



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_

March 7, 2012

Contact: Andy Nielsen  
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 \$15,256,767 for the year ended June 30, 2011, which included \$636,184 in tax credits from the state. The County forwarded \$10,814,819 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,441,948 of the local tax revenue to finance County operations, a less than 1% decrease from the prior year. Other revenues included charges for service of \$2,084,610, operating grants, contributions and restricted interest of \$4,080,753, capital grants, contributions and restricted interest of \$1,566,910, local option sales tax of \$274,851, unrestricted investment earnings of \$117,101 and other general revenues of \$154,606.

Expenses for County operations totaled \$12,834,674, an increase of 4.7% over the prior year. Expenses included \$4,293,712 for roads and transportation, \$1,859,269 for non-program and \$1,627,624 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/1110-0076-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, 2011**

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**Pocahontas County**  
**Officials**  
**(Before January 2011)**

<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
Ed Dewey	Board of Supervisors	Jan 2013
Jack Dewolf	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

**(After January 2011)**

Ed Dewey	Board of Supervisors	Jan 2013
Jack Dewolf	Board of Supervisors	Jan 2013
Louis Stauter	Board of Supervisors	Jan 2013
Paul R. Beneke	Board of Supervisors	Jan 2015
Vincent Triggs	Board of Supervisors	Jan 2015
Margene A. Bunda	County Auditor	Jan 2013
Sarah Winkler	County Treasurer	Jan 2015
Michael P. Bollard	County Recorder	Jan 2015
Robert Lampe	County Sheriff	Jan 2013
Ann E. Beneke	County Attorney	Jan 2015
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, 2011, 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.

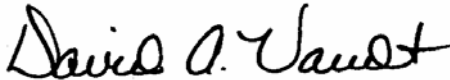
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

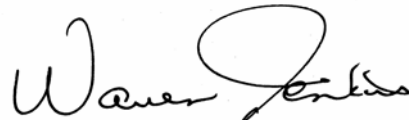
In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2012 on our consideration of Pocahontas County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and 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 44 through 48 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 six years ended June 30, 2010 (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 three 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

February 20, 2012



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

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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, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 13.6%, or approximately \$1,519,000, from fiscal year 2010 to fiscal year 2011. Property tax increased approximately \$5,000, charges for service increased approximately \$385,000, operating grants, contributions and restricted interest increased approximately \$157,000 and capital grants, contributions and restricted interest increased approximately \$975,000.
- The County's governmental activities' expenses increased 4.7%, or approximately \$573,000, from fiscal year 2010 to fiscal year 2011. Roads and transportation expenses decreased approximately \$210,000, administration expenses increased approximately \$622,000 and public safety and legal services expenses increased approximately \$129,000.
- The County's net assets decreased less than 1%, or approximately \$114,000, from June 30, 2010 to June 30, 2011.

### **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 financial 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 periods.

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

### *Fund Financial Statements*

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund 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.

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

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

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

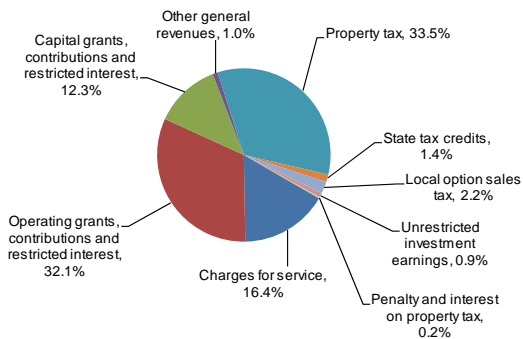
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2011	2010
Current and other assets	\$ 12,785	12,479
Capital assets	15,893	15,113
Total assets	<u>28,678</u>	<u>27,592</u>
Long-term liabilities	2,864	2,046
Other liabilities	5,313	4,931
Total liabilities	<u>8,177</u>	<u>6,977</u>
Net assets:		
Invested in capital assets	15,893	15,113
Restricted	3,954	3,928
Unrestricted	654	1,574
Total net assets	<u>\$ 20,501</u>	<u>20,615</u>

Net assets of Pocahontas County's governmental activities decreased approximately \$114,000, or 0.55%. 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 \$1,574,000 at June 30, 2010 to approximately \$654,000 at the end of this year, a decrease of 58.4%. The decrease is primarily due to a decrease in the General Fund balance.

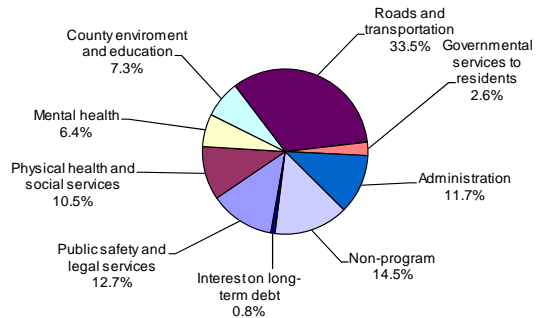
**Changes in Net Assets of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2011	2010
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 2,085	1,700
Operating grants, contributions and restricted interest	4,081	3,924
Capital grants, contributions and restricted interest	1,567	592
<b>General revenues:</b>		
Property tax	4,258	4,253
State tax credits	184	197
Penalty and interest on property tax	25	19
Local option sales tax	275	260
Unrestricted investment earnings	117	85
Gain on disposition of capital assets	-	66
Other general revenues	129	106
<b>Total revenues</b>	<b>12,721</b>	<b>11,202</b>
<b>Program expenses:</b>		
Public safety and legal services	1,628	1,499
Physical health and social services	1,347	1,316
Mental health	823	859
County environment and education	938	930
Roads and transportation	4,294	4,504
Governmental services to residents	332	312
Administration	1,508	886
Non-program	1,859	1,859
Interest on long-term debt	106	97
<b>Total expenses</b>	<b>12,835</b>	<b>12,262</b>
Decrease in net assets	(114)	(1,060)
Net assets beginning of year	20,615	21,675
Net assets end of year	<b>\$ 20,501</b>	<b>20,615</b>

**Revenues by Source**



**Expenses by Function**



Pocahontas County's net assets of governmental activities decreased approximately \$114,000 during the year. Revenues for governmental activities increased approximately \$1,519,000 over the prior year. Capital grants, contributions and restricted interest increased approximately \$975,000 while charges for service, which includes drainage assessments, increased approximately \$385,000. The significant increase in charges for service is due to increased drainage assessment collections to fund a wetlands project in Drainage District No. 65. The significant increase in capital grants, contributions and restricted interest is due to an increase in contributions from the Iowa Department of Transportation for road infrastructure. The County's property tax revenue and local option sales tax revenue remained fairly constant from fiscal year 2010 to fiscal year 2011.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Pocahontas County completed the year, its governmental funds reported a combined fund balance of approximately \$6.4 million, a decrease of approximately \$73,000 from last year's total of approximately \$6.5 million. The following are reasons for the changes in fund balances of the major funds from the prior year:

General Fund expenditures exceeded revenues by approximately \$727,000. The ending fund balance decreased approximately \$795,000 from the prior year to approximately \$1,731,000. While General Fund revenues remained fairly constant, increasing approximately \$76,000, or 1.8%, expenditures increased approximately \$391,000, or 8.6%, between fiscal years 2010 and 2011. The increase in expenditures is primarily due to increased expenditures for administration, including costs associated with drilling wells for a geo thermal heating system for the courthouse, renovation to mitigate mold in the community services building, increased insurance costs and uniformed patrol services.

The County has continued to look for ways to effectively manage the cost of mental health services in the Special Revenue, Mental Health Fund. During fiscal year 2011, the County qualified for more State funding, resulting in an increase in revenues of approximately \$100,000 over the prior fiscal year. For the year, expenditures totaled approximately \$823,000, a decrease of approximately \$37,000, or 4.3%, from the prior year. The Mental Health Fund balance at year end increased approximately \$51,000 from the prior year to approximately \$(500). The decrease in expenditures from the prior year was primarily due to decreased client services.

Special Revenue, Rural Services Fund revenues increased approximately \$22,000 over the previous fiscal year while expenditures increased approximately \$82,000. The Rural Services Fund balance at year end decreased approximately \$332,000 from the prior year to a deficit of approximately \$243,000. This decrease is primarily due an advance of \$350,000 from the General Fund during the year for cash flow purposes. Fiscal year 2011 property tax revenue increased approximately \$9,000 and local option sales tax revenue increased approximately \$14,000.

Revenues in the Special Revenue, Secondary Roads Fund increased approximately \$263,000 while expenditures decreased approximately \$425,000 from the previous year. Revenues increased due to an increase in road use tax revenue from the State of Iowa and the receipt of approximately \$69,000 for a bridge project started during fiscal year 2011. Expenditures decreased from the prior year, primarily due to decreased spending for roads and bridge maintenance projects, snow and ice control, and less equipment purchased. The Secondary Roads Fund ending balance increased approximately \$418,000 to approximately \$3.69 million.

The Special Revenue, Drainage Districts Fund ending balance increased approximately \$572,000 over the prior year to approximately \$1,104,000. State Revolving Fund (SRF) improvement certificate proceeds received during fiscal year 2011 increased

approximately \$1,074,000. Drainage warrants and interest paid increased approximately \$1,384,000. A significant portion of the stamped warrants were issued in previous years to fund a wetlands project in Drainage District No. 65. The warrants were stamped in anticipation of drainage assessment collections and proceeds from State Revolving Fund improvement certificates, a significant portion of which were collected in the current fiscal year. Flood damage repair expenditures and drainage district repairs increased approximately \$16,000.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Pocahontas County amended its budget once. The amendment was made in June 2011 and resulted in an increase in budgeted disbursements for the conservation, medical examiner, court house and grounds and county farm departments. During the year, disbursements in certain departments exceeded the amounts appropriated.

The County's receipts were \$214,914 more than budgeted, a variance of 2.3%.

Total disbursements were \$2,184,847 less than the amended budget. Actual disbursements for the capital projects, mental health, roads and transportation functions were \$829,671, \$279,710 and \$580,201, respectively, less than budgeted, while the other functions were also less than budgeted. This was primarily due to an anticipated BROS project not getting started until late in the fiscal year, continued monitoring and changing demands for mental health services and programs and roads and bridge maintenance projects, equipment purchases and stockpile supplies purchases being less than anticipated. The remaining decrease was accomplished by reduced spending in all areas.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, Pocahontas County had approximately \$15.89 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 \$780,000, or 5.2%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2011	2010
Land	\$ 1,910	1,784
Construction in progress	119	46
Buildings and building improvements	1,173	1,282
Equipment and vehicles	2,605	2,957
Infrastructure, road network	10,086	9,044
Total	<u>\$ 15,893</u>	<u>15,113</u>
This year's major additions included (in thousands):		
Road and bridge construction projects	<u>\$ 1,532</u>	

The County had depreciation expense of \$906,978 in fiscal year 2011 and total accumulated depreciation of \$8,265,591 at June 30, 2011. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

## Long-Term Debt

At June 30, 2011, Pocahontas County had approximately \$2,649,000 in outstanding debt, compared to approximately \$1,835,000 at June 30, 2010. 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,	
	2011	2010
Drainage warrants and improvement certificates	\$ 1,553	1,824
State Revolving Fund improvement certificates	1,096	11
Total	<u>\$ 2,649</u>	<u>1,835</u>

Debt increased as a result of issuing State Revolving Fund 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 2012 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 4.7%, a decrease from a year ago. This compares with the State's unemployment rate of 6.0% and the national rate of 9.2%.

## 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**

**Exhibit A**

Pocahontas County  
Statement of Net Assets  
June 30, 2011

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 5,037,197
Receivables:	
Property tax:	
Delinquent	7,803
Succeeding year	4,742,000
Interest and penalty on property tax	58,157
Accounts	92,282
Accrued interest	5,977
Drainage assessments	850,314
Due from other governments	759,354
Inventories	1,146,135
Prepaid insurance	85,481
Capital assets (net of accumulated depreciation)	<u>15,893,081</u>
<b>Total assets</b>	<u>28,677,781</u>
<b>Liabilities</b>	
Accounts payable	251,944
Salaries and benefits payable	172,983
Due to other governments	145,513
Deferred revenue:	
Succeeding year property tax	4,742,000
Long-term liabilities:	
Portion due or payable within one year:	
Drainage warrants/drainage improvement certificates	1,454,376
State Revolving Fund improvement certificates payable	40,000
Compensated absences	189,012
Portion due or payable after one year:	
Drainage improvement certificates	98,936
State Revolving Fund improvement certificates payable	1,056,000
Net OPEB liability	<u>26,000</u>
<b>Total liabilities</b>	<u>8,176,764</u>
<b>Net Assets</b>	
Invested in capital assets	15,893,081
Restricted for:	
Supplemental levy purposes	69,509
Secondary roads purposes	3,672,847
Mental health purposes	42
Rural services purposes	120,931
Other purposes	90,173
Unrestricted	<u>654,434</u>
<b>Total net assets</b>	<u>\$ 20,501,017</u>

See notes to financial statements.

Pocahontas County  
Statement of Activities  
Year ended June 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,627,624	68,465	-	-	(1,559,159)
Physical health and social services	1,346,830	552,066	380,752	-	(414,012)
Mental health	823,080	-	431,890	-	(391,190)
County environment and education	937,528	40,313	12,472	84,620	(800,123)
Roads and transportation	4,293,712	140,187	2,817,333	1,482,290	146,098
Governmental services to residents	332,421	157,553	5,882	-	(168,986)
Administration	1,507,761	-	-	-	(1,507,761)
Non-program	1,859,269	1,126,026	432,424	-	(300,819)
Interest on long-term debt	106,449	-	-	-	(106,449)
<b>Total</b>	<b>\$ 12,834,674</b>	<b>2,084,610</b>	<b>4,080,753</b>	<b>1,566,910</b>	<b>(5,102,401)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					4,257,831
Penalty and interest on property tax					25,310
State tax credits					184,117
Local option sales tax					274,851
Unrestricted investment earnings					117,101
Miscellaneous					129,296
<b>Total general revenues</b>					<b>4,988,506</b>
Change in net assets					(113,895)
Net assets beginning of year					20,614,912
Net assets end of year					<b>\$ 20,501,017</b>

See notes to financial statements.

Pocahontas County

Balance Sheet

June 30, 2011

	General	Mental Health	Rural Services
<b>Assets</b>			
Cash and pooled investments	\$ 1,358,713	156,076	65,825
Receivables:			
Property tax:			
Delinquent	6,641	984	178
Succeeding year	2,820,000	418,000	1,504,000
Interest and penalty on property tax	58,157	-	-
Accounts	49,485	114	-
Accrued interest	5,977	-	-
Drainage assessments	-	-	-
Advance to other funds	350,000	-	-
Due from other governments	76,601	2,319	55,144
Inventories	-	-	-
Prepaid insurance	51,294	-	6,044
<b>Total assets</b>	<b>\$ 4,776,868</b>	<b>577,493</b>	<b>1,631,191</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 44,937	25,144	2,433
Salaries and benefits payable	105,008	726	17,040
Advance from other funds	-	-	350,000
Due to other governments	10,862	133,127	758
Deferred revenue:			
Succeeding year property tax	2,820,000	418,000	1,504,000
Other	64,863	963	178
Total liabilities	<u>3,045,670</u>	<u>577,960</u>	<u>1,874,409</u>
Fund balances:			
Nonspendable:			
Advance to other funds	350,000	-	-
Inventories	-	-	-
Prepaid insurance	51,294	-	6,044
Restricted for:			
Supplemental levy purposes	70,538	-	-
Secondary roads purposes	-	-	-
Drainage warrants/drainage improvement certificates	-	-	-
Other purposes	-	-	-
Unassigned	1,259,366	(467)	(249,262)
Total fund balances	<u>1,731,198</u>	<u>(467)</u>	<u>(243,218)</u>
<b>Total liabilities and fund balances</b>	<b>\$ 4,776,868</b>	<b>577,493</b>	<b>1,631,191</b>

See notes to financial statements.

Special Revenue			
Secondary Roads	Drainage Districts	Nonmajor	Total
2,456,169	764,774	120,642	4,922,199
-	-	-	7,803
-	-	-	4,742,000
-	-	-	58,157
42,683	-	-	92,282
-	-	-	5,977
-	850,314	-	850,314
-	-	-	350,000
213,837	410,909	544	759,354
1,146,135	-	-	1,146,135
28,143	-	-	85,481
<b>3,886,967</b>	<b>2,025,997</b>	<b>121,186</b>	<b>13,019,702</b>
104,405	60,589	226	237,734
50,209	-	-	172,983
-	-	-	350,000
737	-	29	145,513
-	-	-	4,742,000
42,198	861,387	-	969,589
<b>197,549</b>	<b>921,976</b>	<b>255</b>	<b>6,617,819</b>
-	-	-	350,000
1,146,135	-	-	1,146,135
28,143	-	-	85,481
-	-	-	70,538
2,515,140	-	-	2,515,140
-	1,104,021	-	1,104,021
-	-	120,931	120,931
-	-	-	1,009,637
<b>3,689,418</b>	<b>1,104,021</b>	<b>120,931</b>	<b>6,401,883</b>
<b>3,886,967</b>	<b>2,025,997</b>	<b>121,186</b>	<b>13,019,702</b>

**Pocahontas County**

Pocahontas County

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

June 30, 2011

**Total governmental fund balances (page 21)** \$ 6,401,883

***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 \$24,158,672 and the accumulated depreciation is \$8,265,591. 15,893,081

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 969,589

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. 100,788

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. (2,864,324)

**Net assets of governmental activities (page 17)** \$ 20,501,017

See notes to financial statements.

Pocahontas County

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

Year ended June 30, 2011

	General	Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 2,587,895	417,238	1,253,523
Local option sales tax	-	-	274,851
Interest and penalty on property tax	24,833	-	-
Intergovernmental	916,620	450,566	50,453
Licenses and permits	59,065	-	-
Charges for service	443,798	-	-
Use of money and property	178,147	-	-
Miscellaneous	26,798	6,422	-
Total revenues	<u>4,237,156</u>	<u>874,226</u>	<u>1,578,827</u>
<b>Expenditures:</b>			
Operating:			
Public safety and legal services	1,124,525	-	529,613
Physical health and social services	1,356,808	-	-
Mental health	-	823,218	-
County environment and education	575,191	-	355,465
Roads and transportation	-	-	-
Governmental services to residents	320,528	-	2,235
Administration	1,430,837	-	-
Non-program	10,648	-	-
Debt service	-	-	-
Capital projects	145,129	-	-
Total expenditures	<u>4,963,666</u>	<u>823,218</u>	<u>887,313</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(726,510)</u>	<u>51,008</u>	<u>691,514</u>
<b>Other financing sources (uses):</b>			
Sale of capital assets	6,350	-	1,300
Operating transfers in	-	-	-
Operating transfers out	(75,000)	-	(1,025,000)
State revolving fund improvement certificates issued	-	-	-
Drainage warrants/drainage improvement certificates issued	-	-	-
Total other financing sources (uses)	<u>(68,650)</u>	<u>-</u>	<u>(1,023,700)</u>
Net change in fund balances	(795,160)	51,008	(332,186)
Fund balances beginning of year, as restated	2,526,358	(51,475)	88,968
Fund balances end of year	<u>\$ 1,731,198</u>	<u>(467)</u>	<u>(243,218)</u>

See notes to financial statements.



Special Revenue				
Secondary Roads	Drainage Districts	Nonmajor		Total
-	-	-		4,258,656
-	-	-		274,851
-	-	-		24,833
2,913,805	432,426	24,910		4,788,780
6,960	-	-		66,025
50,022	-	2,316		496,136
2,400	-	606		181,153
36,259	1,040,119	1,060		1,110,658
3,009,446	1,472,545	28,892		11,201,092
-	-	-		1,654,138
-	-	9,636		1,366,444
-	-	-		823,218
-	-	3,032		933,688
3,559,990	-	-		3,559,990
-	-	2,185		324,948
-	-	-		1,430,837
-	1,609,053	-		1,619,701
-	1,978,053	-		1,978,053
131,121	-	739		276,989
3,691,111	3,587,106	15,592		13,968,006
(681,665)	(2,114,561)	13,300		(2,766,914)
-	-	-		7,650
1,100,000	-	-		1,100,000
-	-	-		(1,100,000)
-	1,085,040	-		1,085,040
-	1,601,211	-		1,601,211
1,100,000	2,686,251	-		2,693,901
418,335	571,690	13,300		(73,013)
3,271,083	532,331	107,631		6,474,896
3,689,418	1,104,021	120,931		6,401,883

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, 2011

**Net change in fund balances - Total governmental funds (page 25)** \$ (73,013)

**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	\$ 320,624	
Capital assets contributed by the Iowa Department of Transportation	1,413,165	
Depreciation expense	<u>(906,978)</u>	826,811

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (46,735)

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	(825)	
Other	<u>(47,041)</u>	(47,866)

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	(2,686,251)	
Repaid	<u>1,871,604</u>	(814,647)

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	9,023	
Other postemployment benefits	<u>(12,943)</u>	(3,920)

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. 45,475

**Change in net assets of governmental activities (page 19)** \$ (113,895)

See notes to financial statements.

Pocahontas County  
Statement of Net Assets  
Proprietary Fund  
June 30, 2011

	<u>Internal Service - Employee Group Health</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 114,998
<b>Liabilities</b>	
Accounts payable	<u>14,210</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ 100,788</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, 2011

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 144,108
Reimbursements from employees and others		140,801
Total operating revenues		<u>284,909</u>
Operating expenses:		
Medical claims	\$ 160,284	
Premiums	72,806	
Administrative charges	<u>6,478</u>	<u>239,568</u>
Operating income		45,341
Non-operating revenues:		
Interest income		<u>134</u>
Net income		45,475
Net assets beginning of year		<u>55,313</u>
Net assets end of year		<u><u>\$ 100,788</u></u>

See notes to financial statements.

Pocahontas County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2011

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund contributions	\$ 144,108
Cash received from employees and others	140,801
Cash paid for medical claims, premiums and other	(228,842)
Net cash provided by operating activities	56,067
Cash flows from investing activities:	
Interest on investments	134
Net increase in cash and cash equivalents	56,201
Cash and cash equivalents beginning of year	58,797
Cash and cash equivalents end of year	\$ 114,998
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 45,341
Adjustment to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	10,726
Net cash provided by operating activities	\$ 56,067

See notes to financial statements.

Pocahontas County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2011

**Assets**

Cash and pooled investments:

County Treasurer	\$ 1,123,058
Other County officials	3,243

Receivables:

Property tax:

Delinquent	40,526
Succeeding year	10,385,000
Accrued interest	16
Special assessments	44,584

**Total assets**

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11,596,427

**Liabilities**

Accounts payable	1,715
Salaries and benefits payable	11,012
Due to other governments	11,554,646
Trusts payable	9,677
Compensated absences	19,377

**Total liabilities**

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11,596,427

**Net assets**

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\$ -

See notes to financial statements.

Pocahontas County

Notes to Financial Statements

June 30, 2011

**(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 the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The Drainage Districts Fund is used to account for assessments and other revenues used for drainage construction and maintenance.

Additionally, the County reports the following funds:

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

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

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

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

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

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

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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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.

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

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

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 property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and 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, 2011. 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, fund balances are classified as follows:

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

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

Unassigned – All amounts not included in the preceding classifications.

Net 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. Disbursements in certain departments for the year ended June 30, 2011 exceeded the amounts appropriated prior to a budget amendment.

### **(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2011 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, 2011, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$18,273 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, 2011 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 75,000
	Special Revenue:	
	Rural Services	1,025,000
		<u>1,025,000</u>
Total		<u>\$ 1,100,000</u>

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

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,783,977	125,776	-	1,909,753
Construction in progress	46,151	1,531,982	(1,459,315)	118,818
Total capital assets not being depreciated	<u>1,830,128</u>	<u>1,657,758</u>	<u>(1,459,315)</u>	<u>2,028,571</u>
Capital assets being depreciated:				
Buildings and building improvements	2,644,675	-	(80,391)	2,564,284
Equipment and vehicles	7,237,718	76,031	(44,653)	7,269,096
Infrastructure, road network	10,837,406	1,459,315	-	12,296,721
Total capital assets being depreciated	<u>20,719,799</u>	<u>1,535,346</u>	<u>(125,044)</u>	<u>22,130,101</u>
Less accumulated depreciation for:				
Buildings and building improvements	1,362,519	62,281	(33,656)	1,391,144
Equipment and vehicles	4,280,760	427,440	(44,653)	4,663,547
Infrastructure, road network	1,793,643	417,257	-	2,210,900
Total accumulated depreciation	<u>7,436,922</u>	<u>906,978</u>	<u>(78,309)</u>	<u>8,265,591</u>
Total capital assets being depreciated, net	<u>13,282,877</u>	<u>628,368</u>	<u>(46,735)</u>	<u>13,864,510</u>
Governmental activities capital assets, net	<u>\$ 15,113,005</u>	<u>2,286,126</u>	<u>(1,506,050)</u>	<u>15,893,081</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 53,607
County environment and education	40,901
Roads and transportation	736,153
Governmental services to residents	12,647
Administration	63,670
Total depreciation expense - governmental activities	<u>\$ 906,978</u>

**5) Due to Other Governments**

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

Fund	Description	Amount
General	Services	<u>\$ 10,862</u>
Special Revenue:		
Mental Health	Services	133,127
Rural Services	Services	758
Secondary Roads	Services	737
Nonmajor	Services	29
		<u>134,651</u>
Total for governmental funds		<u>\$ 145,513</u>
Agency:		
Agriculture Extension Education	Collections	\$ 126,980
County Assessor		304,159
Schools		7,691,207
Community Colleges		454,548
Corporations		1,806,040
Townships		224,321
Auto License and Use Tax		230,891
Resources Unlimited		572,644
All other		143,856
Total for agency funds		<u>\$ 11,554,646</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Drainage Warrants	Drainage Improvement Certificates	State Revolving Fund Improvement Certificates	Compen-sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 1,679,784	143,921	10,960	198,035	13,057	2,045,757
Increases	1,601,211	-	1,085,040	77,030	16,800	2,780,081
Decreases	1,843,200	28,404	-	86,053	3,857	1,961,514
Balance end of year	<u>\$ 1,437,795</u>	<u>115,517</u>	<u>1,096,000</u>	<u>189,012</u>	<u>26,000</u>	<u>2,864,324</u>
Due within one year	<u>\$ 1,437,795</u>	<u>16,581</u>	<u>40,000</u>	<u>189,012</u>	<u>-</u>	<u>1,683,388</u>

### Drainage Warrants/Drainage Improvement Certificates Payable

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

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

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

### State Revolving Fund Improvement Certificates

On January 27, 2010, the County entered into a loan agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of \$1,096,000 of improvement certificates with interest at 3.0% per annum. The agreement also requires the County to annually pay a .25% servicing fee on the outstanding principal balance. The certificates were issued pursuant to the provisions of Chapter 468.70 of the Code of Iowa and the American Recovery and Reinvestment Act of 2009 (ARRA) for the purpose of providing funds to pay a portion of the costs of constructing improvements and repairs to Drainage District No. 65 of the County. The County will draw down funds from the Trustee upon request to reimburse the County for costs as they are incurred. An initiation fee of 1%, or \$10,960, of the authorized borrowing for the improvement certificates was charged by the Iowa Finance Authority. At June 30, 2011, the County had drawn down the entire authorized amount. However, a final repayment schedule will not be adopted until the projects and related documentation is finalized. During the year ended June 30, 2011, the County paid no principal or interest on these certificates.

The County has pledged assessments against property in Drainage District No. 65 to repay the improvement certificates. The certificates are payable solely from drainage assessments against property in Drainage District No. 65 and are payable through 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. While a final determination has not been made, the County believes all requirements for forgiveness of this loan have been met and, accordingly, a liability for this loan has not been included in these financial statements.



**(7) Interfund Assets/Liabilities**

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

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

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

**(8) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$275,476, \$255,735 and \$224,874, respectively, equal to the required contributions for each year.

**(9) Employee Group Health**

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

Monthly contributions to the Internal Service, Employee Group Health Fund are recorded as expenditures from the operating funds. These contributions represent the difference between premiums required for a higher deductible and those for a lower deductible. Payments from the Internal Service, Employee Group Health Fund are for insurance premiums, employee reimbursements of medical claims up to the individual's funded deductible and administrative costs. The County's contribution for the year ended June 30, 2011 was \$144,108.

The amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2011 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	\$ 3,484
Incurred claims (including claims incurred but not reported at June 30, 2011)	(149,558)
Payment on claims during the year	<u>160,284</u>
Unpaid claims end of year	<u><u>\$ 14,210</u></u>

**(10) Other Postemployment Benefits (OPEB)**

Plan Description – The County operates a single employer health benefit plan which provides medical/prescription drug benefits for employees and 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, 2011, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 17,000
Interest on net OPEB obligation	600
Adjustment to annual required contribution	<u>(800)</u>
Annual OPEB cost	16,800
Contributions made	<u>(3,857)</u>
Increase in net OPEB obligation	12,943
Net OPEB obligation beginning of year	<u>13,057</u>
Net OPEB obligation end of year	<u><u>\$ 26,000</u></u>

For the year ended June 30, 2011, the County contributed \$3,857 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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 17,495	34.0 %	\$ 13,057
2011	16,800	23.0	26,000

Funded Status and Funding Progress. As of June 30, 2011, the actuarial accrued liability was approximately \$124,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$124,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,335,000 and the ratio of the UAAL to covered payroll was 3.7%. As of June 30, 2011, there were no trust fund assets.

The projection of future benefit payments for the ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and health care cost trend. Amounts determined regarding the funded status of the plan and the annual contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following Notes to Financial Statements, 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 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 9%. 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. 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 percentage of projected payroll expense on an open basis over 30 years.

**(11) Risk Management**

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

**(12) Deficit Fund Balances**

The Special Revenue, Mental Health, Rural Services and Veterans Grants Funds had deficit balances of \$467, \$243,218 and \$255, respectively, at June 30, 2011. The deficit balances were the result of expenditures incurred prior to the 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 for ways to lower costs and improve efficiency. The Special Revenue, Rural Services Fund deficit will be eliminated through future tax collections. The Special Revenue, Veterans Grants Fund deficit will be eliminated through a transfer from the General Fund.

**(13) Related Party Transactions**

Prior to Board Member Ed Dewey taking office, the County entered into a contract for rock purchases with Martin Marietta, a business at which Mr. Dewey is employed. Subsequent to Mr. Dewey taking office, the County purchased \$294,906 of road rock from Martin Marietta. The County also purchased \$406,919 of bulk fuel from Pro Cooperative for the Secondary Roads Department. The Deputy Auditor's daughter is employed by Pro-Cooperative and the Auditor's Office Clerk's husband is a Board Member of Pro-Cooperative.

**(14) Drainage District Project**

On January 20, 2011, the County entered into a 28E agreement with the Iowa Department of Agriculture and Land Stewardship, Division of Soil Conservation to secure \$1,524,522 of funding for agricultural drainage wells within Pocahontas County Drainage District No. 178. On January 17, 2012, the agreement was amended to include an additional \$418,219 of funding, for a total of \$1,942,741. The funding is pursuant to the Agricultural Drainage Wells – Alternative Drainage System Assistance Program, a State program. Pursuant to the agreement, the County agreed to construct alternative drainage system improvements and remove all cisterns located within the watershed served by the alternative drainage system. As of June 30, 2011, \$63,553 of design and engineering work has been completed on this project.

**(15) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Special Revenue - Nonmajor		
	General	Conservation Land Acquisition	Court- house Property
Balances June 30, 2010, as previously reported	\$ 2,198,513	208,035	119,810
Change in fund type classification per implementation of GASB Statement No. 54	327,845	(208,035)	(119,810)
Balances July 1, 2010, as restated	\$ 2,526,358	-	-

**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, 2011

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 4,502,962	-	4,502,962
Interest and penalty on property tax	24,773	-	24,773
Intergovernmental	4,296,517	-	4,296,517
Licenses and permits	69,263	-	69,263
Charges for service	502,585	-	502,585
Use of money and property	187,222	-	187,222
Miscellaneous	1,084,746	1,013,082	71,664
Total receipts	<u>10,668,068</u>	<u>1,013,082</u>	<u>9,654,986</u>
<b>Disbursements:</b>			
Public safety and legal services	1,658,372	-	1,658,372
Physical health and social services	1,365,473	-	1,365,473
Mental health	819,517	-	819,517
County environment and education	932,720	-	932,720
Roads and transportation	3,548,146	-	3,548,146
Governmental services to residents	322,199	-	322,199
Administration	1,468,003	-	1,468,003
Non-program	1,612,558	1,601,910	10,648
Debt service	1,978,054	1,978,054	-
Capital projects	281,329	-	281,329
Total disbursements	<u>13,986,371</u>	<u>3,579,964</u>	<u>10,406,407</u>
Excess (deficiency) of receipts over (under) disbursements	(3,318,303)	(2,566,882)	(751,421)
Other financing sources, net	2,737,553	2,731,203	6,350
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(580,750)	164,321	(745,071)
Balance beginning of year	5,502,949	600,453	4,902,496
Balance end of year	<u>\$ 4,922,199</u>	<u>764,774</u>	<u>4,157,425</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
4,522,962	4,522,962	(20,000)
18,000	18,000	6,773
3,867,154	4,231,609	64,908
28,700	55,970	13,293
396,050	423,725	78,860
152,872	142,772	44,450
39,625	45,035	26,629
9,025,363	9,440,073	214,913
1,689,236	1,694,236	35,864
1,599,452	1,599,452	233,979
1,099,227	1,099,227	279,710
963,114	971,114	38,394
4,128,347	4,128,347	580,201
350,196	350,196	27,997
1,505,607	1,626,797	158,794
10,385	10,885	237
-	-	-
991,000	1,111,000	829,671
12,336,564	12,591,254	2,184,847
(3,311,201)	(3,151,181)	2,399,760
-	-	6,350
(3,311,201)	(3,151,181)	2,406,110
3,247,857	3,247,857	1,654,639
(63,344)	96,676	4,060,749

Pocahontas County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,668,068	533,024	11,201,092
Expenditures	13,986,371	(18,365)	13,968,006
Net	(3,318,303)	551,389	(2,766,914)
Other financing sources, net	2,737,553	(43,652)	2,693,901
Beginning fund balances	5,502,949	971,947	6,474,896
Ending fund balances	\$ 4,922,199	1,479,684	6,401,883

See accompanying independent auditor's report.



Pocahontas County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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 \$254,690. 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, 2011, disbursements in certain departments exceeded the amounts appropriated prior to the budget amendment.

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Pocahontas County

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

Required Supplementary Information

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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%
2011	Jul 1, 2009	-	124	124	0.00	3,335	3.7

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

See accompanying independent auditor's report.

**Other Supplementary Information**

Pocahontas County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2011

		County Attorney	County Recorder's Records Management	Courthouse Security	Veterans Grants
<b>Assets</b>					
Cash and pooled investments	\$	4,583	21,625	5,109	-
Due from other governments		544	-	-	-
<b>Total assets</b>	<b>\$</b>	<b>5,127</b>	<b>21,625</b>	<b>5,109</b>	<b>-</b>
<b>Liabilities and Fund Balances</b>					
Liabilities					
Accounts payable	\$	-	-	-	226
Due to other governments		-	-	-	29
<b>Total liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>255</b>
Fund balances:					
Restricted for other purposes		5,127	21,625	5,109	(255)
<b>Total Liabilities and Fund Balances</b>	<b>\$</b>	<b>5,127</b>	<b>21,625</b>	<b>5,109</b>	<b>-</b>

See accompanying independent auditor's report.

Special Revenue					
County	Recorder's	Community		Environmental	
Electronic	Disaster		REAP	Education	
Transaction Fee	Grants			Trust	Total
	392	2,000	86,795	138	120,642
	-	-	-	-	544
	392	2,000	86,795	138	121,186
	-	-	-	-	226
	-	-	-	-	29
	-	-	-	-	255
	392	2,000	86,795	138	120,931
	392	2,000	86,795	138	121,186

Pocahontas County

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

Year ended June 30, 2011

	County Recorder's		
	County Attorney	Records Management	Courthouse Security
Revenues:			
Intergovernmental	\$ 2,956	-	-
Charges for service	-	1,936	-
Use of money and property	-	82	-
Miscellaneous	-	-	-
Total revenues	2,956	2,018	-
Expenditures:			
Operating:			
Physical health and social services	-	-	-
County environment and education	-	-	-
Governmental services to residents	-	2,185	-
Capital projects	-	-	-
Total expenditures	-	2,185	-
Excess (deficiency) of revenues over (under) expenditures	2,956	(167)	-
Fund balances beginning of year, as restated	2,171	21,792	5,109
Fund balances end of year	\$ 5,127	21,625	5,109

See accompanying independent auditor's report.

Special Revenue						
	County					
Veterans	Recorder's	Community		Environmental		
Grants	Electronic	Disaster	REAP	Education		Total
	Transaction Fee	Grants		Trust		
10,000	-	-	11,954	-		24,910
-	-	-	-	380		2,316
-	1	-	518	5		606
-	-	-	-	1,060		1,060
10,000	1	-	12,472	1,445		28,892
9,636	-	-	-	-		9,636
-	-	-	-	3,032		3,032
-	-	-	-	-		2,185
-	-	-	739	-		739
9,636	-	-	739	3,032		15,592
364	1	-	11,733	(1,587)		13,300
(619)	391	2,000	75,062	1,725		107,631
(255)	392	2,000	86,795	138		120,931

Pocahontas County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpor- ations
<b>Assets</b>						
Cash and pooled investments:						
County Treasurer	\$ -	1,687	59,153	80,954	5,493	29,747
Other County officials	3,243	-	-	-	-	-
Receivables:						
Property tax:						
Delinquent	-	293	603	17,253	1,055	21,293
Succeeding year	-	125,000	256,000	7,593,000	448,000	1,755,000
Accrued interest	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 3,243</b>	<b>126,980</b>	<b>315,756</b>	<b>7,691,207</b>	<b>454,548</b>	<b>1,806,040</b>
<b>Liabilities</b>						
Accounts payable	-	-	-	-	-	-
Salaries and benefits payable	-	-	5,737	-	-	-
Due to other governments	-	126,980	304,159	7,691,207	454,548	1,806,040
Trusts payable	3,243	-	-	-	-	-
Compensated absences	-	-	5,860	-	-	-
<b>Total liabilities</b>	<b>\$ 3,243</b>	<b>126,980</b>	<b>315,756</b>	<b>7,691,207</b>	<b>454,548</b>	<b>1,806,040</b>

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	
	18,296	230,891	89,778	576,431	9,832	909	1,625	18,262	1,123,058
	-	-	-	-	-	-	-	-	3,243
	25	-	-	-	-	-	-	4	40,526
	206,000	-	-	-	-	-	-	2,000	10,385,000
	-	-	16	-	-	-	-	-	16
	-	-	-	-	-	-	44,584	-	44,584
	224,321	230,891	89,794	576,431	9,832	909	46,209	20,266	11,596,427
	-	-	1,125	416	174	-	-	-	1,715
	-	-	85	3,371	1,819	-	-	-	11,012
	224,321	230,891	75,067	572,644	7,839	909	46,209	13,832	11,554,646
	-	-	-	-	-	-	-	6,434	9,677
	-	-	13,517	-	-	-	-	-	19,377
	224,321	230,891	89,794	576,431	9,832	909	46,209	20,266	11,596,427

Pocahontas County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpora- tions
<b>Assets and Liabilities</b>						
Balances beginning of year	\$ 6,346	142,760	300,528	6,915,780	464,529	1,742,018
Additions:						
Property and other county tax	-	125,080	256,602	7,606,841	449,251	1,716,168
E911 surcharge	-	-	-	-	-	-
State tax credits	-	6,305	8,778	306,582	20,516	101,715
Drivers license fees	-	-	-	-	-	-
Office fees and collections	239,043	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	100,662	-	-	-	-	-
Miscellaneous	-	53	310	2,176	173	-
Total additions	339,705	131,438	265,690	7,915,599	469,940	1,817,883
Deductions:						
Agency remittances:						
To other funds	85,040	-	-	-	-	-
To other governments	154,021	147,218	250,462	7,140,172	479,921	1,753,861
Trusts paid out	103,747	-	-	-	-	-
Total deductions	342,808	147,218	250,462	7,140,172	479,921	1,753,861
Balances end of year	\$ 3,243	126,980	315,756	7,691,207	454,548	1,806,040

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
208,647	157,326	71,201	411,331	26,129	909	46,927	16,672	10,511,103
207,205	-	-	-	-	-	-	1,605	10,362,752
-	-	82,337	-	-	-	-	-	82,337
8,099	-	-	-	-	-	-	72	452,067
-	-	-	-	-	-	-	26,434	26,434
-	-	-	-	-	-	-	5,745	244,788
-	2,606,187	-	-	-	-	-	-	2,606,187
-	-	-	-	-	-	14,781	-	14,781
-	-	-	-	-	-	-	127,046	227,708
167	3,527	-	331,360	59,922	-	-	141	397,829
215,471	2,609,714	82,337	331,360	59,922	-	14,781	161,043	14,414,883
-	98,596	-	-	-	-	-	-	183,636
199,797	2,437,553	63,744	166,260	76,219	-	15,499	33,716	12,918,443
-	-	-	-	-	-	-	123,733	227,480
199,797	2,536,149	63,744	166,260	76,219	-	15,499	157,449	13,329,559
224,321	230,891	89,794	576,431	9,832	909	46,209	20,266	11,596,427

Pocahontas County

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

For the Last Ten Years

	2011	2010	2009	2008
Revenues:				
Property and other county tax	\$ 4,258,656	4,254,131	4,005,332	3,803,263
Local option sales tax	274,851	260,424	334,590	253,327
Interest and penalty on property tax	24,833	28,515	22,915	15,548
Intergovernmental	4,788,780	4,077,843	4,160,900	4,392,022
Licenses and permits	66,025	43,759	42,326	154,215
Charges for service	496,136	487,811	466,799	458,511
Use of money and property	181,153	150,090	285,578	420,871
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	1,110,658	471,260	304,007	1,090,291
Total	\$ 11,201,092	9,773,833	9,622,447	10,588,048
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,654,138	1,528,951	1,324,684	1,289,443
Physical health and social services	1,366,444	1,341,200	1,342,135	1,295,630
Mental health	823,218	860,327	896,475	938,376
County environment and education	933,688	880,862	817,339	772,033
Roads and transportation	3,559,990	4,073,896	3,463,907	3,713,055
Governmental services to residents	324,948	303,558	305,130	282,882
Administration	1,430,837	1,326,687	1,177,814	1,138,003
Non-program	1,619,701	1,601,325	554,673	263,954
Debt service	1,978,053	593,733	339,138	1,013,686
Capital projects	276,989	108,903	370,687	459,265
Total	\$ 13,968,006	12,619,442	10,591,982	11,166,327

See accompanying independent auditor's report.

Modified Accrual Basis					
2007	2006	2005	2004	2003	2002
3,789,868	3,709,574	3,699,102	3,883,390	3,753,017	3,156,424
271,106	192,734	348,556	161,200	83,473	49,216
17,232	19,166	23,871	30,419	18,412	20,227
4,044,917	4,089,221	3,985,573	3,938,152	4,708,608	4,463,190
70,049	25,364	55,259	23,938	23,898	22,516
488,566	476,654	437,342	458,307	364,636	337,646
286,712	325,094	165,285	180,817	177,350	224,723
-	-	-	17,145	-	-
242,089	284,439	410,640	125,767	385,214	602,407
9,210,539	9,122,246	9,125,628	8,819,135	9,514,608	8,876,349
1,143,838	1,102,064	893,329	965,340	906,338	902,346
1,197,529	1,284,731	1,001,683	1,039,758	1,033,126	1,069,611
852,551	976,923	912,302	902,017	896,475	925,865
707,212	599,434	534,984	566,157	614,353	644,187
3,061,030	3,137,882	3,059,974	2,089,357	3,001,356	2,455,997
323,048	327,218	252,585	262,469	242,444	225,164
940,180	1,002,141	1,028,349	1,239,195	819,936	786,768
265,868	209,554	276,621	440,522	469,244	246,446
146,113	157,120	369,424	85,263	951,117	785,096
503,498	737,879	1,058,689	387,693	98,887	289,957
9,140,867	9,534,946	9,387,940	7,977,771	9,033,276	8,331,437

**Schedule 6**

Pocahontas County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

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		\$ 4,113
U.S. Department of the Interior:			
Iowa Department of Natural Resources:			
North American Wetlands Conservation Fund	15.623		75,000
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C076(57) - 8J - 76	69,125
U.S. Environmental Protection Agency:			
Iowa Finance Authority:			
ARRA - Capitalization Grants for Clean Water			
State Revolving Fund	66.458	CS-G0230R	551,905
U. S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Preparedness Grant	93.069		19,112
Immunization Grants	93.268		5,013
ARRA - Immunization	93.712		2,228
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State Administered	93.566		3
Child Care Mandatory and Matching Funds of the			
Child Care and Development Fund	93.596		1,005
Foster Care - Title IV-E	93.658		1,631
Adoption Assistance	93.659		395
State Children's Insurance Program	93.767		19
Medical Assistance Program	93.778		3,948
Social Services Block Grant	93.667		1,406
Social Services Block Grant	93.667		28,175
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance			
(Presidentially Declared Disasters)	97.036	FEMA 1930 DR IA	14,427
Disaster Grants - Public Assistance			
(Presidentially Declared Disasters)	97.036	FEMA 1977 DR IA	3,580
			18,007
Emergency Management and Performance Grants	97.042	EMPG	22,257
Total			\$ 803,342

**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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

To the Officials of 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, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 20, 2012. 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

The management of Pocahontas County is responsible for establishing and maintaining effective 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 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-11 through II-C-11 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-D-11 through II-F-11 to be significant deficiencies.

## Compliance and Other Matters

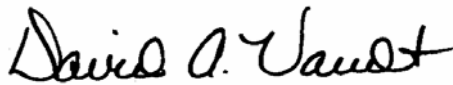
As part of obtaining reasonable assurance about whether Pocahontas County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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, 2011 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.

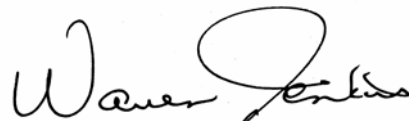
Pocahontas County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Pocahontas County's responses and, accordingly, we express no opinion on them.

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

February 20, 2012



**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**



# OFFICE OF AUDITOR OF STATE

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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, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2011. 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 could have a direct and material effect on its major federal program for the year ended June 30, 2011.

### Internal Control Over Compliance

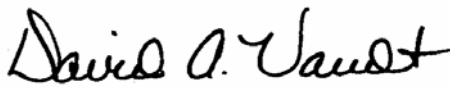
The management of Pocahontas County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Pocahontas County's 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.

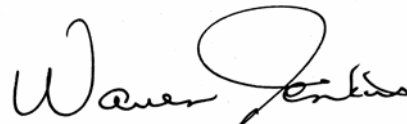
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11, we consider to be a significant deficiency. 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 response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the County's response, we did not audit Pocahontas County's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of 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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 20, 2012

Pocahontas County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2011

**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) A significant deficiency in internal control over the major program was 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 an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major 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, 2011

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

**INTERNAL CONTROL DEFICIENCIES**

II-A-11 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 utilizing currently available staff, including elected officials. Each official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review.

Responses –

Treasurer –

- (1) Limited staff makes this impossible to segregate. One person counts the money, another person processes the deposit and another person posts the deposit.
- (2) Limited staff makes this difficult to segregate.

Pocahontas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- (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.

Recorder – We will try to segregate duties to the extent possible.

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

General Relief – Beginning in 2010 Director Don Anderson and Deputy began reconciling all general relief payee files.

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

II-B-11 Financial Reporting – During the audit, we identified a material interfund loan not recorded in the County's financial statements. An adjustment was subsequently made by the County to properly include the interfund loan in the financial statements.

Recommendation – The County should implement procedures to ensure all interfund loans are identified and included in the County's financial statements.

Response – The County Auditor will be more cognizant of transfers becoming debts for repayment if the situation arises again.

Conclusion – Response accepted.

II-C-11 County Annual Financial Report – For the year ended June 30, 2011, the County's Annual Financial Report included material errors. Revenues for the Special Revenue, Secondary Roads Fund were omitted and revenues, expenditures and balances were incorrectly included in the "Permanent Fund" column. The County does not have a Permanent Fund.

Recommendation – The County should amend the Annual Financial Report and establish procedures to ensure revenues, expenditures and balances are properly reported.

Response – We will work on the GAAP report to ensure revenues, expenditures and balances are properly stated.

Conclusion – Response acknowledged. The County should also amend the fiscal year 2011 GAAP report and submit an amended copy to the Department of Management.

Pocahontas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

II-D-11 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.
- 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 and does not require back up tapes be stored off site daily in a fire proof vault or safe.

Recommendation – The County should develop written policies addressing the above items in order to improve the County’s control over 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 – We have been working on this policy.

Conclusion – Response accepted.

II-E-11 Capital Asset Inventory – The capital assets listing was not reviewed periodically during the year ended June 30, 2011 to verify assets on the listing existed or all assets were on the capital asset listing. Written authorization is not required from the department heads prior to deleting or adding items from the capital asset listing.

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



Pocahontas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Response – Department heads, or their appointee within the office, 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 listing. 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.

II-F-11 Cellular Phones - Expenditures were made by the County and other Boards for County owned 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 cellular phone use.

Conclusion – Response accepted.

Pocahontas County  
Schedule of Findings and Questioned Costs  
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**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 2011**

**U.S. Environmental Protection Agency**

**Pass through the Iowa Finance Authority**

III-A-11 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 was adopted, but we were unable to locate the policy for the auditors. The County Auditor and Board of Supervisors will review the policy and send to the auditors once it is re-approved by the board.

Conclusion – Response accepted.

Pocahontas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

IV-A-11 Certified Budget – During the year ended June 30, 2011, disbursements in certain departments exceeded the amounts appropriated prior to the budget amendment.

Recommendation – 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.

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

Conclusion – Response acknowledged. Appropriation amendments should be made before disbursements are allowed to exceed the appropriation.

IV-B-11 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
Pizza Ranch	Employee appreciation meal	\$ 472
Subway Sandwiches	Food for Board of Health Meeting	27

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 Board as it serves a public purpose of getting people to serve without pay. The employee appreciation meals are held two to three times per year. The Board sets these meetings as mandatory meetings to learn about insurance programs, workers’ compensation, and safety. The Board has determined the \$500-\$600 spent for food benefits the employees’ health and well-being.

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-11 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

Pocahontas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

IV-D-11 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 Office Clerk, husband is part owner of Ferguson Equipment	Tools, parts	\$ 754
Ray Wolf, Conservation Board member, owner of Ray's Plumbing and Heating	Services for Secondary Roads	7,530
Ed Dewey, Board Member, employee of Martin Marietta	Road rock purchased after Mr. Dewey became a Board Member	294,906
Janis Hanson, Deputy Auditor, and Carol McLain, Auditor's Office Clerk. Ms. Hanson's daughter is employed by Pro-Cooperative and Ms. McLain's husband is a Board member of Pro-Cooperative	Bulk fuel for Secondary Roads, informally bid Chemicals, oats, seed, parts and repairs	406,919 3,290
Total		<u>\$ 713,399</u>

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, oats, seed, parts and repairs 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, the Deputy Auditor's and the Auditor's Office Clerk's employment are not directly affected as a result of the contract and the duties of employment do not directly involve procurement or preparation of any part of the contracts.

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

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

Response – The County will have the County Attorney review this recommendation and send a letter in response.

Conclusion – Response accepted.

IV-E-11 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, 2011

- IV-F-11 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

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 which is being perfected and they will be in the minute book and signed in the future. The publications are getting done timely again.

Conclusion – Response accepted.

- IV-G-11 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-11 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-11 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-11 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.

Pocahontas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

IV-K-11 Interfund Transfer – On June 29, 2011, the Board approved a \$350,000 transfer from the General Fund to the Special Revenue, Rural Services Fund. While not formally approved as an interfund loan, the County has represented it is its intention to repay the General Fund, thereby remaining in compliance with Chapter 331.432 of the Code of Iowa which prohibits permanent transfers between the General Fund and the Special Revenue, Rural Services Fund. However, the County did not publish notice of or hold a public hearing prior to authorizing the \$350,000 advance from the General Fund to the Special Revenue, Rural Services Fund as required by Chapters 331.478 and 331.479 of the Code of Iowa.

In addition, the Board has not established a formal repayment schedule for the advance.

Recommendation – The County should comply with Chapters 331.478 and 331.479 of the Code of Iowa when entering into future noncurrent debt obligations. In addition, to ensure compliance with Chapter 331.432 of the Code of Iowa, which prohibits permanent transfers between the General Fund and Special Revenue, Rural Services Fund, the Board should adopt a formal repayment schedule for the advance and should establish procedures to monitor and ensure repayment of the advance.

Response – The Board of Supervisors passed a resolution to repay the interfund loan over the next five years. Because the fund will be tight for a couple of years, they did not specify a dollar amount to be repaid each year. The loan will be repaid as soon as funds become available.

Conclusion – Response accepted.

IV-L-11 Financial Condition – The Special Revenue, Mental Health, Rural Services and Veteran Grants Funds had deficit fund balances of \$467, \$243,218 and \$255, respectively, at June 30, 2011.

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. These balances noted above were based on GAAP reporting and do not reflect our cash basis of reporting. The County does not believe it to be a legitimate comment. The County will look for ways to eliminate the deficits.

Conclusion – Response accepted.

Pocahontas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

IV-M-11 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amount budgeted for the Emergency Management Commission.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 and 29C.17(5) of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – My proposed budget had total requirements at \$81,925. Somehow the adopted budget had \$59,963. I don't know how it happened. I should have looked closer and found out the reason why there was a difference. In the future, the budget will be more closely monitored to ensure it is not exceeded.

Conclusion – Response accepted.

IV-N-11 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, 2011 for the County Extension Office did not exceed the amount budgeted.

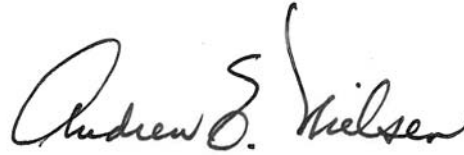
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Pocahontas County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Steven O. Fuqua, CPA, Senior Auditor II  
Tiffany M. Ainger, Staff Auditor  
Adam B. Bartz, Assistant Auditor  
Emily K. Creighton, Assistant Auditor  
Todd E. Pudenz, 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