



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE _____ September 7, 2011

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515/281-5834

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

The County had local tax revenue of \$14,397,319 for the year ended June 30, 2010, which included \$643,195 in tax credits from the state. The County forwarded \$9,948,013 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,449,306 of the local tax revenue to finance County operations, a 7% increase over the prior year. Other revenues included charges for service of \$1,700,223, operating grants, contributions and restricted interest of \$3,924,275, capital grants, contributions and restricted interest of \$591,950, local option sales tax of \$260,424, unrestricted investment earnings of \$84,570 and other general revenues of \$190,819.

Expenses for County operations totaled \$12,262,122, an increase of 15.2% over the prior year. Expenses included \$4,504,362 for roads and transportation, \$1,859,426 for non-program and \$1,499,399 for public safety and legal 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/1010-0076-B00F.pdf>.

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POCAHONTAS COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010

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Pocahontas County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Paul R. Beneke	Board of Supervisors	Jan 2011
Vincent Triggs	Board of Supervisors	Jan 2011
Jack Dewolf	Board of Supervisors	Jan 2013
C. Wilbur Ekstrand	Board of Supervisors	Jan 2013
Louis Stauter	Board of Supervisors	Jan 2013
Margene A. Bunda	County Auditor	Jan 2013
Sarah Winkler	County Treasurer	Jan 2011
Michael P. Bollard	County Recorder	Jan 2011
Robert Lampe	County Sheriff	Jan 2013
Ann E. Beneke	County Attorney	Jan 2011
Brian H. De Wall	County Assessor	Jan 2016

Pocahontas County



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Independent Auditor's Report

To the Officials of Pocahontas County:

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, 2010, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Pocahontas County's management. Our responsibility is to express opinions on these financial statements based on our audit.

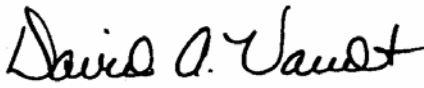
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Pocahontas County at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

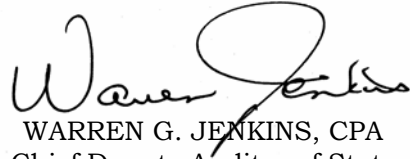
In accordance with Government Auditing Standards, we have also issued our report dated August 3, 2011 on our consideration of Pocahontas County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 46 through 50 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pocahontas County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2004 (which are not presented herein) and expressed qualified opinions on those financial statements due to the omission of the supplies inventory, pertaining primarily to the Secondary Roads Fund, prior to June 30, 2004. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 3, 2011

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, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 10.82%, or approximately \$1,094,000, from fiscal year 2009 to fiscal year 2010. Property tax increased approximately \$311,000, charges for service increased approximately \$799,000, operating grants, contributions and restricted interest increased approximately \$396,000 and capital grants, contributions and restricted interest decreased approximately \$114,000.
- The County's governmental activities expenses increased 15.24%, or approximately \$1,622,000, from fiscal year 2009 to fiscal year 2010. Roads and transportation expenses increased approximately \$491,000, non-program expenses increased approximately \$1,085,000 and interest on drainage warrants increased approximately \$59,000.
- The County's net assets decreased 4.9%, or approximately \$1,060,000, from June 30, 2009 to June 30, 2010.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of 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 statements by providing information about the most significant funds. The remaining statements provide financial 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.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for 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 fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

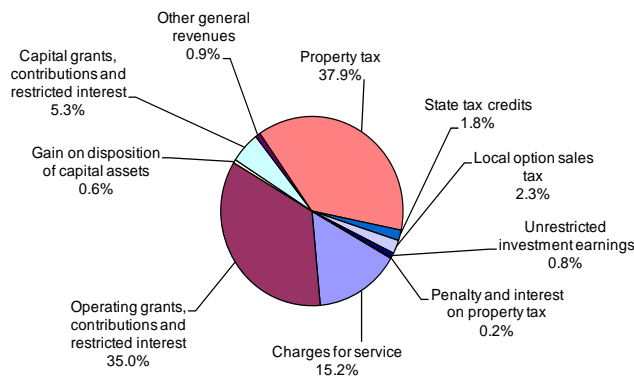
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2010	2009
Current and other assets	\$ 12,479	12,859
Capital assets	15,113	14,452
Total assets	<u>27,592</u>	<u>27,311</u>
Long-term liabilities	2,046	909
Other liabilities	4,931	4,727
Total liabilities	<u>6,977</u>	<u>5,636</u>
Net assets:		
Invested in capital assets	15,113	14,452
Restricted	3,928	4,657
Unrestricted	<u>1,574</u>	<u>2,566</u>
Total net assets	<u>\$ 20,615</u>	<u>21,675</u>

Net assets of Pocahontas County's governmental activities decreased approximately \$1,060,000, or 4.9%. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased from approximately \$2,566,000 at June 30, 2009 to approximately \$1,574,000 at the end of this year, a decrease of 38.7%. The decrease is primarily due to decreased balances in the General, Mental Health and Rural Services Funds and the excess of outstanding drainage debt over the Drainage Districts Fund fund balance netted against unrestricted net assets.

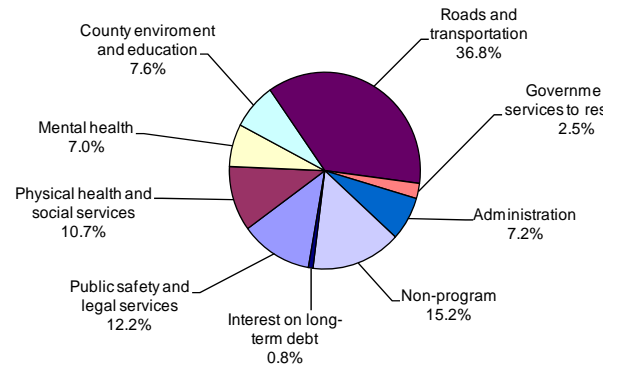
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2010	2009
Revenues:		
Program revenues:		
Charges for service	\$ 1,700	901
Operating grants, contributions and restricted interest	3,924	3,528
Capital grants, contributions and restricted interest	592	706
General revenues:		
Property tax	4,253	3,942
State tax credits	197	218
Penalty and interest on property tax	19	90
Local option sales tax	260	334
Unrestricted investment earnings	85	222
Gain on disposition of capital assets	66	56
Other general revenues	106	111
Total revenues	11,202	10,108
Program expenses:		
Public safety and legal services	1,499	1,340
Physical health and social services	1,316	1,305
Mental health	859	896
County environment and education	930	771
Roads and transportation	4,504	4,013
Governmental services to residents	312	309
Administration	886	1,194
Non-program	1,859	774
Interest on long-term debt	97	38
Total expenses	12,262	10,640
Decrease in net assets	(1,060)	(532)
Net assets beginning of year	21,675	22,207
Net assets end of year	\$ 20,615	21,675

Revenues by Source



Expenses by Function



Pocahontas County's net assets of governmental activities decreased approximately \$1,060,000 during the year. Revenues for governmental activities increased approximately \$1,094,000 over the prior year. Capital grants, contributions and restricted interest decreased approximately \$114,000 while charges for service, which includes drainage assessments, increased 237%, or approximately \$799,000, over the prior year due to a wetlands project in Drainage District No. 65. The County's property tax revenues increased and local option sales tax revenues decreased between fiscal years 2009 and 2010.

INDIVIDUAL MAJOR FUND ANALYSIS

As Pocahontas County completed the year, its governmental funds reported a combined fund balance of approximately \$6.5 million, a decrease of approximately \$1,230,000 from last year's total of approximately \$7.7 million. The following are reasons for the changes in fund balances of the major funds from the prior year:

General Fund expenditures exceeded revenues. The ending fund balance decreased approximately \$486,000 from the prior year to approximately \$2,199,000. General Fund revenues increased approximately \$61,000 while expenditures increased approximately \$409,000 between fiscal years 2009 and 2010. The increase in revenues is primarily due to an increase in property tax revenue. The increase in expenditures is primarily due to increased expenditures for uniformed patrol services for the purchase of sheriff vehicles, increased salaries and health insurance costs and a new heating system.

The County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund. For the year, expenditures totaled approximately \$860,000, a decrease of approximately \$36,000, or 4.0%, from the prior year. The Mental Health Fund balance at year end decreased approximately \$86,000 from the prior year to approximately \$(51,000). The decrease is due to expenditures exceeding revenues.

Rural Services Fund revenues increased approximately \$45,000 over the previous fiscal year while expenditures increased approximately \$16,000. The Rural Services Fund balance at year end decreased approximately \$123,000 from the prior year to approximately \$89,000. Fiscal year 2010 property tax revenue increased approximately \$123,000 and local option sales tax revenue decreased approximately \$74,000. The decrease in fund balance is primarily attributed to the \$75,000 increase in transfers to the Secondary Roads Fund and the decrease in local option sales tax revenue.

Revenues in the Secondary Roads Fund increased approximately \$83,000 while expenditures increased approximately \$299,000 over the previous year. Revenues increased primarily due to increased intergovernmental revenues from the State of Iowa. Expenditures increased from the prior year, primarily due to increased spending for roads and bridge maintenance projects, snow and ice control and equipment purchases. The Secondary Roads Fund ending balance decreased approximately \$420,000 to approximately \$3.27 million.

The Drainage Districts Fund ending balance decreased approximately \$118,000 from the prior year to approximately \$532,000. FEMA funds received during fiscal year 2010 decreased approximately \$265,000 while proceeds from drainage warrants and certificates increased approximately \$1,076,000. Drainage warrants and interest paid increased approximately \$255,000, which resulted from an increase in assessments received to retire stamped drainage warrants. Flood damage repair expenditures and drainage district repair increased approximately \$1,046,000.

The County is participating in a pilot project of the Iowa Drainage and Wetland Landscape Systems Initiative for Reducing Transport from Cropped Lands to the Gulf of Mexico. The project combines drainage improvements with discharge treatment wetland to reduce phosphorous nitrate pollution. The project began in fiscal year 2009 and will continue

into fiscal year 2012. Funding for the project is provided through a combination of the Iowa Department of Natural Resources State Revolving Loan Fund, I-JOBS funding from the Iowa Department of Agriculture and assessments against the property of Drainage District No. 65.

BUDGETARY HIGHLIGHTS

- Over the course of the year, Pocahontas County amended its budget once. The amendment was made in June 2010 and resulted in an increase in budgeted disbursements for the Medical Examiner and the courthouse.
- The County's receipts were \$520,640 more than budgeted, a variance of 5.9%. The variance resulted primarily from the County receiving more intergovernmental receipts than anticipated.
- Total disbursements were \$1,762,153 less than the amended budget. Actual disbursements for the public safety and legal services, physical health and social services, mental health, administration and capital projects functions were \$130,372, \$201,869, \$280,440, \$141,712 and \$847,537, respectively, less than budgeted while the other functions were also less than what was budgeted. This was primarily due to an anticipated BROS project not getting started by June 30, 2010, continued monitoring and changing demands for mental health services, programs and services were lower than estimated for physical health and social services and disbursements for roads and bridge maintenance projects, equipment and stockpile supplies were less than anticipated. The remaining decrease was accomplished by reduced spending in all areas.
- Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the non-program function and disbursements in certain departments exceeded the amounts appropriated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, Pocahontas County had approximately \$15.1 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$661,000, or 4.6%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2010	2009
Land	\$ 1,784	1,784
Construction in progress	46	396
Buildings and building improvements	1,282	847
Equipment and vehicles	2,957	2,846
Infrastructure, road network	9,044	8,579
Total	\$ 15,113	14,452
This year's major additions included (in thousands):		
Road and bridge construction projects	\$ 592	
Public safety and secondary roads equipment	556	
Heating and cooling system for courtroom	496	
	\$ 1,644	

The County had depreciation expense of \$983,271 in fiscal year 2010 and total accumulated depreciation of \$7,436,922 at June 30, 2010. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2010, Pocahontas County had approximately \$1,835,000 in outstanding drainage warrants, drainage improvement certificates and state revolving fund improvement certificates payable, compared to approximately \$719,000 at June 30, 2009. 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,	
	2010	2009
Drainage warrants and improvement certificates	\$ 1,824	719
State revolving fund improvement certificates	11	-
Total	\$ 1,835	719

Debt increased as a result of issuing more drainage warrants and improvement certificates for a wetlands project for Drainage District No. 65.

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 2011 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 4.9%, an increase from a year ago. This compares with the State's unemployment rate of 6.9% and the national rate of 9.0%.

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.

Pocahontas County

Basic Financial Statements

Pocahontas County

Pocahontas County
 Statement of Net Assets
 June 30, 2010

	Governmental Activities
Assets	
Cash and pooled investments	\$ 5,561,746
Receivables:	
Property tax:	
Delinquent	8,663
Succeeding year	4,239,000
Interest and penalty on property tax	57,620
Accounts	78,874
Accrued interest	11,929
Drainage assessments	461,792
Due from other governments	728,178
Inventories	1,245,633
Prepaid insurance	85,351
Capital assets (net of accumulated depreciation)	15,113,005
	27,591,791
Liabilities	
Accounts payable	339,781
Salaries and benefits payable	177,145
Due to other governments	160,520
Deferred revenue:	
Succeeding year property tax	4,239,000
Other	14,676
Long-term liabilities:	
Portion due or payable within one year:	
Drainage warrants/drainage improvement certificates	1,697,834
Compensated absences	198,035
Portion due or payable after one year:	
Drainage improvement certificates	125,871
State revolving fund improvement certificates	10,960
Net OPEB liability	13,057
	6,976,879
Net Assets	
Invested in capital assets	15,113,005
Restricted for:	
Supplemental levy purposes	260,477
Secondary roads purposes	3,232,422
Other purposes	435,476
Unrestricted	1,573,532
	\$ 20,614,912

See notes to financial statements.

Pocahontas County

Statement of Activities

Year ended June 30, 2010

	Program Revenues			
	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	\$ 1,499,399	66,383	-	-
Physical health and social services	1,315,908	564,187	449,116	-
Mental health	859,089	-	331,452	-
County environment and education	929,482	40,097	24,987	-
Roads and transportation	4,504,362	130,729	2,608,132	591,950
Governmental services to residents	311,475	147,587	11,257	-
Administration	885,862	-	-	-
Non-program	1,859,426	751,240	499,331	-
Interest on long-term debt	97,119	-	-	-
Total	\$ 12,262,122	1,700,223	3,924,275	591,950

General Revenues:

Property and other county tax levied for general purposes
 Penalty and interest on property tax
 State tax credits
 Local option sales tax
 Unrestricted investment earnings
 Gain on disposition of capital assets
 Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

See notes to financial statements.

Net (Expense)
Revenue and
Changes
in Net Assets

(1,433,016)
(302,605)
(527,637)
(864,398)
(1,173,551)
(152,631)
(885,862)
(608,855)
(97,119)

(6,045,674)

4,252,746
18,628
196,560
260,424
84,570
66,249
105,942

4,985,119

(1,060,555)

21,675,467

\$ 20,614,912

Pocahontas County

Balance Sheet

June 30, 2010

	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 2,190,433	103,793	79,420
Receivables:			
Property tax:			
Delinquent	7,373	1,189	101
Succeeding year	2,580,000	416,000	1,243,000
Interest and penalty on property tax	57,620	-	-
Accounts	51,953	-	-
Accrued interest	11,911	-	-
Drainage assessments	-	-	-
Due from other governments	90,619	-	23,259
Inventories	-	-	-
Prepaid insurance	51,164	-	6,044
Total assets	\$ 5,041,073	520,982	1,351,824
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 51,442	35,115	1,622
Salaries and benefits payable	107,217	647	17,752
Due to other governments	38,842	119,534	381
Deferred revenue:			
Succeeding year property tax	2,580,000	416,000	1,243,000
Other	65,059	1,161	101
Total liabilities	<u>2,842,560</u>	<u>572,457</u>	<u>1,262,856</u>
Fund balances:			
Reserved for:			
Supplemental levy purposes	261,492	-	-
Drainage warrants/drainage improvement certificates	-	-	-
Unreserved, reported in:			
General fund	1,937,021	-	-
Special revenue funds	-	(51,475)	88,968
Total fund balances	<u>2,198,513</u>	<u>(51,475)</u>	<u>88,968</u>
Total liabilities and fund balances	\$ 5,041,073	520,982	1,351,824

See notes to financial statements.

Special Revenue			
Secondary Roads	Drainage Districts	Nonmajor	Total
2,092,083	600,453	436,767	5,502,949
-	-	-	8,663
-	-	-	4,239,000
-	-	-	57,620
26,256	-	665	78,874
-	-	18	11,929
-	461,792	-	461,792
149,634	464,343	323	728,178
1,245,633	-	-	1,245,633
28,143	-	-	85,351
3,541,749	1,526,588	437,773	12,419,989
192,491	53,446	2,181	336,297
51,529	-	-	177,145
1,647	-	116	160,520
-	-	-	4,239,000
24,999	940,811	-	1,032,131
270,666	994,257	2,297	5,945,093
-	-	-	261,492
-	532,331	-	532,331
-	-	-	1,937,021
3,271,083	-	435,476	3,744,052
3,271,083	532,331	435,476	6,474,896
3,541,749	1,526,588	437,773	12,419,989

Pocahontas County

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

June 30, 2010

Total governmental fund balances (page 21) \$ 6,474,896

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$22,549,927 and the accumulated depreciation is \$7,436,922. 15,113,005

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 1,017,455

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 55,313

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. (2,045,757)

Net assets of governmental activities (page 17) \$ 20,614,912

See notes to financial statements.

Pocahontas County

Pocahontas County

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

Year ended June 30, 2010

	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,593,188	416,048	1,244,895
Local option sales tax	-	-	260,424
Interest and penalty on property tax	28,515	-	-
Intergovernmental	948,897	357,073	51,989
Licenses and permits	35,761	-	-
Charges for service	394,072	-	-
Use of money and property	142,350	-	-
Miscellaneous	18,771	1,156	-
Total revenues	4,161,554	774,277	1,557,308
Expenditures:			
Operating:			
Public safety and legal services	1,030,665	-	498,286
Physical health and social services	1,330,637	-	-
Mental health	-	860,327	-
County environment and education	575,781	-	304,704
Roads and transportation	-	-	-
Governmental services to residents	300,591	-	1,906
Administration	1,326,687	-	-
Non-program	7,962	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	4,572,323	860,327	804,896
Excess (deficiency) of revenues over (under) expenditures	(410,769)	(86,050)	752,412
Other financing sources (uses):			
Sale of capital assets	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(75,000)	-	(875,000)
State revolving fund improvement certificates issued	-	-	-
Drainage warrants/drainage improvement certificates issued	-	-	-
Total other financing sources (uses)	(75,000)	-	(875,000)
Net change in fund balances	(485,769)	(86,050)	(122,588)
Fund balances beginning of year	2,684,282	34,575	211,556
Fund balances end of year	\$ 2,198,513	(51,475)	88,968

See notes to financial statements.

Special Revenue			
Secondary Roads	Drainage Districts	Nonmajor	Total
-	-	-	4,254,131
-	-	-	260,424
-	-	-	28,515
2,648,760	34,988	36,136	4,077,843
7,998	-	-	43,759
57,784	-	35,955	487,811
2,400	-	5,340	150,090
29,112	421,783	438	471,260
2,746,054	456,771	77,869	9,773,833
-	-	-	1,528,951
-	-	10,563	1,341,200
-	-	-	860,327
-	-	377	880,862
4,073,896	-	-	4,073,896
-	-	1,061	303,558
-	-	-	1,326,687
-	1,593,363	-	1,601,325
-	593,733	-	593,733
42,304	-	66,599	108,903
4,116,200	2,187,096	78,600	12,619,442
(1,370,146)	(1,730,325)	(731)	(2,845,609)
-	-	3,325	3,325
950,000	-	-	950,000
-	-	-	(950,000)
-	10,960	-	10,960
-	1,601,713	-	1,601,713
950,000	1,612,673	3,325	1,615,998
(420,146)	(117,652)	2,594	(1,229,611)
3,691,229	649,983	432,882	7,704,507
3,271,083	532,331	435,476	6,474,896

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, 2010

Net change in fund balances - Total governmental funds (page 25) \$ (1,229,611)

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

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

Expenditures for capital assets	\$ 989,474		
Capital assets contributed by the Iowa Department of Transportation	591,950		
Depreciation expense	<u>(983,271)</u>		598,153

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 62,469

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	(11,274)		
Other	<u>640,023</u>		628,749

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

Issued	(1,612,673)		
Repaid	<u>496,614</u>		(1,116,059)

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	(7,937)		
Other postemployment benefits	<u>(13,057)</u>		(20,994)

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported in governmental activities. 16,738

Change in net assets of governmental activities (page 19) \$ (1,060,555)

See notes to financial statements.

Pocahontas County
Statement of Net Assets
Proprietary Fund
June 30, 2010

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 58,797
Liabilities	
Accounts payable	<u>3,484</u>
Net Assets	
Unrestricted	<u><u>\$ 55,313</u></u>

See notes to financial statements.

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

Year ended June 30, 2010

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 143,244
Reimbursements from employees and others		131,519
Total operating revenues		<u>274,763</u>
Operating expenses:		
Medical claims	\$ 187,702	
Premiums	63,994	
Administrative charges	6,270	
Other	135	
Operating income		<u>258,101</u> 16,662
Non-operating revenues:		
Interest income		76
Net income		<u>16,738</u>
Net assets beginning of year		<u>38,575</u>
Net assets end of year		<u>\$ 55,313</u>

See notes to financial statements.

Pocahontas County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2010

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund contributions	\$ 143,244
Cash received from employees and others	131,519
Cash paid for medical claims, premiums and other	<u>(261,253)</u>
Net cash provided by operating activities	13,510
Cash flows from investing activities:	
Interest on investments	<u>76</u>
Net increase in cash and cash equivalents	13,586
Cash and cash equivalents beginning of year	<u>45,211</u>
Cash and cash equivalents end of year	<u><u>\$ 58,797</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 16,662
Adjustment to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts payable	<u>(3,152)</u>
Net cash provided by operating activities	<u><u>\$ 13,510</u></u>

See notes to financial statements.

Pocahontas County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2010

Assets

Cash and pooled investments:	
County Treasurer	\$ 892,486
Other County officials	6,328
Receivables:	
Property tax:	
Delinquent	44,453
Succeeding year	9,522,000
Accounts	180
Special assessments	45,656
Total assets	<u>10,511,103</u>

Liabilities

Accounts payable	536
Salaries and benefits payable	10,572
Due to other governments	10,477,938
Trusts payable	13,253
Compensated absences	8,804
Total liabilities	<u>10,511,103</u>

Net assets

\$ -

See notes to financial statements.

Pocahontas County

Notes to Financial Statements

June 30, 2010

(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, officially named Resources Unlimited. 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 Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

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

Invested in capital assets consists of capital assets, net of accumulated depreciation.

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Drainage Districts Fund is used to account for drainage 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 assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2009.

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.

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 Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair

that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
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 unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

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, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The County’s deposits in banks at June 30, 2010 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, 2010, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$18,261 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 75,000
	Special Revenue:	
	Rural Services	875,000
Total		\$ 950,000

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, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,783,977	-	-	1,783,977
Construction in progress	395,971	591,951	(941,771)	46,151
Total capital assets not being depreciated	<u>2,179,948</u>	<u>591,951</u>	<u>(941,771)</u>	<u>1,830,128</u>
Capital assets being depreciated:				
Buildings and building improvements	2,148,760	495,915	-	2,644,675
Equipment and vehicles	6,896,047	556,027	(214,356)	7,237,718
Infrastructure, road network	9,895,635	941,771	-	10,837,406
Total capital assets being depreciated	<u>18,940,442</u>	<u>1,993,713</u>	<u>(214,356)</u>	<u>20,719,799</u>
Less accumulated depreciation for:				
Buildings and building improvements	1,301,202	61,317	-	1,362,519
Equipment and vehicles	4,050,194	444,922	(214,356)	4,280,760
Infrastructure, road network	1,316,611	477,032	-	1,793,643
Total accumulated depreciation	<u>6,668,007</u>	<u>983,271</u>	<u>(214,356)</u>	<u>7,436,922</u>
Total capital assets being depreciated, net	<u>12,272,435</u>	<u>1,010,442</u>	<u>-</u>	<u>13,282,877</u>
Governmental activities capital assets, net	<u>\$ 14,452,383</u>	<u>1,602,393</u>	<u>(941,771)</u>	<u>15,113,005</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 63,807
Physical health and social services	1,465
County environment and education	39,368
Roads and transportation	801,660
Governmental services to residents	12,647
Administration	<u>64,324</u>
Total depreciation expense - governmental activities	<u>\$ 983,271</u>

(5) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 38,842
Special Revenue:		
Mental Health	Services	119,534
Rural Services	Services	381
Secondary Roads	Services	1,647
Nonmajor	Services	116
		<u>121,678</u>
Total for governmental funds		<u>\$ 160,520</u>
Agency:		
Agriculture Extension Education		\$ 142,760
County Assessor	Collections	286,295
Schools		6,915,780
Community Colleges		464,529
Corporations		1,742,018
Townships		208,647
Auto License and Use Tax		157,326
Resources Unlimited		408,016
All other		152,567
Total for agency funds		<u>\$ 10,477,938</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Drainage Warrants	Drainage Improvement Certificates	State Revolving Fund Improvement Certificates	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 549,732	168,874	-	190,098	-	908,704
Increases	1,582,240	19,473	10,960	116,022	13,057	1,741,752
Decreases	452,188	44,426	-	108,085	-	604,699
Balance end of year	<u>\$ 1,679,784</u>	<u>143,921</u>	<u>10,960</u>	<u>198,035</u>	<u>13,057</u>	<u>2,045,757</u>
Due within one year	\$ 1,679,784	18,050	-	198,035	-	1,895,869

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 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, 2010, the County had not drawn down any of the authorized amount. However, the total initiation fee of \$10,960 was withheld by the Iowa Finance Authority. A final repayment schedule has not yet been adopted. During the year ended June 30, 2010, the County paid no principal or interest on the 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 of Drainage District No. 65 and are payable through 2030.

Forgivable State Revolving Fund Loan

On January 27, 2010, the County entered into a forgivable loan agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of \$272,000 of forgivable improvement certificates. The certificates were issued pursuant to the provisions of Chapter 468.70 of the Code of Iowa and the American Recovery and Investment 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. If the requirements of ARRA, including, but not limited to, satisfaction of applicable timing requirements, are not met and the loan is not forgiven, the County will pay interest at 3.0% per annum, an annual .25% servicing fee on the outstanding principal balance (including undisbursed loan proceeds) and an initiation fee of 1% of the authorized loan. The County will draw down funds from the Trustee upon request to reimburse the County for costs as they are incurred. At June 30, 2010, the County had not drawn down any of the authorized amount.

(7) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.30% of their annual covered salary and the County is required to contribute 6.65% 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, 2010, 2009 and 2008 were \$255,735, \$224,874 and \$204,460, respectively, equal to the required contributions for each year.

(8) 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 plan and those for a lower deductible plan. 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, 2010 was \$143,244.

The amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2010 for incurred but not reported and 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	\$ 6,636
Incurred claims (including claims incurred but not reported at June 30, 2010)	(190,854)
Payment on claims during the fiscal year	<u>187,702</u>
Unpaid claims end of year	<u><u>\$ 3,484</u></u>

(9) Other Postemployment Benefits (OPEB)

The County implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions, during the year ended June 30, 2010.

Plan Description – The County operates a single employer health benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 88 active and 1 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, 2010, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 17,495
Contributions made	<u>(4,438)</u>
Increase in net OPEB obligation	13,057
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>\$ 13,057</u>

For the year ended June 30, 2010, the County contributed \$4,438 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 as of June 30, 2010, are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 17,495	25.4%	\$ 13,057

Funded Status and Funding Progress. As of June 30, 2010, the actuarial accrued liability was \$123,666, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$123,666. The covered payroll (annual payroll of active employees covered by the plan) was \$3,334,572 and the ratio of the UAAL to covered payroll was 3.7%. As of June 30, 2010, 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, presented as Required Supplementary Information in the section following Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 to 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, 2009 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 10%. 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.

Mortality rates are from the 2004 United States Life Tables, projected to 2010. Annual retirement and termination probabilities were based on historical retirement patterns for the covered group.

Projected claim costs of the medical plan are \$552 (single coverage) and \$1,235 (coverage with spouse) per month for retirees less than age 65. The salary increase rate was assumed to be 1% per year. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

(10) 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.

(11) Deficit Fund Balances

The Special Revenue, Mental Health and Veterans Grants Funds had deficit balances of \$51,475 and \$619, respectively, at June 30, 2010. The deficit balances were the result of expenditures incurred prior to availability of funds. The Special Revenue, Mental Health Fund deficit will be eliminated upon receipt of State funds. The County also plans to work with the Iowa Department of Human Services to find ways to lower costs and improve efficiency. The Special Revenue, Veterans Grants Fund deficit will be eliminated through a transfer from the General Fund.

(12) Subsequent Event

In January 2011, the Board of Supervisors approved signing a 28E agreement with the Iowa Department of Agriculture and Land Stewardship to secure a maximum of \$1,941,000 in funding for a pilot project within Drainage District No. 178 for the construction of wetlands and ten drainage wells.

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, 2010

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 4,557,443	-	4,557,443
Interest and penalty on property tax	28,636	-	28,636
Intergovernmental	4,245,528	178,051	4,067,477
Licenses and permits	40,771	-	40,771
Charges for service	480,530	-	480,530
Use of money and property	169,623	-	169,623
Miscellaneous	469,461	421,784	47,677
Total receipts	<u>9,991,992</u>	<u>599,835</u>	<u>9,392,157</u>
Disbursements:			
Public safety and legal services	1,526,561	-	1,526,561
Physical health and social services	1,372,247	-	1,372,247
Mental health	845,676	-	845,676
County environment and education	882,901	-	882,901
Roads and transportation	3,959,179	-	3,959,179
Governmental services to residents	304,578	-	304,578
Administration	1,306,273	-	1,306,273
Non-program	1,590,578	1,582,240	8,338
Debt service	582,773	582,773	-
Capital projects	112,463	-	112,463
Total disbursements	<u>12,483,229</u>	<u>2,165,013</u>	<u>10,318,216</u>
Excess (deficiency) of receipts over (under) disbursements	(2,491,237)	(1,565,178)	(926,059)
Other financing sources, net	1,605,038	1,601,713	3,325
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(886,199)	36,535	(922,734)
Balance beginning of year	<u>6,389,148</u>	<u>563,918</u>	<u>5,825,230</u>
Balance end of year	<u>\$ 5,502,949</u>	<u>600,453</u>	<u>4,902,496</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
4,599,471	4,599,471	(42,028)
18,000	18,000	10,636
3,541,886	3,541,886	525,591
55,900	55,900	(15,129)
414,475	414,475	66,055
199,160	199,160	(29,537)
42,625	42,625	5,052
<u>8,871,517</u>	<u>8,871,517</u>	<u>520,640</u>
1,650,883	1,656,933	130,372
1,574,116	1,574,116	201,869
1,126,116	1,126,116	280,440
943,927	936,427	53,526
4,026,292	4,026,292	67,113
344,515	344,515	39,937
1,217,985	1,447,985	141,712
7,385	7,985	(353)
-	-	-
960,000	960,000	847,537
<u>11,851,219</u>	<u>12,080,369</u>	<u>1,762,153</u>
(2,979,702)	(3,208,852)	2,282,793
<u>10,000</u>	<u>10,000</u>	<u>(6,675)</u>
(2,969,702)	(3,198,852)	2,276,118
<u>4,238,054</u>	<u>4,238,054</u>	<u>1,587,176</u>
<u>1,268,352</u>	<u>1,039,202</u>	<u>3,863,294</u>

Pocahontas County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 9,991,992	(218,159)	9,773,833
Expenditures	12,483,229	136,213	12,619,442
Net	(2,491,237)	(354,372)	(2,845,609)
Other financing sources, net	1,605,038	10,960	1,615,998
Beginning fund balances	6,389,148	1,315,359	7,704,507
Ending fund balances	\$ 5,502,949	971,947	6,474,896

See accompanying independent auditor's report.

Pocahontas County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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 \$229,150. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2010, disbursements exceeded the amount budgeted in the non-program function and disbursements in certain departments exceeded the amounts appropriated.

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	0.00%	\$ 3,335	3.7%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

Pocahontas County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2010

	County County Attorney	County Recorder's Records Management	Courthouse Security	Court Property	Veterans Grants
Assets					
Cash and pooled investments	\$ 1,848	21,792	5,109	119,810	-
Accounts receivable	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	323	-	-	-	-
Total assets	\$ 2,171	21,792	5,109	119,810	-
Liabilities and Fund Equity					
Liabilities					
Accounts payable	\$ -	-	-	-	503
Due to other governments	-	-	-	-	116
Total liabilities	-	-	-	-	619
Fund equity:					
Unreserved fund balances	2,171	21,792	5,109	119,810	(619)
Total Liabilities and Fund Equity	\$ 2,171	21,792	5,109	119,810	-

See accompanying independent auditor's report.

Special Revenue						
County Recorder's Electronic Transaction Fee	Community Disaster Grants	REAP	Conservation Land Acquisition	Environmental Education Trust	Total	
391	2,000	76,740	207,352	1,725	436,767	
-	-	-	665	-	665	
-	-	-	18	-	18	
-	-	-	-	-	323	
391	2,000	76,740	208,035	1,725	437,773	
-	-	1,678	-	-	2,181	
-	-	-	-	-	116	
-	-	1,678	-	-	2,297	
391	2,000	75,062	208,035	1,725	435,476	
391	2,000	76,740	208,035	1,725	437,773	

Pocahontas County

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

Year ended June 30, 2010

	County Attorney	County Recorder's Records Management	Courthouse Security	Court Property	Veterans Grants
Revenues:					
Intergovernmental	\$ 1,149	-	-	-	10,000
Charges for service	-	1,658	6	-	-
Use of money and property	-	115	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	1,149	1,773	6	-	10,000
Expenditures:					
Operating:					
Physical health and social services	-	-	-	-	10,563
County environment and education	-	-	-	-	-
Governmental services to residents	-	1,061	-	-	-
Capital projects	-	-	-	-	-
Total expenditures	-	1,061	-	-	10,563
Excess (deficiency) of revenues over (under) expenditures	1,149	712	6	-	(563)
Other financing sources:					
Sale of capital assets	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	1,149	712	6	-	(563)
Fund balances beginning of year	1,022	21,080	5,103	119,810	(56)
Fund balances end of year	\$ 2,171	21,792	5,109	119,810	(619)

See accompanying independent auditor's report.

Special Revenue						
County	Recorder's Electronic Transaction Fee	Community Disaster Grants	REAP	Conservation Land Acquisition	Environmental Education Trust	Total
	-	-	14,080	10,907	-	36,136
	-	-	-	33,592	699	35,955
	1	-	761	4,458	5	5,340
	-	-	-	53	385	438
	1	-	14,841	49,010	1,089	77,869
	-	-	-	-	-	10,563
	-	-	-	-	377	377
	-	-	-	-	-	1,061
	-	-	8,448	58,151	-	66,599
	-	-	8,448	58,151	377	78,600
	1	-	6,393	(9,141)	712	(731)
	-	-	-	3,325	-	3,325
	1	-	6,393	(5,816)	712	2,594
	390	2,000	68,669	213,851	1,013	432,882
	391	2,000	75,062	208,035	1,725	435,476

Pocahontas County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpor- ations
Assets						
Cash and pooled investments:						
County Treasurer	\$ -	1,358	103,968	64,290	4,216	28,355
Other County officials	6,328	-	-	-	-	-
Receivables:						
Property tax:						
Delinquent	-	402	560	18,490	1,313	23,663
Succeeding year	-	141,000	196,000	6,833,000	459,000	1,690,000
Accounts	18	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Total assets	\$ 6,346	142,760	300,528	6,915,780	464,529	1,742,018
Liabilities						
Accounts payable	-	-	48	-	-	-
Salaries and benefits payable	-	-	5,381	-	-	-
Due to other governments	-	142,760	286,295	6,915,780	464,529	1,742,018
Trusts payable	6,346	-	-	-	-	-
Compensated absences	-	-	8,804	-	-	-
Total liabilities	\$ 6,346	142,760	300,528	6,915,780	464,529	1,742,018

See accompanying independent auditor's report.

Townships	Auto License and Use Tax	E911 Services Board	Resources Unlimited	Emergency Management Commission	Emergency Medical Services	City Special Assessments	Other	Total
7,626	157,326	71,039	411,331	26,129	909	1,271	14,668	892,486
-	-	-	-	-	-	-	-	6,328
21	-	-	-	-	-	-	4	44,453
201,000	-	-	-	-	-	-	2,000	9,522,000
-	-	162	-	-	-	-	-	180
-	-	-	-	-	-	45,656	-	45,656
208,647	157,326	71,201	411,331	26,129	909	46,927	16,672	10,511,103
-	-	415	48	25	-	-	-	536
-	-	92	3,267	1,832	-	-	-	10,572
208,647	157,326	70,694	408,016	24,272	909	46,927	9,765	10,477,938
-	-	-	-	-	-	-	6,907	13,253
-	-	-	-	-	-	-	-	8,804
208,647	157,326	71,201	411,331	26,129	909	46,927	16,672	10,511,103

Pocahontas County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpora- tions
Assets and Liabilities						
Balances beginning of year	\$ 4,229	129,045	322,275	6,106,077	401,886	1,658,778
Additions:						
Property and other county tax	-	141,514	196,772	6,850,352	460,600	1,646,996
E911 surcharge	-	-	-	-	-	-
State tax credits	-	6,150	10,606	290,009	19,062	112,800
Drivers license fees	-	-	-	-	-	-
Office fees and collections	203,100	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	64,947	-	-	-	-	-
Miscellaneous	-	45	745	1,866	139	-
Total additions	268,047	147,709	208,123	7,142,227	479,801	1,759,796
Deductions:						
Agency remittances:						
To other funds	85,728	-	-	-	-	-
To other governments	117,424	133,994	229,870	6,332,524	417,158	1,676,556
Trusts paid out	62,778	-	-	-	-	-
Total deductions	265,930	133,994	229,870	6,332,524	417,158	1,676,556
Balances end of year	\$ 6,346	142,760	300,528	6,915,780	464,529	1,742,018

See accompanying independent auditor's report.

Townships	Auto License and Use Tax	E911 Service Board	Resources Unlimited	Emergency Management Commission	Emergency Medical Services	City Special Assessments	Other	Total
198,596	213,639	86,329	309,951	27,587	909	49,593	17,593	9,526,487
202,865	-	-	-	-	-	-	2,279	9,501,378
-	-	65,190	-	-	-	-	-	65,190
7,947	-	-	-	-	-	-	61	446,635
-	-	-	-	-	-	-	39,236	39,236
-	-	-	-	-	-	-	11,400	214,500
-	2,247,246	-	-	-	-	-	-	2,247,246
-	-	-	-	-	-	12,168	-	12,168
-	-	-	-	-	-	-	91,337	156,284
137	3,187	-	217,225	75,583	-	-	83	299,010
210,949	2,250,433	65,190	217,225	75,583	-	12,168	144,396	12,981,647
-	89,678	-	-	-	-	-	93,761	269,167
200,898	2,217,068	80,318	115,845	77,041	-	14,834	2,943	11,616,473
-	-	-	-	-	-	-	48,613	111,391
200,898	2,306,746	80,318	115,845	77,041	-	14,834	145,317	11,997,031
208,647	157,326	71,201	411,331	26,129	909	46,927	16,672	10,511,103

Pocahontas County

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

For the Last Ten Years

	2010	2009	2008	2007	2006
Revenues:					
Property and other county tax	\$ 4,254,131	4,005,332	3,803,263	3,789,868	3,709,574
Local option sales tax	260,424	334,590	253,327	271,106	192,734
Interest and penalty on property tax	28,515	22,915	15,548	17,232	19,166
Intergovernmental	4,077,843	4,160,900	4,392,022	4,044,917	4,089,221
Licenses and permits	43,759	42,326	154,215	70,049	25,364
Charges for service	487,811	466,799	458,511	488,566	476,654
Use of money and property	150,090	285,578	420,871	286,712	325,094
Fines, forfeitures and defaults	-	-	-	-	-
Miscellaneous	471,260	304,007	1,090,291	242,089	284,439
Total	\$ 9,773,833	9,622,447	10,588,048	9,210,539	9,122,246
Expenditures:					
Operating:					
Public safety and legal services	\$ 1,528,951	1,324,684	1,289,443	1,143,838	1,102,064
Physical health and social services	1,341,200	1,342,135	1,295,630	1,197,529	1,284,731
Mental health	860,327	896,475	938,376	852,551	976,923
County environment and education	880,862	817,339	772,033	707,212	599,434
Roads and transportation	4,073,896	3,463,907	3,713,055	3,061,030	3,137,882
Governmental services to residents	303,558	305,130	282,882	323,048	327,218
Administration	1,326,687	1,177,814	1,138,003	940,180	1,002,141
Non-program	1,601,325	554,673	263,954	265,868	209,554
Debt service	593,733	339,138	1,013,686	146,113	157,120
Capital projects	108,903	370,687	459,265	503,498	737,879
Total	\$ 12,619,442	10,591,982	11,166,327	9,140,867	9,534,946

See accompanying independent auditor's report.

Modified Accrual Basis				
2005	2004	2003	2002	2001
3,699,102	3,883,390	3,753,017	3,156,424	2,797,167
348,556	161,200	83,473	49,216	-
23,871	30,419	18,412	20,227	18,964
3,985,573	3,938,152	4,708,608	4,463,190	5,021,258
55,259	23,938	23,898	22,516	20,870
437,342	458,307	364,636	337,646	290,095
165,285	180,817	177,350	224,723	292,069
-	17,145	-	-	-
410,640	125,767	385,214	602,407	170,604
9,125,628	8,819,135	9,514,608	8,876,349	8,611,027
893,329	965,340	906,338	902,346	853,609
1,001,683	1,039,758	1,033,126	1,069,611	1,104,310
912,302	902,017	896,475	925,865	908,824
534,984	566,157	614,353	644,187	599,835
3,059,974	2,089,357	3,001,356	2,455,997	3,028,277
252,585	262,469	242,444	225,164	208,810
1,028,349	1,239,195	819,936	786,768	779,601
276,621	440,522	469,244	246,446	15,445
369,424	85,263	951,117	785,096	1,168,445
1,058,689	387,693	98,887	289,957	810,370
9,387,940	7,977,771	9,033,276	8,331,437	9,477,526

Schedule 6

Pocahontas County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 3,628
U.S. Environmental Protection Agency:			
Iowa Department of Natural Resources:			
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-G0230R	783,347
U.S. Department of Education:			
Iowa Department of Transportation:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397		26,864
U. S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness Grant	93.069		21,277
Immunization Grants	93.268		8,198
ARRA - Immunization	93.712		2,041
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		1,691
Refugee and Entrant Assistance - State Administered Programs	93.566		10
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		940
Foster Care - Title IV-E	93.658		1,921
Adoption Assistance	93.659		480
State Children's Insurance Program	93.767		22
Medical Assistance Program	93.778		4,069
Social Services Block Grant	93.667		1,872
Social Services Block Grant	93.667		32,089
			33,961
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR IA 1763	60,625
Emergency Management and Performance Grants	97.042		37,296
Total			\$ 986,370

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



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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

To the Officials of Pocahontas County:

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, 2010, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated August 3, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pocahontas County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Pocahontas County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pocahontas County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be 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 in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 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 Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-10 and II-D-10 to be significant deficiencies.

Compliance and Other Matters

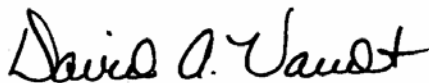
As part of obtaining reasonable assurance about whether Pocahontas County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 in the accompanying Schedule of Findings and Questioned Costs.

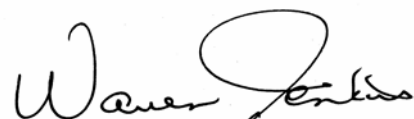
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all 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 findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Pocahontas County's responses and, accordingly, we express no opinion on them.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 3, 2011

**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133**

Pocahontas County



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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

To the Officials of Pocahontas County:

Compliance

We have audited Pocahontas County's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2010. Pocahontas County's major federal program is identified in Part I of the accompanying Schedule of Findings and Question Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Pocahontas County's management. Our responsibility is to express an opinion on Pocahontas County's compliance based on our audit.

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

In our opinion, Pocahontas County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance


The management of Pocahontas County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Pocahontas County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pocahontas County's internal control over compliance.

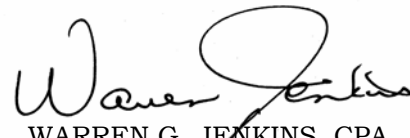
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance we consider to be significant deficiencies which are described in the accompanying Schedule of Findings and Questioned Costs as items III-A-10 and III-B-10. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 3, 2011

Pocahontas County
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program is CFDA Number 66.458 – ARRA – Capitalization Grants for Clean Water State Revolving Fund.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Pocahontas County did not qualify as a low-risk auditee.

Pocahontas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES

II-A-10 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:

	Applicable Offices
(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 General Relief
(2) Bank reconciliation is not prepared by someone who doesn't sign checks, handle or record cash.	Treasurer, Recorder and General Relief
(3) Bank reconciliations are not reviewed periodically by an independent person for propriety.	Treasurer, Recorder and General Relief
(4) All employees have access to the change fund.	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 and General Relief

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. 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 evidenced by initials or signature of the reviewer and the date of the review.

Responses –

Treasurer –

- (1) Limited staff makes this impossible to segregate. However, the person making the deposit collects the least amount of money during the day.
- (2) Limited staff makes this difficult to segregate.

Pocahontas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

- (3) Limited staff makes this difficult. All bank statements are reconciled by the County Treasurer and reviewed by the Tax Deputy every month. 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. I will start keeping the examination date and signature in the investment book.

Recorder – We will try to comply as best we can.

Sheriff – The County Sheriff and his staff will share the above responsibilities.

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

II-B-10 Financial Reporting – During the audit, we identified material amounts of receivables and payables not recorded in the County's financial statements. An inventory of Secondary Roads culverts was not performed or included for financial reporting. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

Response – We will watch more closely for accruals. The inventory count has been scheduled with the State Auditor and the County Engineer for fiscal year 2011 and will include culverts.

Conclusion – Response accepted.

II-C-10 Electronic Data Processing Systems – During our review of internal control, the existing control activities in the County's computer based 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 based systems were noted:

The County does not have written policies for:

- password privacy and confidentiality.
- 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.

Pocahontas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

- 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 system.

Also, the County does not have a written disaster recovery plan.

Recommendation – The County should develop written policies addressing the above items in order to improve the County's control over computer based systems. A written disaster recovery plan should be developed.

Response – We have been working on this policy.

Conclusion – Response accepted.

II-D-10

Capital Asset Inventory – The capital assets listing was not reviewed periodically during the year ended June 30, 2010 to verify assets on the listing existed or all assets were on the capital asset listing. Written authorization was not required from department heads prior to deleting items from the capital assets inventory.

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 existed and all capital assets are on the listing. Also, written authorization should be required before capital assets are deleted from the capital asset inventory.

Response – Department heads usually advise us when something is disposed of or traded in. Each department is given their list of assets and are asked to update the list. They are usually accurate in their accounting.

Conclusion – Response acknowledged. A person with no responsibility for capital assets should periodically verify the capital assets listing. Written authorization should be required before capital assets are disposed of.

Pocahontas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards:

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 66.458: ARRA – Capitalization Grants for Clean Water State Revolving Funds

Federal Award Year 2010

U.S. Environmental Protection Agency

Passed through the Iowa Department of Natural Resources

III-A-10 Cash Management – Effective cash management procedures provide for minimizing the amount of time between the drawdown/request for federal funds and the disbursement of those funds. They also minimize the amount of County funds used to supplant expenditures until federal funds are received.

The loan agreement for the Capitalization Grants for Clean Water State Revolving Funds was finalized January 27, 2010. However, the first loan disbursement requisition, which covered expenditures incurred beginning in August 2008, was not made until January 2011.

Recommendation – The County should develop and implement procedures to ensure federal funds are drawn down in a timely manner.

Response and Corrective Action Planned – This work was done on a drainage project and the process for this project was being developed with the State as it was the first in their realm also. We did the best we could through this learning process.

Conclusion – Response acknowledged. The County should develop procedures to ensure federal funds are drawn down in a timely manner.

III-B-10 Suspension and Debarment – OMB Circular A-133 states the County is prohibited from contracting with or making awards under covered transactions to parties who are suspended or debarred. The County has not established policies and procedures to ensure transactions are with contractors who are not suspended or debarred.

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

Response and Corrective Action Planned – A policy has been adopted.

Conclusion – Response accepted.

Pocahontas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amount budgeted in the non-program function and disbursements in certain departments exceeded the amounts appropriated.

The notice of the budget amendment hearing was not published at least 10 days prior to the hearing as required by Chapters 331.434(2) and 331.435 of the Code of Iowa.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation. Also, the notice of a budget amendment hearing should be published not less than 10 days or more than 20 days prior to the hearing date, as required.

Response – The Board makes one amendment each year. We will consider this recommendation.

Conclusion – Response acknowledged. The Board should ensure the budget is amended as required prior to allowing disbursements to exceed the budget. The Board should also ensure notice of the budget amendment hearing is published as required.

IV-B-10 Questionable Expenditures – Certain expenditures 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 expenditures are detailed as follows:

Paid to	Purpose	Amount
Woods Super Market	Food for Board of Health Meeting	\$ 62
Pizza Ranch	Food for support group meeting	48
Princess City Floral & Gifts	Memorial flowers	30

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

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

Response – The food was approved many years ago by the Board as it serves the public purpose of getting people to serve without pay.

Pocahontas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Conclusion – Response acknowledged. The Board should develop written policies, including the requirement for proper documentation, to demonstrate the disbursements meet the test of public purpose.

IV-C-10 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-10 Business Transactions – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Linda Ferguson, Auditor's Clerk, husband is part owner of Ferguson Equipment	Tools, parts	\$ 514
Ray Wolf, Conservation Board member, owner of Ray's Plumbing and Heating	Services for Secondary Roads	14,133
Janis Hanson, Deputy Auditor, and Carol McLain, Auditor's Clerk. Janis's daughter is employed by Pro Cooperative and Carol's husband is a Board member of Pro Cooperative	Bulk fuel for Secondary Roads, informally bid Chemicals and seed	359,349 16,805
Louis Stauter, Board Member, co-owner of T&L Construction	Wall and utility repair	9,971

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Ferguson Equipment do not represent a conflict of interest since total transactions were less than \$1,500.

The transactions with Ray's Plumbing and Heating and Pro Cooperative for services, fuel, chemicals and seed for the Secondary Roads Department do not appear to represent a conflict of interest in accordance with Chapter 331.342(4) of the Code of Iowa since the Conservation Board member's and the Auditor's Office Clerk's employment is 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 contract.

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with T&L Construction may represent a conflict of interest since the total transactions were greater than \$1,500 during the fiscal year.

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

Response – The County will have the County attorney review this recommendation.

Conclusion – Response accepted.

IV-E-10 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.

Pocahontas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

IV-F-10 Board Minutes – No transactions we believe should have been approved in the Board minutes but were not were noted.

Certain minutes of Board proceedings were not published timely as required by Chapter 349.18 of the Code of Iowa.

Certain Board minutes were not signed.

Recommendation – The County should ensure the minutes are signed and published timely, as required.

Response – All Board minutes are approved by the Board. The process of electronically entering the minutes in the minute book has been a change that is being perfected and they will be in the minute book and signed.

Conclusion – Response acknowledged. The County should also ensure minutes are published in accordance with Chapter 349.18 of the Code of Iowa.

IV-G-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-H-10 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-10 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 – The County ordinances will be reviewed by MIDAS to get the codification completed this year.

Conclusion – Response accepted.

IV-J-10 Cellular Phones – Expenditures were made by the County and other boards for cellular telephone 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 various department heads, should establish written policies governing the use of cellular phones.

Response – The Board will prepare a policy for cell phones.

Conclusion – Response accepted.

Pocahontas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

IV-K-10 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 – This recommendation will be considered.

Conclusion – Response acknowledged. The County should obtain an actuarial opinion in accordance with Chapter 509A.15 of the Code of Iowa.

IV-L-10 Financial Condition – The Special Revenue, Mental Health and Veterans Grants Funds had deficit fund balances of \$51,475 and \$619, respectively, at June 30, 2010.

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

Response – We budget and report on cash basis. If the State fully funded mental health as they approved in 1995 perhaps counties would not have the problems experienced in mental health.

Conclusion – Response acknowledged. The County should continue to investigate alternatives to eliminate the deficits.

IV-M-10 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.

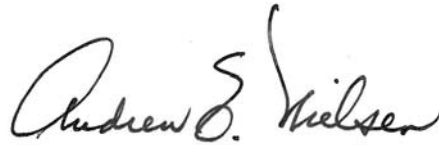
Disbursements during the year ended June 30, 2010 for the County Extension Office did not exceed the amount budgeted.

Pocahontas County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Steven O. Fuqua, CPA, Senior Auditor II
Shannan M. Hoffman, Staff Auditor
Jessica N. Meierotto, Staff Auditor
Kassi D. Adams, Assistant Auditor
Elizabeth A. Harriss, CPA, Assistant Auditor
Nancy J. Umsted, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State