given at least twenty-four hours prior to commencement of any meeting...” Public notice of the meetings of the Pocahontas County Drainage Board is not given and a minutes record of the proceedings of each meeting is not maintained, as required.

Recommendation – Meetings of the Pocahontas County Drainage Board should be preceded by proper public notice and a minutes record of each meeting should be maintained and retained, as required.

Response – A response was not provided.

Conclusion – The recommendation should be implemented.

- (14) County Ordinances – The County Board of Supervisors has not completed a compilation of County ordinances.

Recommendation – County ordinances should be compiled and published as required by Chapter 331.302(9) of the Code of Iowa.

Response – A response was not provided.

Conclusion – The recommendation should be implemented.

- (15) Health Insurance – The County provides employees health insurance and other benefits through partial self-funding of the County’s health insurance plan. Chapter 509A.15 of the Code of Iowa requires the County to obtain an actuarial opinion issued by a fellow of the Society of Actuaries which attests to the adequacy of reserves, rates and the financial condition of the plan.

Recommendation – The County should obtain an actuarial opinion, issued by a fellow of the Society of Actuaries, as required.

Response – A response was not provided.

Conclusion – The recommendation should be implemented.

Pocahontas County

Schedule of Findings

Year ended June 30, 2013

- (16) Financial Condition – The Special Revenue, Veteran Grants Fund had a deficit balance of \$130 at June 30, 2013. The Agency, Housing Corporation Fund had a deficit balance of \$13,062 at June 30, 2013.

Recommendation – The County should investigate alternatives to eliminate these deficits to return the funds to a sound financial condition.

Response – A response was not provided.

Conclusion – The recommendation should be implemented.

- (17) County Annual Financial Report – For the year ended June 30, 2013, the County’s cash basis Annual Financial Report reported disbursements and balances incorrectly in the “Permanent Fund” column. The County does not have a Permanent Fund. In addition, the County did not file a GAAP Annual Financial Report as required by Chapter 331.403(2) of the Code of Iowa.

Recommendation – The County should establish procedures to ensure receipts, disbursements and balances are properly reported. The County should complete and file the GAAP Annual Financial Report, as required.

Response – A response was not provided.

Conclusion – The recommendation should be implemented.

- (18) Proposed County Assessor Budget – Chapter 441.16 of the Code of Iowa requires the County Assessor to prepare a proposed budget of all expenses for the ensuing fiscal year no later than January 1. The proposed budget for fiscal year 2013 was submitted after January 1.

Recommendation – The budget for the County Assessor should be submitted by January 1 each year as required by Chapter 441.16 of the Code of Iowa.

Response – A response was not provided.

Conclusion – The recommendation should be implemented.

- (19) Pocahontas County Economic Development Commission Meetings – Chapter 21.4 of the Code of Iowa states, in part, “...a governmental body shall give notice of the time, date, and place of each meeting including a reconvened meeting of the governmental body, and the tentative agenda of the meeting, in a manner reasonably calculated to apprise the public of that information....Notice shall be given at least twenty-four hours prior to commencement of any meeting....” Chapter 28E.6 of the Code of Iowa requires, “A summary of the proceedings of each regular, adjourned, or special meeting of the joint board of the entity created in the agreement, including the schedule of bills allowed, shall be published after adjournment of the meeting in one newspaper of general circulation within the geographic area served by the joint board of the entity created in the agreement.” Public notice of the meetings of the Pocahontas County Economic Development Commission is not given and meeting minutes, including a schedule of allowed bills, are not published as required. In addition, the Commission meeting minutes are not approved or signed to authenticate the actions taken.

Pocahontas County

Schedule of Findings

Year ended June 30, 2013

Recommendation – Meetings of the Pocahontas County Economic Development Commission should be preceded by proper public notice and the meeting minutes, including a schedule of bills allowed, should be published, as required. In addition, the Commission should approve meeting minutes and the minutes should be signed to authenticate the actions taken.

Response – A response was not provided.

Conclusion – The recommendation should be implemented.

- (20) 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, 2013 for the County Extension Office did not exceed the amount budgeted.

Pocahontas County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Dorothy O. Stover, Senior Auditor
Ramona E. F. Daly, Assistant Auditor
April D. Harbst, Assistant Auditor
Miranda A. Shipman, Assistant Auditor
Corey M. Vannausdle, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State