



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE February 26, 2004

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

The County had local tax revenue of \$11,496,484 for the year ended June 30, 2003, which included \$691,085 in tax credits from the state. The County forwarded \$7,666,356 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,830,128 of the local tax revenue to finance County operations, a sixteen percent increase from the prior year. Other revenues included \$4,538,587 from other governments, \$176,383 in local option sales tax and \$166,321 in interest on investments.

Expenditures for County operations totaled \$9,033,276, an eight percent increase from the prior year. Expenditures included \$3,001,356 for roads and transportation, \$1,033,126 for physical health and social services and \$951,117 for debt service.

The significant increase in revenues and expenditures is due primarily to the tax levied for the General Fund and for drainage district debt service, construction and repair and secondary roads department roadway maintenance and equipment purchases.

The report contains recommendations to the Board of Supervisors and other County officials. For example, written policies governing the use of cellular phones should be adopted. The County's responses are included in the audit report.

A copy of the audit report is available for review in the Office of Auditor of State and the County Auditor's office.

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POCAHONTAS COUNTY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2003

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Pocahontas County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2003)		
Paul R. Beneke	Board of Supervisors	Jan 2003
Vincent Triggs	Board of Supervisors	Jan 2003
Ralph E. Christiansen	Board of Supervisors	Jan 2005
Jack Dewolf	Board of Supervisors	Jan 2005
C. Wilbur Ekstrand	Board of Supervisors	Jan 2005
Margene A. Bunda	County Auditor	Jan 2005
Shirlee E. Dense	County Treasurer	Jan 2003
Michael P. Bollard	County Recorder	Jan 2003
Robert Lampe	County Sheriff	Jan 2005
Ann E. Beneke	County Attorney	Jan 2003
Brian H. De Wall	County Assessor	Jan 2004
(After January 2003)		
Ralph E. Christiansen	Board of Supervisors	Jan 2005
Jack Dewolf	Board of Supervisors	Jan 2005
C. Wilbur Ekstrand	Board of Supervisors	Jan 2005
Paul R. Beneke	Board of Supervisors	Jan 2007
Vincent Triggs	Board of Supervisors	Jan 2007
Margene A. Bunda	County Auditor	Jan 2005
Shirlee E. Dense	County Treasurer	Jan 2007
Michael P. Bollard	County Recorder	Jan 2007
Robert Lampe	County Sheriff	Jan 2005
Ann E. Beneke	County Attorney	Jan 2007
Brian H. De Wall	County Assessor	Jan 2004

Pocahontas County



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Independent Auditor's Report

To the Officials of Pocahontas County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Pocahontas County, Iowa, as of and for the year ended June 30, 2003. These general purpose financial statements are the responsibility of Pocahontas County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include materials and supplies inventory, pertaining primarily to the Special Revenue Funds, which should be included in order to conform with U.S. generally accepted accounting principles. The amounts of such inventory are not determinable.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Pocahontas County at June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances – Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types and expendable trust funds of Pocahontas County for the year ended June 30, 2003.

As discussed in note 10 to the financial statements, Pocahontas County intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the County's financial statements and related notes in the year of implementation. The revised requirements include the use of the economic resources measurement focus and full accrual accounting, as well as an analytical overview of the County's financial activities in the Management's Discussion and Analysis introduction to the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated December 4, 2003 on our consideration of Pocahontas County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed qualified opinions on those financial statements for the effects of the omission of the materials and supplies inventory, pertaining primarily to the Special Revenue Funds. The supplemental information included in Schedules 1 through 10 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, except for the effects of the omission of materials and supplies inventory, pertaining primarily to the Special Revenue Funds, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 4, 2003

Financial Statements

Pocahontas County
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2003

	Governmental Fund Types	
	General	Special Revenue
Assets and Other Debits		
Cash and pooled investments:		
County Treasurer	\$ 881,107	5,783,515
Other County officials	-	-
Receivables:		
Property tax:		
Delinquent	16,380	2,990
Succeeding year	2,529,000	1,320,000
Interest and penalty on property tax	80,833	-
Accounts	58,954	14,848
Accrued interest	12,974	-
Special assessments	-	-
Drainage assessments:		
Current	-	173,021
Future	-	25,858
Due from other funds (note 3)	5,537	-
Due from other governments	100,752	218,413
Inventories	8,639	-
Prepaid insurance	58,380	25,903
Property and equipment (note 4)	-	-
Amount available for drainage warrants/ drainage improvement certificates	-	-
Amount to be provided for retirement of general long-term debt	-	-
Amount to be provided for retirement of drainage warrants/drainage improvement certificates	-	-
Total assets and other debits	\$ 3,752,556	7,564,548

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Internal Service	Trust and Agency			
9,159	572,914	-	-	7,246,695
-	100	-	-	100
-	87,229	-	-	106,599
-	7,171,000	-	-	11,020,000
-	-	-	-	80,833
5,451	20,853	-	-	100,106
-	-	-	-	12,974
-	122,988	-	-	122,988
-	-	-	-	173,021
-	-	-	-	25,858
-	76	-	-	5,613
-	332	-	-	319,497
-	-	-	-	8,639
-	-	-	-	84,283
-	-	9,579,447	-	9,579,447
-	-	-	22,188	22,188
-	-	-	157,582	157,582
-	-	-	406,630	406,630
14,610	7,975,492	9,579,447	586,400	29,473,053

Pocahontas County
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2003

	Governmental Fund Types	
	General	Special Revenue
Liabilities, Fund Equity and Other Credits		
Liabilities:		
Excess of checks outstanding over cash balance	\$ -	-
Accounts payable	74,377	289,588
Salaries and benefits payable	85,829	44,986
Due to other funds (note 3)	76	-
Due to other governments (note 5)	7,426	13,584
Trusts payable	-	-
Deferred revenue:		
Succeeding year property tax	2,529,000	1,320,000
Other	97,279	213,765
Drainage warrants payable (note 6)	-	-
Drainage improvement certificates payable (note 6)	-	-
Compensated absences	25,146	11,182
Total liabilities	2,819,133	1,893,105
Fund equity and other credits:		
Investment in general fixed assets	-	-
Unreserved retained earnings	-	-
Fund balances:		
Reserved for:		
Supplemental levy purposes	287,623	-
Inventories	8,639	-
Prepaid insurance	58,380	25,903
Drainage warrants/drainage improvement certificates	-	22,188
Unreserved:		
Designated for:		
Hwy 315 improvements	-	337,890
Hwy 195 improvements	-	153,000
Undesignated	578,781	5,132,462
Total fund equity and other credits	933,423	5,671,443
Total liabilities, fund equity and other credits	\$ 3,752,556	7,564,548

See notes to financial statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Internal Service	Trust and Agency			
-	76	-	-	76
14,563	1,646	-	-	380,174
-	7,626	-	-	138,441
-	5,537	-	-	5,613
-	7,871,144	-	-	7,892,154
-	3,859	-	-	3,859
-	-	-	-	3,849,000
-	-	-	-	311,044
-	-	-	257,154	257,154
-	-	-	171,664	171,664
-	19,471	-	157,582	213,381
14,563	7,909,359	-	586,400	13,222,560
-	-	9,579,447	-	9,579,447
47	-	-	-	47
-	-	-	-	287,623
-	-	-	-	8,639
-	-	-	-	84,283
-	-	-	-	22,188
-	-	-	-	337,890
-	-	-	-	153,000
-	66,133	-	-	5,777,376
47	66,133	9,579,447	-	16,250,493
14,610	7,975,492	9,579,447	586,400	29,473,053

Exhibit B

Pocahontas County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - All Governmental Fund Types
and Expendable Trust Funds

Year ended June 30, 2003

	Governmental Fund Types		Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Fund Type Expendable Trust	
Revenues:				
Property and other County tax	\$2,522,715	1,313,775	-	3,836,490
Interest and penalty on property tax	18,412	-	-	18,412
Intergovernmental	847,658	3,859,580	1,370	4,708,608
Licenses and permits	21,243	2,655	-	23,898
Charges for service	316,836	37,407	10,393	364,636
Use of money and property	170,741	3,470	3,139	177,350
Miscellaneous	91,029	290,728	3,457	385,214
Total revenues	3,988,634	5,507,615	18,359	9,514,608
Expenditures:				
Operating:				
Public safety and legal services	906,338	-	-	906,338
Physical health and social services	1,033,126	-	-	1,033,126
Mental health	-	896,475	-	896,475
County environment and education	414,925	199,428	-	614,353
Roads and transportation	-	3,001,356	-	3,001,356
Governmental services to residents	238,444	4,000	-	242,444
Administration	819,936	-	-	819,936
Non-program	19,104	449,739	401	469,244
Debt service	-	951,117	-	951,117
Capital projects	-	95,271	3,616	98,887
Total expenditures	3,431,873	5,597,386	4,017	9,033,276
Excess (deficiency) of revenues over (under) expenditures	556,761	(89,771)	14,342	481,332

Pocahontas County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - All Governmental Fund Types
and Expendable Trust Funds

Year ended June 30, 2003

	Governmental Fund Types		Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Expendable Trust	
Other financing sources (uses):				
Sale of general fixed assets	16,138	-	-	16,138
Operating transfers in	-	855,000	-	855,000
Operating transfers out	(55,000)	(800,000)	-	(855,000)
Drainage warrant/drainage improvement certificate proceeds	-	433,888	-	433,888
Total other financing sources (uses)	<u>(38,862)</u>	<u>488,888</u>	<u>-</u>	<u>450,026</u>
Excess of revenues and other financing sources over expenditures and other financing uses	517,899	399,117	14,342	931,358
Fund balances beginning of year	466,495	5,276,153	51,791	5,794,439
Decrease in reserve for:				
Inventories	(13,541)	-	-	(13,541)
Prepaid insurance	(37,430)	(3,827)	-	(41,257)
Fund balances end of year	<u>\$ 933,423</u>	<u>5,671,443</u>	<u>66,133</u>	<u>6,670,999</u>

See notes to financial statements.

Pocahontas County

Comparison of Receipts, Disbursements and
Changes in Balances - Actual to Budget (Cash Basis)
All Governmental Fund Types and Expendable Trust Funds

Year ended June 30, 2003

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other County tax	\$ 3,814,483	-
Interest and penalty on property tax	19,301	-
Intergovernmental	4,729,389	230,193
Licenses and permits	23,895	-
Charges for service	346,787	-
Use of money and property	188,226	-
Miscellaneous	415,461	259,064
Total receipts	<u>9,537,542</u>	<u>489,257</u>
Disbursements:		
Public safety and legal services	908,272	-
Physical health and social services	1,040,657	-
Mental health	958,725	-
County environment and education	613,198	-
Roads and transportation	2,797,285	-
Governmental services to residents	243,093	-
Administration	814,568	-
Non-program	465,206	445,667
Debt service	951,117	951,117
Capital projects	101,421	-
Total disbursements	<u>8,893,542</u>	<u>1,396,784</u>
Excess (deficiency) of receipts over (under) disbursements	644,000	(907,527)
Other financing sources, net	450,026	433,888
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,094,026	(473,639)
Balance beginning of year	<u>5,630,967</u>	<u>879,785</u>
Balance end of year	<u>\$ 6,724,993</u>	<u>406,146</u>

See notes to financial statements.

Net	Amended Budget	Variance - Favorable (Unfavorable)	Net as % of Amended Budget
3,814,483	3,733,459	81,024	102%
19,301	11,600	7,701	166%
4,499,196	4,289,085	210,111	105%
23,895	21,910	1,985	109%
346,787	268,880	77,907	129%
188,226	131,130	57,096	144%
156,397	69,100	87,297	226%
<u>9,048,285</u>	<u>8,525,164</u>	<u>523,121</u>	<u>106%</u>
908,272	1,046,445	138,173	87%
1,040,657	1,619,695	579,038	64%
958,725	1,116,200	157,475	86%
613,198	659,999	46,801	93%
2,797,285	3,313,600	516,315	84%
243,093	250,697	7,604	97%
814,568	982,149	167,581	83%
19,539	19,354	(185)	101%
-	-	-	
101,421	279,000	177,579	36%
<u>7,496,758</u>	<u>9,287,139</u>	<u>1,790,381</u>	<u>81%</u>
1,551,527	(761,975)		
<u>16,138</u>	-		
1,567,665	(761,975)		
<u>4,751,182</u>	-		
<u>6,318,847</u>	<u>(761,975)</u>		

Exhibit D

Pocahontas County
Statement of Revenues, Expenses and Changes in Retained Earnings
Proprietary Fund Type
Year ended June 30, 2003

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from employees and others		\$ 47,278
Operating expenses:		
Medical claims	\$ 88,078	
Insurance premiums	27,462	
Administrative fees	<u>6,200</u>	<u>121,740</u>
Operating loss		(74,462)
Non-operating revenues:		
Interest on investments		<u>571</u>
Net loss		(73,891)
Retained earnings beginning of year		<u>73,938</u>
Retained earnings end of year		<u><u>\$ 47</u></u>

See notes to financial statements.

Pocahontas County
 Statement of Cash Flows
 Proprietary Fund Type
 Year ended June 30, 2003

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from employees and others	\$ 41,827
Cash payments for medical claims	(76,956)
Cash payments for insurance premiums	(27,462)
Cash payments for administrative fees	<u>(6,200)</u>
Net cash used by operating activities	(68,791)
Cash flows from investing activities:	
Interest on investments	<u>571</u>
Net decrease in cash and cash equivalents	(68,220)
Cash and cash equivalents beginning of year	<u>77,379</u>
Cash and cash equivalents end of year	<u><u>\$ 9,159</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (74,462)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Increase in accounts receivable	(5,451)
Increase in accounts payable	<u>11,122</u>
Net cash used by operating activities	<u><u>\$ (68,791)</u></u>

See notes to financial statements.

Pocahontas County

Notes to Financial Statements

June 30, 2003

(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.

A. Reporting Entity

For financial reporting purposes, Pocahontas County has included all funds, organizations, account groups, 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 that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Certain drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the 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 also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Pocahontas County Assessor's Conference Board, Pocahontas County Emergency Management Commission, Pocahontas County E911 Service Board and Pocahontas County 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. Fund Accounting

The accounts of the County are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues and expenditures or expenses. The various funds and account groups and their designated purposes are as follows:

Governmental Funds

General Fund – The General Fund is the general operating fund of the County. All general tax revenues and other revenues that are 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 that are not paid from other funds.

Special Revenue Funds – The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Proprietary Fund

Internal Service Fund – The 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

Trust Funds – The Trust Funds are used to account for assets held by the County in a trustee capacity. These include Expendable Trust Funds which are accounted for in essentially the same manner as Governmental Funds.

Agency Funds – The 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. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

Account Groups

General Fixed Assets – This account group is established to account for the general fixed assets of the County.

General Long-Term Debt – This account group is established to account for long-term debt of the County. Long-term liabilities expected to be financed from Governmental Funds are accounted for in this account group, not in the Governmental Funds.

C. Measurement Focus

Governmental Funds and Expendable Trust Funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental Fund and Expendable Trust Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Proprietary Funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means all assets and all liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported fund equity, net total assets, is reported as retained earnings. Proprietary Fund operating statements present increases (revenues) and decreases (expenses) in net total assets.

In reporting the financial activity of its Proprietary Fund, 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.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds and Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The Proprietary Fund is accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The assets and liabilities of the Agency Funds are accounted for using the modified accrual basis of accounting.

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.

E. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments in non-negotiable certificates of deposit 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, they 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 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, 2001 assessed property valuations; is for the tax accrual period July 1, 2002 through June 30, 2003 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2002.

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.

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

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. Drainage assessments receivable represent assessments which are due and payable but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2003, balances of interfund amounts receivable or payable have been recorded.

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 current market prices as of June 30, 2003. Inventories consist of grain stored in a local elevator which had not been sold as of June 30, 2003. Revenue is reported at the time the grain is sold. Reported inventories are equally offset by a fund balance reserve which indicates they are not available to liquidate current obligations.

General Fixed Assets – General fixed assets are recorded as expenditures in the Governmental Funds and are capitalized (recorded and accounted for) in the General Fixed Assets Account Group. Assets in this account group are recorded at historical cost. Assets acquired by gift are accounted for at fair market value at the date of the gift. The General Fixed Assets Account Group excludes public domain or "infrastructure" general fixed assets such as roads, bridges, curbs, gutters, streets, sidewalks and similar assets that are immovable and of value only to the government.

In accordance with standards set forth by the Governmental Accounting Standards Board, depreciation expense is not recorded on the balance sheet for general fixed assets. At the time an asset is removed from service, the cost is removed from the General Fixed Assets Account Group. Maintenance and repairs are recorded as expenditures in the Governmental Funds as incurred and are not capitalized.

During the year ended June 30, 2003, no interest costs were capitalized since the County's policy is not to capitalize interest costs on assets constructed or acquired with tax-exempt debt paid for from annual debt service tax levies.

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused compensatory and vacation hours for subsequent use or for payment upon termination, death or retirement. For the Agency Funds, these accumulations are recorded as liabilities in the year earned. In the Governmental Funds, the cost of vacation and compensatory payments expected to be liquidated currently are recorded as liabilities of the Governmental Fund. A liability has been recorded in the General Long-Term Debt Account Group representing the County's commitment to fund non-current compensated absences. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2003.

Unreserved Retained Earnings – The unreserved retained earnings of the Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

F. Budgets and Budgetary Accounting

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. 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, Special Revenue Funds, and Expendable Trust Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department.

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 Emergency Management Services by the County Emergency Management Commission and for the E911 System by the E911 Service Board.

Exhibit C is a comparison of cash basis receipts, disbursements and changes in balances with the cash basis budget, which is legally controlled by function, not fund type. Operations and ending fund balances on the cash and modified accrual basis have been reconciled as follows:

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 4,000,874	(12,240)	3,988,634	5,523,088	(15,473)	5,507,615
Expenditures	3,436,065	(4,192)	3,431,873	5,453,461	143,925	5,597,386
Net	564,809	(8,048)	556,761	69,627	(159,398)	(89,771)
Other financing sources (uses)	(38,862)	-	(38,862)	488,888	-	488,888
Beginning fund balances	355,160	111,335	466,495	5,225,000	51,153	5,276,153
Decrease in reserve for:						
Inventories	-	(13,541)	(13,541)	-	-	-
Prepaid insurance	-	(37,430)	(37,430)	-	(3,827)	(3,827)
Ending fund balances	\$ 881,107	52,316	933,423	5,783,515	(112,072)	5,671,443

	Fiduciary Fund Type					
	Expendable Trust			Total		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 13,580	4,779	18,359	9,537,542	(22,934)	9,514,608
Expenditures	4,016	1	4,017	8,893,542	139,734	9,033,276
Net	9,564	4,778	14,342	644,000	(162,668)	481,332
Other financing sources (uses)	-	-	-	450,026	-	450,026
Beginning fund balances	50,807	984	51,791	5,630,967	163,472	5,794,439
Decrease in reserve for:						
Inventories	-	-	-	-	(13,541)	(13,541)
Prepaid insurance	-	-	-	-	(41,257)	(41,257)
Ending fund balances	\$ 60,371	5,762	66,133	6,724,993	(53,994)	6,670,999

G. Total (Memorandum Only)

The total column on the combined balance sheet and the combined statement of revenues, expenditures and changes in fund balances is captioned "Memorandum Only" to indicate it is presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2003 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.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2003 is as follows:

Receivable Fund	Payable Fund	Amount
General	Trust and Agency: Auto License and Use Tax	\$ 5,537
Trust and Agency: County Recorder	General	<u>76</u>
Total		<u>\$ 5,613</u>

(4) Property and Equipment

A summary of changes in property and equipment comprising general fixed assets for the year ended June 30, 2003 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land	\$ 864,915	22,500	-	887,415
Buildings	2,126,769	1,220	-	2,127,989
Equipment	6,427,765	714,075	577,797	6,564,043
Total	<u>\$ 9,419,449</u>	<u>737,795</u>	<u>577,797</u>	<u>9,579,447</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. The Agency Fund collections also include accruals of property tax for the succeeding year. The tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	<u>\$ 7,426</u>
Special Revenue:		
Secondary Roads	Services	1,446
Mental Health		<u>12,138</u>
		<u>13,584</u>
Trust and Agency:		
County Assessor	Collections	227,649
Schools		5,252,587
Community Colleges		297,033
Corporations		1,355,629
Auto License and Use Tax		127,047
Economic Development		46,298
Emergency Management Services		28,556
E911		118,923
All other		<u>417,422</u>
		<u>7,871,144</u>
Total		<u>\$ 7,892,154</u>

(6) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2003 is as follows:

	<u>Drainage</u>	<u>Drainage</u>	<u>Compen-</u>	
	<u>Warrants</u>	<u>Improvement</u>	<u>sated</u>	
		<u>Certificates</u>	<u>Absences</u>	<u>Total</u>
Balance beginning of year	\$ 622,485	209,387	141,320	973,192
Additions	419,333	14,555	16,262	450,150
Reductions	784,664	52,278	-	836,942
Balance end of year	<u>\$ 257,154</u>	<u>171,664</u>	<u>157,582</u>	<u>586,400</u>

Drainage Warrants/Drainage Improvement Certificates Payable

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

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 installment payments 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 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 assessments against benefited properties and funds available from the alternative drainage system assistance program administered by the Iowa Department of Agriculture and Land Stewardship.

(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.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 5.37% and 8.05%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$161,147, \$157,325 and \$152,094, 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 T.P.A., Ltd. The agreement is subject to automatic renewal provisions.

Monthly contributions to the Internal Service, Employee Group Health Fund are recorded as expenditures from the operating funds. These contributions represent the difference between premiums required for a higher deductible and those for a lower deductible. Payments from the Internal Service, Employee Group Health Fund are for insurance premiums, employee reimbursements of medical claims up to the individual's funded deductible and administrative costs.

The amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2003 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.

(9) Risk Management

Pocahontas 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.

(10) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the year ending June 30, 2004. The effects are expected to significantly impact the presentation of the County’s financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual accounting. Also, the revised minimum reporting requirements include Management’s Discussion and Analysis to introduce the financial statements and to provide an analytical overview of the County’s financial activities.

Supplemental Information

Pocahontas County

Pocahontas County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

Revenues:

Property and other County tax:

Property tax	\$ 2,435,731	
Utility tax replacement excise tax	85,006	
Other	<u>1,978</u>	\$ 2,522,715

Interest and penalty on property tax

18,412

Intergovernmental:

State shared revenues:

Franchise tax	<u>16,813</u>	
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State grants and reimbursements including indirect federal funding:

Home care aide grant	98,515	
Public health nursing grant	12,191	
Human services administrative reimbursement	25,234	
District court fees	4,719	
Other	<u>52,598</u>	
	<u>193,257</u>	

State tax replacements:

State tax credits	104,174	
State allocation	<u>135,072</u>	
	<u>239,246</u>	

Direct federal grants and entitlements:

Medicare and medicaid	<u>351,239</u>	
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Contributions and reimbursements from other governmental units:

Election reimbursements	3,528	
Prisoner care	150	
Other	<u>43,425</u>	
	<u>47,103</u>	847,658

Licenses and permits

21,243

Charges for service:

Office fees and collections	51,531	
Auto registration, use tax and mailing	62,040	
Home care aide service	148,036	
Other	<u>55,229</u>	316,836

Schedule 1

Pocahontas County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

Revenues (continued):		
Use of money and property:		
Interest on investments	164,647	
Other	<u>6,094</u>	170,741
Miscellaneous:		
Sale of grain	62,761	
Other	<u>28,268</u>	91,029
Total revenues		<u>3,988,634</u>
Expenditures:		
Operating:		
Public safety and legal services		906,338
Physical health and social services		1,033,126
County environment and education		414,925
Governmental services to residents		238,444
Administration		819,936
Non-program		<u>19,104</u>
Total expenditures		<u>3,431,873</u>
Excess of revenues over expenditures		<u>556,761</u>
Other financing sources (uses):		
Sale of general fixed assets		16,138
Operating transfers out:		
Special Revenue:		
Secondary Roads		<u>(55,000)</u>
Total other financing sources (uses)		<u>(38,862)</u>
Excess of revenues and other financing sources over expenditures and other financing uses		517,899
Fund balance beginning of year		466,495
Decrease in reserve for:		
Inventories	(13,541)	
Prepaid insurance	<u>(37,430)</u>	(50,971)
Fund balance end of year		<u>\$ 933,423</u>

See accompanying independent auditor's report.

Pocahontas County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Public safety service and legal services:

Law enforcement:

Uniformed patrol services	\$ 318,084	
Investigations	17,454	
Law enforcement communication	174,245	
Adult correction services	20,758	
Administration	152,139	
	<u>682,680</u>	

Legal services:

Criminal prosecution	113,035	
Medical examinations	3,151	
	<u>116,186</u>	

Emergency services:

Ambulance services	40,000	
Emergency management	30,000	
	<u>70,000</u>	

Assistance to district court system:

Research and other assistance	4,639	
	<u>4,639</u>	

Court proceedings:

Juries and witnesses	385	
Detention services	30,053	
Court costs	261	
Service of civil papers	48	
	<u>30,747</u>	

Juvenile justice administration:

Court-appointed attorneys and court costs for juveniles	<u>2,086</u>	\$ 906,338
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Physical health and social services:

Physical health services:

Personal and family health services	129,914	
Communicable disease prevention and control services	60,144	
Sanitation	91,977	
Health administration	208,052	
	<u>490,087</u>	

Services to the poor:

Administration	55,709	
General welfare services	7,622	
	<u>63,331</u>	

Schedule 2

Pocahontas County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Physical health and social services (continued):

Services to military veterans:		
Administration	19,660	
General services to veterans	682	
	<u>20,342</u>	
Children and family services:		
Youth guidance	5,623	
Family protective services	63,413	
	<u>69,036</u>	
Services to other adults:		
Services to the elderly	374,887	
Other social services	2,568	
	<u>377,455</u>	
Chemical dependency:		
Treatment services	3,275	
Preventive services	9,600	
	<u>12,875</u>	1,033,126
County environment and education:		
Environmental quality:		
Natural resources conservation	7,480	
Conservation and recreation services:		
Administration	84,445	
Maintenance and operations	174,222	
Recreation and environment education	33,719	
	<u>292,386</u>	
County development:		
Land use and building controls	6,759	
Economic development	72,500	
	<u>79,259</u>	
Educational services:		
Fairgrounds	34,000	
Historic Preservation	1,800	
	<u>35,800</u>	414,925
Governmental services to residents:		
Representation services:		
Elections administration	52,633	
Local elections	3,167	
Township officials	2,729	
	<u>58,529</u>	

Pocahontas County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Governmental services to residents (continued):

State administrative services:

Motor vehicle registrations and licensing	74,444	
Recording of public documents	105,471	
	<u>179,915</u>	238,444

Administration:

Policy and administration:

General County management	224,374	
Administrative management services	170,192	
Treasury management services	128,030	
Other policy and administration	41,018	
	<u>563,614</u>	

Central services:

General services	113,605	
Data processing services	29,597	
	<u>143,202</u>	

Risk management services:

Tort liability	38,299	
Safety of the workplace	70,770	
Fidelity of public officials	2,417	
Unemployment compensation	1,634	
	<u>113,120</u>	819,936

Non-program:

County farm operations	18,703	
Other	401	19,104
	<u>401</u>	<u>19,104</u>
Total		<u>3,431,873</u>

See accompanying independent auditor's report.

Pocahontas County
Special Revenue Funds
Combining Balance Sheet
June 30, 2003

	Rural Services	Secondary Roads	Resource Enhancement and Protection
Assets			
Cash and pooled investments	\$ 76,255	4,747,855	46,823
Receivables:			
Property tax:			
Delinquent	337	-	-
Succeeding year	907,000	-	-
Accounts	-	14,848	-
Drainage assessments:			
Current	-	-	-
Future	-	-	-
Due from other governments	40,384	177,834	-
Prepaid insurance	419	25,484	-
Total assets	\$ 1,024,395	4,966,021	46,823
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 1,129	223,537	-
Salaries and benefits payable	2,566	41,918	-
Due to other governments	-	1,446	-
Deferred revenue:			
Succeeding year	907,000	-	-
Other	337	11,904	-
Compensated absences	-	11,182	-
Total liabilities	911,032	289,987	-
Fund equity:			
Fund balances:			
Reserved for:			
Prepaid insurance	419	25,484	-
Drainage warrants/drainage improvement certificates	-	-	-
Unreserved:			
Designated for:			
Hwy 315 improvements	-	337,890	-
Hwy 195 improvements	-	153,000	-
Undesignated	112,944	4,159,660	46,823
Total fund equity	113,363	4,676,034	46,823
Total liabilities and fund equity	\$ 1,024,395	4,966,021	46,823

See accompanying independent auditor's report.

County Recorder's Records Management	Drainage Districts	Mental Health	Courthouse Security	Emergency Medical Services	Total
15,560	406,146	488,273	2,034	569	5,783,515
-	-	2,653	-	-	2,990
-	-	413,000	-	-	1,320,000
-	-	-	-	-	14,848
-	173,021	-	-	-	173,021
-	25,858	-	-	-	25,858
-	-	-	195	-	218,413
-	-	-	-	-	25,903
15,560	605,025	903,926	2,229	569	7,564,548
-	23,096	41,826	-	-	289,588
-	-	502	-	-	44,986
-	-	12,138	-	-	13,584
-	-	413,000	-	-	1,320,000
-	198,880	2,644	-	-	213,765
-	-	-	-	-	11,182
-	221,976	470,110	-	-	1,893,105
-	-	-	-	-	25,903
-	22,188	-	-	-	22,188
-	-	-	-	-	337,890
-	-	-	-	-	153,000
15,560	360,861	433,816	2,229	569	5,132,462
15,560	383,049	433,816	2,229	569	5,671,443
15,560	605,025	903,926	2,229	569	7,564,548

Pocahontas County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2003

	<u>Rural Services</u>	<u>Secondary Roads</u>
Revenues:		
Property and other County tax:		
Property tax	\$ 704,712	-
Local option sales tax	176,383	-
Utility tax replacement excise tax	24,168	-
Other	-	-
	<u>905,263</u>	<u>-</u>
Intergovernmental:		
State shared revenues:		
Road use tax	-	2,581,924
State grants and reimbursements including indirect federal funding:		
Resource enhancement and protection grant	-	-
Social services block grant	-	-
Agricultural drainage wells - alternative drainage system assistance program	-	-
Other	-	-
	<u>-</u>	<u>-</u>
State tax replacements:		
State tax credits	39,528	-
Mental health property tax relief	-	-
	<u>39,528</u>	<u>-</u>
Contributions and reimbursements from other governmental units:		
Drainage district reimbursements	-	38,330
Transfer of road jurisdiction	-	535,639
Other	167	8,804
	<u>167</u>	<u>582,773</u>
	<u>39,695</u>	<u>3,164,697</u>

Resource Enhancement and Protection	County Recorder's Records Management	Drainage Districts	Mental Health	Courthouse Security	Emergency Medical Services	Total
-	-	-	393,973	-	-	1,098,685
-	-	-	-	-	-	176,383
-	-	-	14,526	-	-	38,694
-	-	-	13	-	-	13
-	-	-	408,512	-	-	1,313,775
-	-	-	-	-	-	2,581,924
184	-	-	-	-	-	184
-	-	-	38,951	-	-	38,951
-	-	230,193	-	-	-	230,193
-	-	-	79	-	-	79
184	-	230,193	39,030	-	-	269,407
-	-	-	26,319	-	-	65,847
-	-	-	359,462	-	-	359,462
-	-	-	385,781	-	-	425,309
-	-	-	-	-	-	-
-	-	-	-	-	-	38,330
-	-	-	-	-	-	535,639
-	-	-	-	-	-	8,971
-	-	-	-	-	-	582,940
184	-	230,193	424,811	-	-	3,859,580

Pocahontas County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads
Revenues (continued):		
Licenses and permits	-	2,655
Charges for service:		
Document management fee	-	-
Other	-	33,823
Use of money and property:		
Interest on investments	-	-
Rent	-	2,500
Miscellaneous:		
Drainage assessments	-	-
Sale of materials	-	7,304
Other	-	24,360
Total revenues	944,958	3,235,339
Expenditures:		
Operating:		
Mental health:		
Persons with mental health problems - mental illness:		
Information and education services	-	-
Coordination services	-	-
Treatment services	-	-
Institutional, hospital, and commitment services	-	-

Resource Enhancement and Protection	County Recorder's Records Management	Drainage Districts	Mental Health	Courthouse Security	Emergency Medical Services	Total
-	-	-	-	-	-	2,655
-	2,297	-	-	-	-	2,297
-	-	-	-	1,287	-	35,110
-	2,297	-	-	1,287	-	37,407
718	252	-	-	-	-	970
-	-	-	-	-	-	2,500
718	252	-	-	-	-	3,470
-	-	254,740	-	-	-	254,740
-	-	-	-	-	-	7,304
-	-	4,324	-	-	-	28,684
-	-	259,064	-	-	-	290,728
902	2,549	489,257	833,323	1,287	-	5,507,615
-	-	-	6,965	-	-	6,965
-	-	-	8,245	-	-	8,245
-	-	-	43,155	-	-	43,155
-	-	-	10,041	-	-	10,041
-	-	-	68,406	-	-	68,406

Pocahontas County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2003

	<u>Rural</u> <u>Services</u>	<u>Secondary</u> <u>Roads</u>
Expenditures (continued):		
Operating:		
Mental health:		
Persons with chronic mental illness:		
Coordination services	-	-
Treatment services	-	-
Vocational and day services	-	-
Licensed or certified living arrangements	-	-
Institutional, hospital, and commitment services	-	-
	<u>-</u>	<u>-</u>
Persons with mental retardation:		
Coordination services	-	-
General administration	-	-
Vocational and day services	-	-
Licensed or certified living arrangements	-	-
Institutional, hospital, and commitment services	-	-
	<u>-</u>	<u>-</u>
Persons with other developmental disabilities:		
Coordination services	-	-
Vocational and day services	-	-
Licensed or certified living arrangements	-	-
	<u>-</u>	<u>-</u>
County environment and education:		
Environmental quality:		
Weed eradication	2,332	-
Solid waste disposal	70,656	-
	<u>72,988</u>	<u>-</u>

Resource Enhancement and Protection	County Recorder's Records Management	Drainage Districts	Mental Health	Courthouse Security	Emergency Medical Services	Total
-	-	-	2,600	-	-	2,600
-	-	-	25,362	-	-	25,362
-	-	-	33,798	-	-	33,798
-	-	-	103,926	-	-	103,926
-	-	-	10,750	-	-	10,750
-	-	-	176,436	-	-	176,436
-	-	-	28,376	-	-	28,376
-	-	-	99,215	-	-	99,215
-	-	-	170,816	-	-	170,816
-	-	-	297,437	-	-	297,437
-	-	-	40,300	-	-	40,300
-	-	-	636,144	-	-	636,144
-	-	-	7,327	-	-	7,327
-	-	-	2,497	-	-	2,497
-	-	-	5,665	-	-	5,665
-	-	-	15,489	-	-	15,489
-	-	-	896,475	-	-	896,475
-	-	-	-	-	-	2,332
-	-	-	-	-	-	70,656
-	-	-	-	-	-	72,988

Pocahontas County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2003

	<u>Rural Services</u>	<u>Secondary Roads</u>
Expenditures (continued):		
Operating:		
County environment and education:		
Conservation and recreation services:		
Roadside management	78,940	-
Educational services:		
Libraries	47,500	-
	<u>199,428</u>	<u>-</u>
Roads and transportation:		
Secondary roads administration and engineering:		
Administration	-	146,429
Engineering	-	91,373
	<u>-</u>	<u>237,802</u>
Roadway maintenance:		
Bridges and culvert	-	12,169
Roads	-	954,387
Snow and ice control	-	105,020
Traffic controls	-	98,660
Road clearing	-	41,141
	<u>-</u>	<u>1,211,377</u>
General roadway expenditures:		
Equipment	-	823,287
Equipment operation	-	515,572
Tools, materials, and supplies	-	100,819
Real estate and buildings	-	112,499
	<u>-</u>	<u>1,552,177</u>
	<u>-</u>	<u>3,001,356</u>

Resource Enhancement and Protection	County Recorder's Records Management	Drainage Districts	Mental Health	Courthouse Security	Emergency Medical Services	Total
-	-	-	-	-	-	78,940
-	-	-	-	-	-	47,500
-	-	-	-	-	-	199,428
-	-	-	-	-	-	146,429
-	-	-	-	-	-	91,373
-	-	-	-	-	-	237,802
-	-	-	-	-	-	12,169
-	-	-	-	-	-	954,387
-	-	-	-	-	-	105,020
-	-	-	-	-	-	98,660
-	-	-	-	-	-	41,141
-	-	-	-	-	-	1,211,377
-	-	-	-	-	-	823,287
-	-	-	-	-	-	515,572
-	-	-	-	-	-	100,819
-	-	-	-	-	-	112,499
-	-	-	-	-	-	1,552,177
-	-	-	-	-	-	3,001,356

Pocahontas County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2003

	<u>Rural Services</u>	<u>Secondary Roads</u>
Expenditures (continued):		
Operating:		
Governmental services to residents:		
State administrative services:		
Recording of public documents	-	-
Non-program:		
Drainage district construction and repair	-	-
Debt service:		
Drainage improvement certificates redeemed	-	-
Drainage district warrants redeemed	-	-
Interest on drainage district certificates and warrants	-	-
Capital projects:		
Roadway construction	-	95,271
Total expenditures	<u>199,428</u>	<u>3,096,627</u>
Excess (deficiency) of revenues over (under) expenditures	<u>745,530</u>	<u>138,712</u>
Other financing sources (uses):		
Operating transfers in (out):		
General	-	55,000
Special Revenue:		
Rural Services	-	800,000
Secondary Roads	(800,000)	-
Proceeds from drainage warrants/ drainage improvement certificates	-	-
Total other financing sources (uses)	<u>(800,000)</u>	<u>855,000</u>

Resource Enhancement and Protection	County Recorder's Records Management	Drainage Districts	Mental Health	Courthouse Security	Emergency Medical Services	Total
-	4,000	-	-	-	-	4,000
-	-	449,739	-	-	-	449,739
-	-	52,278	-	-	-	52,278
-	-	784,664	-	-	-	784,664
-	-	114,175	-	-	-	114,175
-	-	951,117	-	-	-	951,117
-	-	-	-	-	-	95,271
-	4,000	1,400,856	896,475	-	-	5,597,386
902	(1,451)	(911,599)	(63,152)	1,287	-	(89,771)
-	-	-	-	-	-	55,000
-	-	-	-	-	-	800,000
-	-	-	-	-	-	(800,000)
-	-	433,888	-	-	-	433,888
-	-	433,888	-	-	-	488,888

Pocahontas County
Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2003

	Rural Services	Secondary Roads
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(54,470)	993,712
Fund balances beginning of year	167,755	3,686,227
Increase (decrease) in reserve for prepaid insurance	78	(3,905)
Fund balances end of year	\$ 113,363	4,676,034

See accompanying independent auditor's report.

Resource Enhancement and Protection	County Recorder's Records Management	Drainage Districts	Mental Health	Courthouse Security	Emergency Medical Services	Total
902	(1,451)	(477,711)	(63,152)	1,287	-	399,117
45,921	17,011	860,760	496,968	942	569	5,276,153
-	-	-	-	-	-	(3,827)
46,823	15,560	383,049	433,816	2,229	569	5,671,443

Pocahontas County

Pocahontas County
Trust and Agency Funds
Combining Balance Sheet
June 30, 2003

	Expendable Trust	Agency	Total
Assets			
Cash and pooled investments:			
County Treasurer	\$ 60,371	512,543	572,914
Other County officials	-	100	100
Receivables:			
Property tax:			
Delinquent	-	87,229	87,229
Succeeding year	-	7,171,000	7,171,000
Accounts	5,762	15,091	20,853
Special assessments	-	122,988	122,988
Due from other governments	-	332	332
Due from other funds	-	76	76
Total assets	\$ 66,133	7,909,359	7,975,492
Liabilities and Fund Equity			
Liabilities:			
Excess of outstanding checks over cash balance	\$ -	76	76
Accounts payable	-	1,646	1,646
Salaries and benefits payable	-	7,626	7,626
Due to other funds	-	5,537	5,537
Due to other governments	-	7,871,144	7,871,144
Trusts payable	-	3,859	3,859
Compensated absences	-	19,471	19,471
Total liabilities	-	7,909,359	7,909,359
Fund equity:			
Unreserved fund balance	66,133	-	66,133
Total liabilities and fund equity	\$ 66,133	7,909,359	7,975,492

See accompanying independent auditor's report.

Schedule 6

Pocahontas County
Expendable Trust Funds
Combining Balance Sheet
June 30, 2003

	Conservation Land Acquisition Trust	Environ- mental Education Trust	Total
Assets			
Cash and pooled investments:	\$ 56,448	3,923	60,371
Accounts receivable	5,762	-	5,762
Total assets	\$ 62,210	3,923	66,133
Fund Equity			
Fund equity:			
Unreserved fund balances	\$ 62,210	3,923	66,133

See accompanying independent auditor's report.

Pocahontas County

Expendable Trust Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2003

	Conservation Land Acquisition Trust	Environ- mental Education Trust	Total
Revenues:			
Intergovernmental:			
State grants and reimbursements:			
Iowa Department of Transportation	\$ 1,370	-	1,370
Charges for service:			
Camping fees	6,096	-	6,096
Other	4,297	-	4,297
	<u>10,393</u>	<u>-</u>	<u>10,393</u>
Use of money and property:			
Interest on investments	56	77	133
Rent	3,006	-	3,006
	<u>3,062</u>	<u>77</u>	<u>3,139</u>
Miscellaneous	3,138	319	3,457
Total revenues	<u>17,963</u>	<u>396</u>	<u>18,359</u>
Expenditures:			
Operating:			
Non-program	-	401	401
Capital projects:			
Conservation land acquisition and development	3,616	-	3,616
Total expenditures	<u>3,616</u>	<u>401</u>	<u>4,017</u>
Excess (deficiency) of revenues over (under) expenditures	14,347	(5)	14,342
Fund balances beginning of year	<u>47,863</u>	<u>3,928</u>	<u>51,791</u>
Fund balances end of year	<u>\$ 62,210</u>	<u>3,923</u>	<u>66,133</u>

See accompanying independent auditor's report.

Pocahontas County
 Agency Funds
 Combining Balance Sheet
 June 30, 2003

	County Offices		Agricultural
	County	County	Extension
	Recorder	Sheriff	Education
Assets			
Cash and pooled investments:			
County Treasurer	\$ -	1,532	1,498
Other County officials	100	-	-
Receivables:			
Property tax:			
Delinquent	-	-	697
Succeeding year	-	-	110,000
Accounts	-	-	-
Special assessments	-	-	-
Due from other governments	-	-	-
Due from other Funds	76	-	-
Total assets	\$ 176	1,532	112,195
Liabilities			
Liabilities:			
Excess of outstanding checks over cash balance	\$ 76	-	-
Accounts payable	-	-	-
Salaries and benefits payable	-	-	-
Due to other funds	-	-	-
Due to other governments	100	-	112,195
Trusts payable	-	1,532	-
Compensated absences	-	-	-
Total liabilities	\$ 176	1,532	112,195

County Assessor	Schools	Community Colleges	Corporations	Townships
88,712	69,772	4,121	17,109	2,445
-	-	-	-	-
1,157	34,815	1,912	48,520	116
154,000	5,148,000	291,000	1,290,000	176,000
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
243,869	5,252,587	297,033	1,355,629	178,561
-	-	-	-	-
-	-	-	-	-
4,704	-	-	-	-
-	-	-	-	-
227,649	5,252,587	297,033	1,355,629	178,561
-	-	-	-	-
11,516	-	-	-	-
243,869	5,252,587	297,033	1,355,629	178,561

Pocahontas County
 Agency Funds
 Combining Balance Sheet
 June 30, 2003

	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication	Economic Develop- ment
Assets			
Cash and pooled investments:			
County Treasurer	132,584	7	50,236
Other County officials	-	-	-
Receivables:			
Property tax:			
Delinquent	-	12	-
Succeeding year	-	2,000	-
Accounts	-	-	-
Special assessments	-	-	-
Due from other governments	-	-	332
Due from other funds	-	-	-
Total assets	132,584	2,019	50,568
Liabilities			
Liabilities:			
Excess of outstanding checks over cash balance	-	-	-
Accounts payable	-	-	439
Salaries and benefits payable	-	-	1,531
Due to other funds	5,537	-	-
Due to other governments	127,047	2,019	46,298
Trusts payable	-	-	-
Compensated absences	-	-	2,300
Total liabilities	132,584	2,019	50,568

See accompanying independent auditor's report.

Emergency Management Services	Special Assessments	E911	Anatomical Gift Donations	Advance Tax	Total
35,752	1,526	104,889	33	2,327	512,543
-	-	-	-	-	100
-	-	-	-	-	87,229
-	-	-	-	-	7,171,000
-	-	15,091	-	-	15,091
-	122,988	-	-	-	122,988
-	-	-	-	-	332
-	-	-	-	-	76
35,752	124,514	119,980	33	2,327	7,909,359
-	-	-	-	-	76
150	-	1,057	-	-	1,646
1,391	-	-	-	-	7,626
-	-	-	-	-	5,537
28,556	124,514	118,923	33	-	7,871,144
-	-	-	-	2,327	3,859
5,655	-	-	-	-	19,471
35,752	124,514	119,980	33	2,327	7,909,359

Pocahontas County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	<u>County Offices</u>	
	<u>County</u>	<u>County</u>
	<u>Recorder</u>	<u>Sheriff</u>
Assets and Liabilities		
Balances beginning of year	\$ 163	689
Additions:		
Property and other County tax	-	-
E911 surcharge	-	-
State tax credits	-	-
Office fees and collections	126,000	56,941
Auto licenses, use tax and postage	-	-
Trusts	536	-
Miscellaneous	-	-
Total additions	<u>126,536</u>	<u>56,941</u>
Deductions:		
Agency Remittances:		
To other funds	53,889	19,710
To other governments	72,155	287
Trusts paid out	479	36,101
Total deductions	<u>126,523</u>	<u>56,098</u>
Balances end of year	<u>\$ 176</u>	<u>1,532</u>

Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships
109,000	245,742	5,090,887	298,794	1,308,958	179,869
110,604	154,814	5,169,890	293,155	1,236,694	178,283
-	-	-	-	-	-
6,932	11,542	326,220	19,072	147,500	9,678
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	5,821	-	-	-	-
117,536	172,177	5,496,110	312,227	1,384,194	187,961
-	-	-	-	-	-
114,341	174,050	5,334,410	313,988	1,337,523	189,269
-	-	-	-	-	-
114,341	174,050	5,334,410	313,988	1,337,523	189,269
112,195	243,869	5,252,587	297,033	1,355,629	178,561

Pocahontas County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	<u>Auto License and Use Tax</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Economic Development</u>
Assets and Liabilities			
Balances beginning of year	<u>123,239</u>	<u>2,017</u>	<u>64,030</u>
Additions:			
Property and other County tax	-	1,852	-
E911 surcharge	-	-	-
State tax credits	-	120	-
Office fees and collections	-	-	-
Auto licenses, use tax and postage	1,746,672	-	-
Trusts	-	-	-
Miscellaneous	-	-	97,932
Total additions	<u>1,746,672</u>	<u>1,972</u>	<u>97,932</u>
Deductions:			
Agency Remittances:			
To other funds	60,835	-	-
To other governments	1,676,492	1,970	111,394
Trusts paid out	-	-	-
Total deductions	<u>1,737,327</u>	<u>1,970</u>	<u>111,394</u>
Balances end of year	<u>132,584</u>	<u>2,019</u>	<u>50,568</u>

See accompanying independent auditor's report.

Emergency Management Services	Special Assessments	E911	Anatomical Gift Donations	Tax Sale Redemption	Advance Tax	Total
37,839	234,622	131,523	18	-	4,297	7,831,687
-	-	-	-	-	-	7,145,292
-	-	52,407	-	-	-	52,407
-	-	-	-	-	-	521,064
-	-	-	-	-	-	182,941
-	-	-	-	-	-	1,746,672
-	-	-	-	44,710	2,083	47,329
61,049	-	1,332	79	-	-	166,213
61,049	-	53,739	79	44,710	2,083	9,861,918
-	-	-	-	-	-	134,434
63,136	110,108	65,282	64	-	-	9,564,469
-	-	-	-	44,710	4,053	85,343
63,136	110,108	65,282	64	44,710	4,053	9,784,246
35,752	124,514	119,980	33	-	2,327	7,909,359

Schedule 10

Pocahontas County

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2003	2002	2001	2000
Taxes:				
Property tax	\$3,534,416	2,979,156	2,692,377	2,545,259
Utility tax replacement excise tax	123,700	110,414	102,878	-
Local option sales tax	176,383	114,312	-	-
Other	1,991	1,758	1,912	1,820
	<u>3,836,490</u>	<u>3,205,640</u>	<u>2,797,167</u>	<u>2,547,079</u>
Intergovernmental:				
State shared revenues:				
Road use tax	2,581,924	2,607,138	2,500,119	2,536,477
Other	16,813	16,327	28,038	34,300
State grants and reimbursements including indirect federal funding:				
Home care aide grant	98,515	57,412	64,826	53,602
Public health nursing grant	12,191	31,672	29,087	17,041
Human services administrative reimbursements	25,234	17,309	21,999	25,071
Juvenile justice county base reimbursement	-	6,766	2,529	1,037
Emergency medical services grants	-	6,301	6,301	-
Resource enhancement and protection grant	184	6,544	8,501	32,222
Social services block grant	38,951	38,450	39,769	40,753
MH-DD community services fund allocation	-	-	63,930	55,292
Iowa Department of Transportation cooperative agreement project reimbursement	-	-	-	14,042
Agricultural drainage wells - alternative drainage system assistance program	230,193	440,887	1,059,113	-
Other	58,766	132,544	57,988	129,202
State tax replacements:				
State tax credits	170,021	220,570	219,844	217,860
State allocation	135,072	80,852	87,988	88,241
Mental health property tax relief	359,462	359,462	359,462	359,462
MH-DD allowed growth factor adjustment	-	-	36,693	40,414
Direct federal grants and entitlements:				
Medicare and medicaid	351,239	324,426	321,674	331,353
Other	-	-	15,892	450
Contributions and reimbursements from other governmental units:				
Election reimbursements	3,528	7,596	7,820	7,389
Prisoner care	150	3,240	11,205	29,745
Drainage assessments from other counties	-	11,724	16,259	21,991
Transfer of road jurisdiction	535,639	-	-	-
Other	90,726	93,970	62,221	64,071
	<u>4,708,608</u>	<u>4,463,190</u>	<u>5,021,258</u>	<u>4,100,015</u>
Total	<u>\$8,545,098</u>	<u>7,668,830</u>	<u>7,818,425</u>	<u>6,647,094</u>

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 Compliance
and on Internal Control over Financial Reporting

To the Officials of Pocahontas County:

We have audited the general purpose financial statements of Pocahontas County, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 4, 2003. Our report expressed a qualified opinion on the financial statements due to the omission of materials and supplies inventory, pertaining primarily to the Special Revenue Funds, which should be included in order to conform with U.S. generally accepted accounting principles. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Pocahontas County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose 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. Prior year statutory comments have been resolved except for items (2), (10), (11) and (12).

Internal Control Over Financial Reporting

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

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

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. This report is not intended to be and should not be used by anyone other than these specified parties.

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

December 4, 2003

Pocahontas County
Schedule of Findings
Year ended June 30, 2003

Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine that 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, the person responsible for the detailed record keeping of investments is not independent of the custodian. Employees having no responsibility for custody or record keeping do not verify recorded investment earnings.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the County Treasurer should review the control activities of the office to obtain the maximum internal control possible under the circumstances. The County Treasurer 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.

Response – We will try to comply with the recommendation in the future.

Conclusion – Response accepted.

- (B) Information Systems – The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- Password privacy and confidentiality.
- Ensuring only software licensed to the County is installed on computers.
- Usage of the internet.
- Requiring the use of an anti-virus program on computers.
- Personal use of computer equipment and software.
- Requiring personnel who share the same computer terminal to log-on and log-off prior to other personnel entering transactions on the same terminal.

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

Pocahontas County

Schedule of Findings

Year ended June 30, 2003

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 and back-up tapes should be stored off site daily in a fireproof vault or safe.

Response – The Board will get policies developed before the end of the fiscal year.

Conclusion – Response accepted.

- (C) Property and Equipment – Approval for disposal of property and equipment is not required. Property and equipment listings are not periodically observed by an official not having responsibility for these assets.

Recommendation – The Board of Supervisors should establish a policy which requires approval for disposal of property and equipment. To provide additional control over the proper recording of property and equipment, a physical inventory should be observed periodically and reconciled to detailed property and equipment records by a person not having custody of the these assets.

Response – The Board will complete this policy prior to fiscal year end.

Conclusion – Response accepted.

- (D) Time Sheets – Certain employees, other than elected officials, were not required to submit time sheets.

Recommendation – Time sheets should be submitted by all employees except elected officials. For internal control, as well as for potential legal claims (payroll dispute/grievance), time sheets provide a record of hours worked. Time sheets also provide a record and documentation of authorized absences from work (vacation, sick leave, etc.) or any other variations from the normal work week. The supervisory review and approval provides assurance the time sheet is correct.

Response – This has been a difficult task. There is no code section to back this even though we believe it is a good idea.

Conclusion – Response acknowledged. The County should require the use of time sheets to enhance internal control in the payroll function.

Pocahontas County
Schedule of Findings
Year ended June 30, 2003

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.
- (2) Certified Budget – Disbursements during the year ended June 30, 2003 exceeded the amount budgeted in the non-program function. Disbursements in three departments exceeded the amounts appropriated. The departments were elderly services, emergency services and duplication services.

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 service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriations.

Response – The County Auditor will monitor expenditures closely and advise the Board of the need for appropriation changes or budget amendments.

Conclusion – Response accepted.

- (3) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
John Pohlman, part-time Sheriff's Deputy, owner of Farm Plan	Parts	\$ 1,523 (b)
Dennis Devereaux, Patrol operator for secondary roads, brother is owner of Devereaux Electric	Parts and wiring	1,209 (a)
Linda Ferguson, Auditor's Clerk, husband is part owner of Ferguson Equipment	Equipment, parts and repair	4,276 (b)
Ray Wolf, Conservation Board Member, owner of Ray's Plumbing and Heating	Parts and labor	3,342 (b)
Bob Lampe, County Sheriff, owner of Bob Lampe Tree Service	Tree removal	70 (a)
Margene A. Bunda, County Auditor, husband and sons are owners of Triple B Guns	Sale of a gun safe to the County Sheriff's Department	1,069 (a)

Pocahontas County

Schedule of Findings

Year ended June 30, 2003

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions designated with an (a) do not appear to represent conflicts of interest since the cumulative amount for each individual was less than \$1,500 during the fiscal year.

The transactions designated with a (b) do not represent a conflict of interest in the opinion of the Pocahontas County Attorney.

- (6) 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 insure the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) 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 policies were noted.
- (9) 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).
- (10) County Ordinances – The County Board of Supervisors has not completed a compilation of County ordinances.

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

Response – The County Auditor will contact MIDAS for the status of the recodification.

Conclusion – Response accepted.

- (11) 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 office heads should establish written policies governing the use of cellular phones.

Response – The Board will consider the policy development.

Conclusion – Response accepted.

- (12) 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.

Pocahontas County

Schedule of Findings

Year ended June 30, 2003

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

Response – This will be considered in the future.

Conclusion – Response acknowledged. The required actuarial opinion should be obtained.

- (13) 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, 2003 for the County Extension Office did not exceed the amount budgeted.

Pocahontas County

Staff

This audit was performed by:

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Steven O. Fuqua, CPA, Senior Auditor
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