

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

June 26, 2013

Contact: Andy Nielsen
515/281-5834

The Office of Auditor of State today released an audit report on Pocahontas County, Iowa.

The County had local tax revenue of \$15,687,005 for the year ended June 30, 2012, which included \$644,318 in tax credits from the state. The County forwarded \$10,729,658 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,957,347 of the local tax revenue to finance County operations, an 11.6% increase over the prior year. Other revenues included charges for service of \$2,017,922, operating grants, contributions and restricted interest of \$4,059,510, capital grants, contributions and restricted interest of \$1,567,219, local option sales tax of \$360,080, unrestricted investment earnings of \$58,699 and other general revenues of \$194,067.

Expenses for County operations totaled \$12,407,586, a decrease of 3.3% from the prior year. Expenses included \$4,674,289 for roads and transportation, \$1,621,283 for public safety and legal services and \$1,305,956 for administration.

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/1210-0076-B00F.pdf>.

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

JUNE 30, 2012

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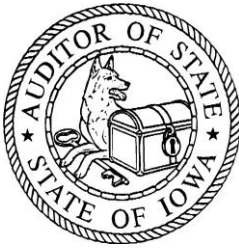
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Pocahontas County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ed Dewey	Board of Supervisors	Jan 2013
Jack Dewolf	Board of Supervisors	Jan 2013
Louis Stauter	Board of Supervisors	Jan 2013
Paul R. Beneke	Board of Supervisors	Jan 2015
Vincent Triggs	Board of Supervisors	Jan 2015
Margene A. Bunda	County Auditor	Jan 2013
Sarah Winkler	County Treasurer	Jan 2015
Michael P. Bollard	County Recorder	Jan 2015
Robert Lampe	County Sheriff	Jan 2013
Ann E. Beneke	County Attorney	Jan 2015
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, 2012, 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, 2012, 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 April 30, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 44 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's

responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pocahontas County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 3.9%, or approximately \$494,000, from fiscal year 2011 to fiscal year 2012. Property tax increased approximately \$511,000 and charges for service decreased approximately \$67,000.
- The County's governmental activities' expenses decreased 3.3%, or approximately \$427,000, from fiscal year 2011 to fiscal year 2012. Roads and transportation expenses increased approximately \$380,000, administration expenses decreased approximately \$202,000 and non-program expenses decreased approximately \$711,000.
- The County's net assets increased 3.9%, or approximately \$807,000, from June 30, 2011 to June 30, 2012.

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.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net 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) A proprietary fund accounts for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds 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 governmental fund financial statements follow the governmental 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.

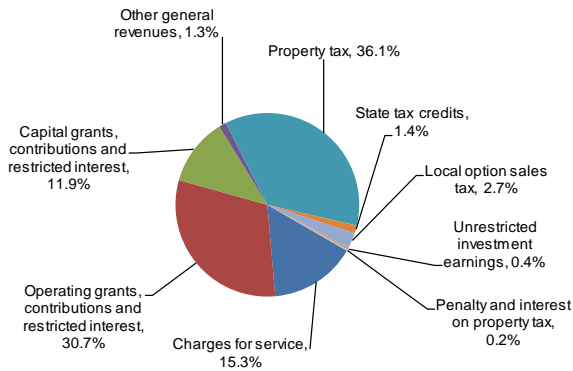
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2012	2011
Current and other assets	\$ 13,954	12,785
Capital assets	16,493	15,893
Total assets	30,447	28,678
Long-term liabilities	2,783	2,864
Other liabilities	6,356	5,313
Total liabilities	9,139	8,177
Net assets:		
Invested in capital assets	16,493	15,893
Restricted	4,197	3,954
Unrestricted	618	654
Total net assets	\$ 21,308	20,501

Net assets of Pocahontas County's governmental activities increased approximately \$807,000, or 3.9%. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased from approximately \$654,000 at June 30, 2011 to approximately \$618,000 at the end of this year, a decrease of 5.5%. The decrease is primarily due to a decrease in the General Fund balance.

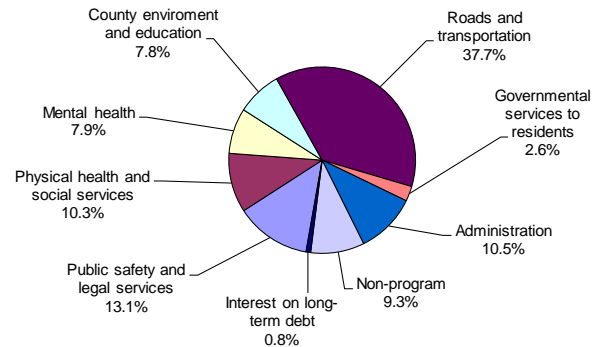
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2012	2011
Revenues:		
Program revenues:		
Charges for service	\$ 2,018	2,085
Operating grants, contributions and restricted interest	4,059	4,081
Capital grants, contributions and restricted interest	1,567	1,567
General revenues:		
Property tax	4,769	4,258
State tax credits	189	184
Penalty and interest on property tax	26	25
Local option sales tax	360	275
Unrestricted investment earnings	59	117
Other general revenues	168	129
Total revenues	13,215	12,721
Program expenses:		
Public safety and legal services	1,621	1,628
Physical health and social services	1,277	1,347
Mental health	984	823
County environment and education	967	938
Roads and transportation	4,674	4,294
Governmental services to residents	328	332
Administration	1,306	1,508
Non-program	1,148	1,859
Interest on long-term debt	103	106
Total expenses	12,408	12,835
Change in net assets	807	(114)
Net assets beginning of year	20,501	20,615
Net assets end of year	\$ 21,308	20,501

Revenues by Source



Expenses by Function



Pocahontas County's net assets of governmental activities increased approximately \$807,000 during the year. Revenues for governmental activities increased approximately \$494,000 over the prior year. Charges for service decreased approximately \$67,000 while property tax revenues increased approximately \$511,000. The increase in property tax revenues is due to increased tax rates.

INDIVIDUAL MAJOR FUND ANALYSIS

As Pocahontas County completed the year, its governmental funds reported a combined fund balance of approximately \$6.0 million, a decrease of approximately \$400,000 from last year's total of approximately \$6.4 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 \$249,000. The ending fund balance decreased approximately \$339,000 from the prior year to approximately \$1,393,000. While General Fund revenues remained fairly constant, increasing approximately \$128,000, or 3%, expenditures decreased approximately \$350,000, or 7.1%, between fiscal years 2011 and 2012. The decrease in expenditures is primarily due to decreased expenditures for administration. Fiscal year 2011 expenditures included costs associated with drilling wells for the geo thermal heating system for the courthouse and renovation to mitigate mold in the community services building.

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 2012, the County qualified for more State funding, resulting in an increase in revenues of approximately \$200,000 over the prior fiscal year. For the year, expenditures totaled approximately \$984,000, an increase of approximately \$161,000, or 19.5%, over the prior year. The Mental Health Fund balance at year end increased approximately \$90,000 from the prior year to approximately \$90,000. The increase in expenditures from the prior year was primarily due to increased client services.

Special Revenue, Rural Services Fund revenues increased approximately \$354,000 over the prior year while expenditures plus transfers out to the Special Revenue, Secondary Roads Fund increased approximately \$44,000. The Rural Services Fund balance at year end decreased approximately \$24,000 from the prior year to a deficit of approximately \$267,000. Fiscal year 2012 property tax revenue increased approximately \$263,000 and local option sales tax revenue increased approximately \$85,000.

Revenues in the Special Revenue, Secondary Roads Fund decreased approximately \$82,000 while expenditures increased approximately \$109,000 over the previous year. Revenues decreased primarily due to a decrease in bridge replacement grant revenue for a bridge project started during fiscal year 2011. Expenditures increased over the prior year due to increased spending for roads and bridge maintenance projects. The Secondary Roads Fund ending balance increased approximately \$320,000 to approximately \$4 million.

The Special Revenue, Drainage Districts Fund ending balance decreased approximately \$500,000 from the prior year to approximately \$604,000. Revenue/proceeds from grants and the State Revolving Fund (SRF) loan program decreased 75.9% from the prior year while expenditures for the wetlands project in Drainage District No. 65 continued into fiscal year 2012, decreasing 37.7% from the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Pocahontas County amended its budget once. The amendment was made in May 2012 and resulted in an increase in budgeted disbursements for the conservation and medical examiner departments. During the year, disbursements in certain departments exceeded the amounts appropriated.

The County's receipts were \$146,735 more than budgeted, a variance of 1.4%.

Total disbursements were \$2,208,330 less than the amended budget. Actual disbursements for the capital projects, physical health and social services and roads and transportation functions were \$850,144, \$334,209 and \$612,509, respectively, less than budgeted, while the other functions were also less than budgeted. This was primarily due to continued monitoring and changing demands for physical health and social services 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, 2012, Pocahontas County had approximately \$16.5 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 \$600,000, or 3.8%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2012	2011
Land	\$ 1,910	1,910
Construction in progress	28	119
Buildings and building improvements	1,164	1,173
Equipment and vehicles	2,318	2,605
Infrastructure, road network	11,073	10,086
Total	\$ 16,493	15,893
This year's major additions included (in thousands):		
Road and bridge construction projects	\$ 1,564	

The County had depreciation expense of \$1,173,059 in fiscal year 2012 and total accumulated depreciation of \$9,358,385 at June 30, 2012. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2012, Pocahontas County had approximately \$2,538,000 of outstanding debt, compared to approximately \$2,649,000 at June 30, 2011. 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,	
	2012	2011
Drainage warrants and improvement certificates	\$ 1,482	1,553
State Revolving Fund improvement certificates	1,056	1,096
Total	\$ 2,538	2,649

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 2013 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 3.9%, a decrease from a year ago. This compares with the State's unemployment rate of 5.2% and the national rate of 8.2%.

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

Pocahontas County
 Statement of Net Assets
 June 30, 2012

	Governmental Activities
Assets	
Cash, pooled investments and cash equivalents	\$ 5,354,759
Receivables:	
Property tax:	
Delinquent	8,510
Succeeding year	5,657,000
Interest and penalty on property tax	64,196
Accounts	60,785
Accrued interest	3,927
Drainage assessments	1,396,589
Due from other governments	291,059
Inventories	1,038,408
Prepaid insurance	79,176
Capital assets, net of accumulated depreciation	16,492,750
Total assets	30,447,159
Liabilities	
Accounts payable	346,909
Salaries and benefits payable	159,330
Due to other governments	192,543
Deferred revenue:	
Succeeding year property tax	5,657,000
Long-term liabilities:	
Portion due or payable within one year:	
Drainage warrants/drainage improvement certificates	1,189,408
State Revolving Fund improvement certificates payable	41,000
Compensated absences	207,501
Portion due or payable after one year:	
Drainage improvement certificates	292,193
State Revolving Fund improvement certificates payable	1,015,000
Net OPEB liability	38,000
Total liabilities	9,138,884
Net Assets	
Invested in capital assets	16,492,750
Restricted for:	
Supplemental levy purposes	3,027
Secondary roads purposes	3,971,393
Mental health purposes	89,463
Other purposes	133,601
Unrestricted	618,041
Total net assets	\$ 21,308,275

See notes to financial statements.

Pocahontas County
Statement of Activities
Year ended June 30, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,621,283	41,545	32,911	-	(1,546,827)
Physical health and social services	1,277,066	297,785	615,635	-	(363,646)
Mental health	983,894	-	635,088	-	(348,806)
County environment and education	966,526	35,872	9,926	-	(920,728)
Roads and transportation	4,674,289	155,525	2,753,231	1,567,219	(198,314)
Governmental services to residents Administration	327,512	165,899	-	-	(161,613)
	1,305,956	-	-	-	(1,305,956)
Non-program	1,148,043	1,321,296	12,719	-	185,972
Interest on long-term debt	103,017	-	-	-	(103,017)
Total	\$ 12,407,586	2,017,922	4,059,510	1,567,219	(4,762,935)
General Revenues:					
Property and other county tax levied for general purposes					4,768,725
Penalty and interest on property tax					26,136
State tax credits					188,622
Local option sales tax					360,080
Unrestricted investment earnings					58,699
Miscellaneous					167,931
Total general revenues					5,570,193
Change in net assets					807,258
Net assets beginning of year					20,501,017
Net assets end of year					\$ 21,308,275

See notes to financial statements.

Pocahontas County

Balance Sheet

June 30, 2012

	General	Special	
		Mental Health	Rural Services
Assets			
Cash, pooled investments and cash equivalents	\$ 1,108,199	279,735	81,812
Receivables:			
Property tax:			
Delinquent	7,317	907	286
Succeeding year	3,381,000	419,000	1,857,000
Interest and penalty on property tax	64,196	-	-
Accounts	27,021	-	-
Accrued interest	3,927	-	-
Drainage assessments	-	-	-
Advance to other funds	350,000	-	-
Due from other governments	42,797	1,268	24,083
Inventories	-	-	-
Prepaid insurance	45,672	-	6,044
Total assets	\$ 5,030,129	700,910	1,969,225
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 70,047	23,607	2,215
Salaries and benefits payable	100,024	724	17,025
Advance from other funds	-	-	350,000
Due to other governments	15,127	167,139	9,708
Deferred revenue:			
Succeeding year property tax	3,381,000	419,000	1,857,000
Other	71,354	900	286
Total liabilities	3,637,552	611,370	2,236,234
Fund balances:			
Nonspendable:			
Advance to other funds	350,000	-	-
Inventories	-	-	-
Prepaid insurance	45,672	-	6,044
Restricted for:			
Mental health purposes	-	89,540	-
Secondary roads purposes	-	-	-
Drainage warrants/drainage improvement certificates	-	-	-
Other purposes	-	-	-
Unassigned	996,905	-	(273,053)
Total fund balances	1,392,577	89,540	(267,009)
Total liabilities and fund balances	\$ 5,030,129	700,910	1,969,225

See notes to financial statements.

Revenue			
Secondary Roads	Drainage Districts	Nonmajor	Total
2,839,115	793,013	133,601	5,235,475
-	-	-	8,510
-	-	-	5,657,000
-	-	-	64,196
33,764	-	-	60,785
-	-	-	3,927
-	1,396,589	-	1,396,589
-	-	-	350,000
183,599	39,312	-	291,059
1,038,408	-	-	1,038,408
27,460	-	-	79,176
4,122,346	2,228,914	133,601	14,185,125
41,979	201,591	20	339,459
41,557	-	-	159,330
-	-	-	350,000
569	-	-	192,543
-	-	-	5,657,000
29,082	1,423,182	-	1,524,804
113,187	1,624,773	20	8,223,136
-	-	-	350,000
1,038,408	-	-	1,038,408
27,460	-	-	79,176
-	-	-	89,540
2,943,291	-	-	2,943,291
-	604,141	-	604,141
-	-	133,601	133,601
-	-	(20)	723,832
4,009,159	604,141	133,581	5,961,989
4,122,346	2,228,914	133,601	14,185,125

Pocahontas County

Pocahontas County

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

June 30, 2012

Total governmental fund balances (page 19) \$ 5,961,989

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 \$25,851,135 and the accumulated depreciation is \$9,358,385. 16,492,750

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 1,524,804

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. 111,834

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. (2,783,102)

Net assets of governmental activities (page 16) \$ 21,308,275

See notes to financial statements.

Pocahontas County

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

Year ended June 30, 2012

	Special		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,831,324	419,580	1,517,007
Local option sales tax	-	-	360,080
Interest and penalty on property tax	19,995	-	-
Intergovernmental	858,393	652,299	55,274
Licenses and permits	33,956	-	-
Charges for service	449,471	-	-
Use of money and property	129,645	-	-
Miscellaneous	42,130	1,884	-
Total revenues	4,364,914	1,073,763	1,932,361
Expenditures:			
Operating:			
Public safety and legal services	1,103,164	-	514,932
Physical health and social services	1,277,526	-	-
Mental health	-	983,756	-
County environment and education	589,034	-	339,412
Roads and transportation	-	-	-
Governmental services to residents	311,918	-	1,808
Administration	1,260,080	-	-
Non-program	8,672	-	-
Debt service	-	-	-
Capital projects	63,141	-	-
Total expenditures	4,613,535	983,756	856,152
Excess (deficiency) of revenues over (under) expenditures	(248,621)	90,007	1,076,209
Other financing sources (uses):			
Sale of capital assets	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(90,000)	-	(1,100,000)
Drainage warrants/drainage improvement certificates issued	-	-	-
Total other financing sources (uses)	(90,000)	-	(1,100,000)
Change in fund balances	(338,621)	90,007	(23,791)
Fund balances beginning of year	1,731,198	(467)	(243,218)
Fund balances end of year	\$ 1,392,577	89,540	(267,009)

See notes to financial statements.

Revenue			
Secondary Roads	Drainage Districts	Nonmajor	Total
-	-	-	4,767,911
-	-	-	360,080
-	-	-	19,995
2,791,263	12,719	19,566	4,389,514
9,945	-	-	43,901
81,482	-	4,382	535,335
2,400	-	396	132,441
42,670	602,518	450	689,652
2,927,760	615,237	24,794	10,938,829
-	-	-	1,618,096
-	-	9,765	1,287,291
-	-	-	983,756
-	-	2,379	930,825
3,672,750	-	-	3,672,750
-	-	-	313,726
-	-	-	1,260,080
-	900,389	-	909,061
-	1,251,433	-	1,251,433
127,597	-	-	190,738
3,800,347	2,151,822	12,144	12,417,756
(872,587)	(1,536,585)	12,650	(1,478,927)
2,328	-	-	2,328
1,190,000	-	-	1,190,000
-	-	-	(1,190,000)
-	1,036,705	-	1,036,705
1,192,328	1,036,705	-	1,039,033
319,741	(499,880)	12,650	(439,894)
3,689,418	1,104,021	120,931	6,401,883
4,009,159	604,141	133,581	5,961,989

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, 2012

Change in fund balances - Total governmental funds (page 23) \$ (439,894)

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	\$ 211,397	
Capital assets contributed by the Iowa Department of	1,561,331	
Depreciation expense	<u>(1,173,059)</u>	599,669

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	814	
Other	<u>554,401</u>	555,215

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

Issued	(1,036,705)	
Repaid	<u>1,148,416</u>	111,711

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	(18,489)	
Other postemployment benefits	<u>(12,000)</u>	(30,489)

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.

11,046

Change in net assets of governmental activities (page 17)

\$ 807,258

See notes to financial statements.

Pocahontas County
Statement of Net Assets
Proprietary Fund

June 30, 2012

	<u>Internal Service Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 119,284
Liabilities	
Accounts payable	<u>7,450</u>
Net Assets	
Unrestricted	<u>\$ 111,834</u>

See notes to financial statements.

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

Year ended June 30, 2012

		<u>Internal Service Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 99,931
Reimbursements from employees and others		149,940
Total operating revenues		<u>249,871</u>
Operating expenses:		
Medical claims	\$ 145,544	
Premiums	80,194	
Administrative charges	<u>13,244</u>	<u>238,982</u>
Operating income		10,889
Non-operating revenues:		
Interest income		<u>157</u>
Net income		11,046
Net assets beginning of year		<u>100,788</u>
Net assets end of year		<u><u>\$ 111,834</u></u>
See notes to financial statements.		

Pocahontas County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2012

	Internal Service Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund contributions	\$ 99,931
Cash received from employees and others	149,940
Cash paid for medical claims, premiums and other	(245,742)
Net cash provided by operating activities	4,129
Cash flows from investing activities:	
Interest on investments	157
Net increase in cash and cash equivalents	4,286
Cash and cash equivalents beginning of year	114,998
Cash and cash equivalents end of year	\$ 119,284
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 10,889
Adjustment to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts payable	(6,760)
Net cash provided by operating activities	\$ 4,129
See notes to financial statements.	

Pocahontas County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2012

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 937,370
Other County officials	1,853

Receivables:

Property tax:

Delinquent	39,164
Succeeding year	10,292,000

Accrued interest	11
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Special assessments	23,200
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Due from other governments	9,479
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Total assets	<u>11,303,077</u>
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Liabilities

Accounts payable	1,161
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Salaries and benefits payable	10,727
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Due to other governments	11,269,647
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Trusts payable	1,853
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Compensated absences	19,689
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Total liabilities	<u>11,303,077</u>
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Net assets	<u><u>\$ -</u></u>
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See notes to financial statements.

Pocahontas County

Notes to Financial Statements

June 30, 2012

(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 are 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

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

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

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

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net 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, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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, 2012 exceeded the amounts appropriated prior to amendment.

(2) Cash, Pooled Investments and Cash Equivalents

The County's deposits in banks at June 30, 2012 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, 2012, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$18,276 pursuant to Rule 2a-7 under the Investment Company Act of 1940, which is unrated for credit risk purposes, and drainage warrants and improvement certificates of \$764,113 and \$243,205, respectively.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 90,000
	Special Revenue:	
	Rural Services	1,100,000
		<u>\$ 1,190,000</u>
Total		

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, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,909,753	-	-	1,909,753
Construction in progress	118,818	1,564,144	(1,655,097)	27,865
Total capital assets not being depreciated	2,028,571	1,564,144	(1,655,097)	1,937,618
Capital assets being depreciated:				
Buildings and building improvements	2,564,284	71,310	-	2,635,594
Equipment and vehicles	7,269,096	137,274	(80,265)	7,326,105
Infrastructure, road network	12,296,721	1,655,097	-	13,951,818
Total capital assets being depreciated	22,130,101	1,863,681	(80,265)	23,913,517
Less accumulated depreciation for:				
Buildings and building improvements	1,391,144	80,689	-	1,471,833
Equipment and vehicles	4,663,547	424,607	(80,265)	5,007,889
Infrastructure, road network	2,210,900	667,763	-	2,878,663
Total accumulated depreciation	8,265,591	1,173,059	(80,265)	9,358,385
Total capital assets being depreciated, net	13,864,510	690,622	-	14,555,132
Governmental activities capital assets, net	\$ 15,893,081	2,254,766	(1,655,097)	16,492,750

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 75,268
County environment and education	43,304
Roads and transportation	985,027
Governmental services to residents	20,260
Administration	49,200
	<hr/>
Total depreciation expense - governmental activities	<u>\$ 1,173,059</u>

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2012 is as follows:

Fund	Description	Amount
General	Services	\$ 15,127
Special Revenue:		
Mental Health	Services	167,139
Rural Services	Services	9,708
Secondary Roads	Services	569
		<hr/>
		177,416
		<hr/>
Total for governmental funds		\$ 192,543
		<hr/>
Agency:		
Agriculture Extension Education	Collections	\$ 143,609
County Assessor		310,004
Schools		7,497,633
Community Colleges		468,668
Corporations		1,851,445
Townships		222,924
Auto License and Use Tax		176,813
Resources Unlimited		457,167
All other		141,384
		<hr/>
Total for agency funds		\$ 11,269,647
		<hr/>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	State					Total
	Drainage Warrants	Drainage Improvement Certificates	Revolving Fund Improvement Certificates	Compensated Absences	Net OPEB Liability	
Balance beginning of year	\$ 1,437,795	115,517	1,096,000	189,012	26,000	2,864,324
Increases	752,825	283,880	-	93,399	16,700	1,146,804
Decreases	1,028,347	80,069	40,000	74,910	4,700	1,228,026
	<hr/>					
Balance end of year	\$ 1,162,273	319,328	1,056,000	207,501	38,000	2,783,102
	<hr/>					
Due within one year	\$ 1,162,273	27,135	41,000	207,501	-	1,437,909
	<hr/>					

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, 2012, the County had drawn down the entire authorized amount. However, a final repayment schedule will not be adopted until the projects and related documentation are finalized. During the year ended June 30, 2012, the County paid \$40,000 of principal and \$48,774 of interest on these certificates.

The County has pledged assessments against property in Drainage District No. 65 to repay the improvement certificates. The certificates are payable solely from drainage assessments against property in Drainage District No. 65 and are payable through 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	<u>\$ 350,000</u>

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

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$304,211, \$275,476 and \$255,735, 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, 2012 was \$99,931.

The amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2012 for reported but not paid claims have been determined by the plan administrator since the County has not obtained an actuarial opinion as required by Chapter 509A.15 of the Code of Iowa.

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

in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 14,210
Incurred claims (including claims incurred but not reported at June 30, 2012)	(152,304)
Payment on claims during the year	<u>145,544</u>
Unpaid claims end of year	<u>\$ 7,450</u>

(10) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 90 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2012, 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	1,200
Adjustment to annual required contribution	<u>(1,500)</u>
Annual OPEB cost	16,700
Contributions made	<u>(4,700)</u>
Increase in net OPEB obligation	12,000
Net OPEB obligation beginning of year	<u>26,000</u>
Net OPEB obligation end of year	<u>\$ 38,000</u>

For the year ended June 30, 2012, the County contributed \$4,700 to the medical plan and there were no contributions from plan members eligible for benefits.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 17,495	34.0 %	\$ 13,057
2011	16,800	23.0	26,000
2012	16,700	28.1	38,000

Funded Status and Funding Progress – As of June 30, 2012, 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, 2012, there were no trust fund assets.

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

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

As of the July 1, 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, Rural Services and Veterans Grants Funds had deficit balances of \$267,009 and \$20, respectively, at June 30, 2012. 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

The County purchased \$372,416 of road rock from Martin Marietta, a business at which Board Member Ed Dewey is employed. The County also purchased \$437,846 of bulk fuel, chemicals, oats, seed, parts and repairs from Pro Cooperative for the Secondary Roads Department. The Deputy Auditor's daughter is employed by Pro-Cooperative and the Auditor's Office Clerk's husband is a Board Member of Pro-Cooperative.

(14) Drainage District Project

On January 20, 2011, the County entered into a 28E agreement with the Iowa Department of Agriculture and Land Stewardship, Division of Soil Conservation to secure \$1,524,522 of funding for agricultural drainage wells within 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.

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, 2012

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 5,159,164	-	5,159,164
Interest and penalty on property tax	20,097	-	20,097
Intergovernmental	4,508,077	56,778	4,451,299
Licenses and permits	43,721	-	43,721
Charges for service	542,322	-	542,322
Use of money and property	134,991	-	134,991
Miscellaneous	630,804	539,559	91,245
Total receipts	<u>11,039,176</u>	<u>596,337</u>	<u>10,442,839</u>
Disbursements:			
Public safety and legal services	1,618,337	-	1,618,337
Physical health and social services	1,275,008	-	1,275,008
Mental health	951,284	-	951,284
County environment and education	915,542	-	915,542
Roads and transportation	3,632,652	-	3,632,652
Governmental services to residents	311,333	-	311,333
Administration	1,253,119	-	1,253,119
Non-program	851,833	843,162	8,671
Debt service	1,072,660	1,072,660	-
Capital projects	191,856	-	191,856
Total disbursements	<u>12,073,624</u>	<u>1,915,822</u>	<u>10,157,802</u>
Excess (deficiency) of receipts over (under) disbursements	(1,034,448)	(1,319,485)	285,037
Other financing sources, net	<u>1,347,724</u>	<u>1,347,724</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	313,276	28,239	285,037
Balance beginning of year	<u>4,922,199</u>	<u>764,774</u>	<u>4,157,425</u>
Balance end of year	<u>\$ 5,235,475</u>	<u>793,013</u>	<u>4,442,462</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
5,061,345	5,057,433	101,731
20,000	20,000	97
4,421,861	4,491,861	(40,562)
36,224	36,224	7,497
460,766	499,766	42,556
98,825	135,245	(254)
55,575	55,575	35,670
10,154,596	10,296,104	146,735
1,667,395	1,682,395	64,058
1,609,217	1,609,217	334,209
1,012,686	1,012,686	61,402
990,473	1,005,473	89,931
4,245,161	4,245,161	612,509
350,435	350,435	39,102
1,406,380	1,406,380	153,261
12,385	12,385	3,714
-	-	-
1,042,000	1,042,000	850,144
12,336,132	12,366,132	2,208,330
(2,181,536)	(2,070,028)	2,355,065
10,000	10,000	(10,000)
(2,171,536)	(2,060,028)	2,345,065
2,924,105	2,924,105	1,233,320
752,569	864,077	3,578,385

Pocahontas County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 11,039,176	(190,347)	10,938,829
Expenditures	12,073,624	344,132	12,417,756
Net	(1,034,448)	(534,479)	(1,478,927)
Other financing sources, net	1,347,724	(308,691)	1,039,033
Beginning fund balances	4,922,199	1,479,684	6,401,883
Ending fund balances	\$ 5,235,475	636,514	5,961,989

See accompanying independent auditor's report.

Pocahontas County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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 \$30,000. 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, 2012, disbursements in certain departments exceeded the amounts appropriated prior to amendment.

Pocahontas County

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

Required Supplementary Information

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

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

See accompanying independent auditor's report.

Supplementary Information

Pocahontas County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2012

	County Recorder's			
	County Attorney	Records Management	Courthouse Security	Veterans Grants
Assets				
Cash, pooled investments and cash equivalents	\$ 5,127	23,439	5,109	-
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ -	-	-	20
Fund balances:				
Restricted for other purposes	5,127	23,439	5,109	-
Unassigned	-	-	-	(20)
Total fund balances	5,127	23,439	5,109	(20)
Total liabilities and fund balances	\$ 5,127	23,439	5,109	-

See accompanying independent auditor's report.

Special Revenue					
County					
Recorder's Electronic Transaction Fee	Community Disaster Grants	REAP	Environmental Education Trust		Total
392	2,000	96,721	813		133,601
-	-	-	-		20
392	2,000	96,721	813		133,601
-	-	-	-		(20)
392	2,000	96,721	813		133,581
392	2,000	96,721	813		133,601

Pocahontas County

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

Year ended June 30, 2012

	County Attorney	County Recorder's Records Management	Courthouse Security	Veterans Grants
Revenues:				
Intergovernmental	\$ -	-	-	10,000
Charges for service	-	1,779	-	-
Use of money and property	-	35	-	-
Miscellaneous	-	-	-	-
Total revenues	-	1,814	-	10,000
Expenditures:				
Operating:				
Physical health and social services	-	-	-	9,765
County environment and education	-	-	-	-
Total expenditures	-	-	-	9,765
Excess of revenues over expenditures	-	1,814	-	235
Fund balances beginning of year	5,127	21,625	5,109	(255)
Fund balances end of year	\$ 5,127	23,439	5,109	(20)

See accompanying independent auditor's report.

Special Revenue					
County					
Recorder's	Community		Environmental		
Electronic	Disaster		Education		
Transaction Fee	Grants	REAP	Trust		Total
-	-	9,566	-	-	19,566
-	-	-	2,603	-	4,382
-	-	360	1	-	396
-	-	-	450	-	450
-	-	9,926	3,054	-	24,794
-	-	-	-	-	9,765
-	-	-	2,379	-	2,379
-	-	-	2,379	-	12,144
-	-	9,926	675	-	12,650
392	2,000	86,795	138	-	120,931
392	2,000	96,721	813	-	133,581

Pocahontas County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpor- ations
Assets						
Cash and pooled investments:						
County Treasurer	\$ -	1,301	78,404	78,942	4,667	24,882
Other County officials	1,853	-	-	-	-	-
Receivables:						
Property tax:						
Delinquent	-	308	553	16,691	1,001	20,563
Succeeding year	-	142,000	256,000	7,402,000	463,000	1,806,000
Accrued interest	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Total assets	\$ 1,853	143,609	334,957	7,497,633	468,668	1,851,445
Liabilities						
Accounts payable	\$ -	-	-	-	-	-
Salaries and benefits payable	-	-	5,264	-	-	-
Due to other governments	-	143,609	310,004	7,497,633	468,668	1,851,445
Trusts payable	1,853	-	-	-	-	-
Compensated absences	-	-	19,689	-	-	-
Total liabilities	\$ 1,853	143,609	334,957	7,497,633	468,668	1,851,445

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	
	1,880	176,813	86,580	455,576	7,198	909	3,784	16,434	937,370
	-	-	-	-	-	-	-	-	1,853
	44	-	-	-	-	-	-	4	39,164
	221,000	-	-	-	-	-	2,000	-	10,292,000
	-	-	11	-	-	-	-	-	11
	-	-	-	-	-	23,200	-	-	23,200
	-	-	3,688	5,791	-	-	-	-	9,479
	222,924	176,813	90,279	461,367	7,198	909	26,984	18,438	11,303,077
	-	-	308	711	142	-	-	-	1,161
	-	-	101	3,489	1,873	-	-	-	10,727
	222,924	176,813	89,870	457,167	5,183	909	26,984	18,438	11,269,647
	-	-	-	-	-	-	-	-	1,853
	-	-	-	-	-	-	-	-	19,689
	222,924	176,813	90,279	461,367	7,198	909	26,984	18,438	11,303,077

Pocahontas County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2012

	Agricultural		County Assessor	Schools	Community Colleges	Corpora- tions
	County Offices	Extension Education				
Assets and Liabilities						
Balances beginning of year	\$ 3,243	126,980	315,756	7,691,207	454,548	1,806,040
Additions:						
Property and other county tax	-	142,029	256,966	7,416,688	464,481	1,769,137
E911 surcharge	-	-	-	-	-	-
State tax credits	-	5,063	10,542	314,572	18,403	99,412
Drivers license fees	-	-	-	-	-	-
Office fees and collections	202,663	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	93,011	-	-	-	-	-
Miscellaneous	-	65	217	-	-	-
Total additions	295,674	147,157	267,725	7,731,260	482,884	1,868,549
Deductions:						
Agency remittances:						
To other funds	75,548	-	-	-	-	-
To other governments	127,115	130,528	248,524	7,924,835	468,764	1,823,144
Trusts paid out	94,401	-	-	-	-	-
Total deductions	297,064	130,528	248,524	7,924,835	468,764	1,823,144
Balances end of year	\$ 1,853	143,609	334,957	7,497,632	468,668	1,851,445

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
224,321	230,891	89,794	576,431	9,832	909	46,209	20,266	11,596,427
223,006	-	-	-	-	-	-	1,655	10,273,962
-	-	79,613	-	-	-	-	-	79,613
7,637	-	-	-	-	-	-	67	455,696
-	-	-	-	-	-	-	21,360	21,360
-	-	-	-	-	-	-	17,003	219,666
-	2,695,328	-	-	-	-	-	-	2,695,328
-	-	-	-	-	-	-	46,359	46,359
-	-	-	-	-	-	-	-	93,011
-	3,911	-	152,935	72,257	-	-	79,726	309,111
230,643	2,699,239	79,613	152,935	72,257	-	-	166,170	14,194,106
-	100,193	-	-	-	-	-	-	175,741
232,041	2,653,123	79,127	267,998	74,891	-	19,226	25,681	14,074,997
-	-	-	-	-	-	-	142,317	236,718
232,041	2,753,316	79,127	267,998	74,891	-	19,226	167,998	14,487,456
222,923	176,814	90,280	461,368	7,198	909	26,983	18,438	11,303,077

Pocahontas County

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

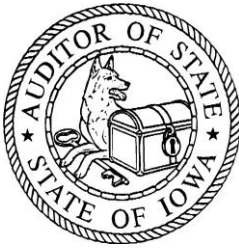
For the Last Ten Years

	2012	2011	2010	2009
Revenues:				
Property and other county tax	\$ 4,767,911	4,258,656	4,254,131	4,005,332
Local option sales tax	360,080	274,851	260,424	334,590
Interest and penalty on property tax	19,995	24,833	28,515	22,915
Intergovernmental	4,389,514	4,788,780	4,077,843	4,160,900
Licenses and permits	43,901	66,025	43,759	42,326
Charges for service	535,335	496,136	487,811	466,799
Use of money and property	132,441	181,153	150,090	285,578
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	689,652	1,110,658	471,260	304,007
Total	\$ 10,938,829	11,201,092	9,773,833	9,622,447
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,618,096	1,654,138	1,528,951	1,324,684
Physical health and social services	1,287,291	1,366,444	1,341,200	1,342,135
Mental health	983,756	823,218	860,327	896,475
County environment and education	930,825	933,688	880,862	817,339
Roads and transportation	3,672,750	3,559,990	4,073,896	3,463,907
Governmental services to residents	313,726	324,948	303,558	305,130
Administration	1,260,080	1,430,837	1,326,687	1,177,814
Non-program	909,061	1,619,701	1,601,325	554,673
Debt service	1,251,433	1,978,053	593,733	339,138
Capital projects	190,738	276,989	108,903	370,687
Total	\$ 12,417,756	13,968,006	12,619,442	10,591,982

See accompanying independent auditor's report.

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
3,803,263	3,789,868	3,709,574	3,699,102	3,883,390	3,753,017
253,327	271,106	192,734	348,556	161,200	83,473
15,548	17,232	19,166	23,871	30,419	18,412
4,392,022	4,044,917	4,089,221	3,985,573	3,938,152	4,708,608
154,215	70,049	25,364	55,259	23,938	23,898
458,511	488,566	476,654	437,342	458,307	364,636
420,871	286,712	325,094	165,285	180,817	177,350
-	-	-	-	17,145	-
1,090,291	242,089	284,439	410,640	125,767	385,214
10,588,048	9,210,539	9,122,246	9,125,628	8,819,135	9,514,608
1,289,443	1,143,838	1,102,064	893,329	965,340	906,338
1,295,630	1,197,529	1,284,731	1,001,683	1,039,758	1,033,126
938,376	852,551	976,923	912,302	902,017	896,475
772,033	707,212	599,434	534,984	566,157	614,353
3,713,055	3,061,030	3,137,882	3,059,974	2,089,357	3,001,356
282,882	323,048	327,218	252,585	262,469	242,444
1,138,003	940,180	1,002,141	1,028,349	1,239,195	819,936
263,954	265,868	209,554	276,621	440,522	469,244
1,013,686	146,113	157,120	369,424	85,263	951,117
459,265	503,498	737,879	1,058,689	387,693	98,887
11,166,327	9,140,867	9,534,946	9,387,940	7,977,771	9,033,276

Pocahontas County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Officials of Pocahontas County:

We have audited 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, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated April 30, 2013. 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, we identified a deficiency in internal control over financial reporting we consider to be a material weakness 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 the accompanying Schedule of Findings as item (A) to be a material weakness.

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 the accompanying Schedule of Findings as items (B) through (E) 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.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 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. 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 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.


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 30, 2013

Pocahontas County
 Schedule of Findings
 Year ended June 30, 2012

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES

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

	<u>Applicable Offices</u>
(1) Receipts – collecting, depositing, posting and daily reconciling. Mail is opened by a person who also has access to accounting records.	Treasurer, Recorder, Sheriff and General Relief
(2) Bank reconciliation is not prepared by someone who doesn't sign checks, handle or record cash.	Treasurer, Recorder, Sheriff and General Relief
(3) Bank reconciliations are not reviewed in a timely manner by an independent person for propriety.	Treasurer, Recorder and General Relief
(4) Responsibility for change fund is not assigned to only one person.	Treasurer and Recorder
(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
(7) Signature stamp is not properly safeguarded	Recorder

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

Pocahontas County
Schedule of Findings
Year ended June 30, 2012

Responses –

Treasurer –

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

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

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

General Relief – We will have dual signatures in the future for the payee program, an initial receipt listing will be done on a daily basis when checks come in the mail, and a bank account reconciliation will be prepared monthly, documenting signatures and dates of independent reviewer.

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

- (B) County Annual Financial Report – For the year ended June 30, 2012, the County’s Annual Financial Report included expenditures and balances incorrectly included in the “Permanent Fund” column. The County does not have a Permanent Fund.

Recommendation – The County should establish procedures to ensure revenues, expenditures and balances are properly reported.

Response – We will establish procedures to ensure revenues, expenditures and balances are properly reported.

Conclusion – Response accepted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2012

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

The County does not have written policies for:

- password privacy and confidentiality.
- 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 systems.

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

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

Response – We will develop written policies to address the above items and will store back-up tapes off site as recommended.

Conclusion – Response accepted.

- (D) Capital Asset Inventory – The capital assets listing was not reviewed periodically during the year ended June 30, 2012 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 items from or adding items to the capital asset listing.

Recommendation – A person who does not have responsibility for capital assets or maintenance of the capital asset listing should periodically verify assets on the listing 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

Year ended June 30, 2012

Response – We will establish procedures to require periodic review of capital asset listings by an independent person and written authorization for capital asset deletions.

Conclusion – Response accepted.

- (E) 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 department heads, should establish written policies governing the use of cellular phones.

Response – The Board will develop a policy for cellular phone use.

Conclusion – Response accepted.

Pocahontas County
 Schedule of Findings
 Year ended June 30, 2012

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – During the year ended June 30, 2012, disbursements in certain departments exceeded the amount appropriated prior to 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 – In the future, the Board will amend appropriations as required before disbursements are allowed to exceed the appropriations.

Conclusion – Response accepted.

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

Name, Title and Business Connection	Transaction Description	Amount
Ray Wolf, Conservation Board member, owner of Ray's Plumbing and Heating	Septic system installation and repair and maintenance	\$ 12,464
Ed Dewey, Board Member, employee of Martin Marietta	Road rock	372,416
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	434,245 3,601

The transactions with Ray’s Plumbing and Heating and Pro-Cooperative for services, 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.

Pocahontas County

Schedule of Findings

Year ended June 30, 2012

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 – We will consult with our legal counsel on this matter.

Conclusion – Response accepted.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – Except for the following, no transactions we believe should have been approved in the Board minutes but were not noted:

The minutes did not reflect approval of the County's contract with Pro-Cooperative for fuel.

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 contracts are properly approved and the minutes are signed and published timely, as required.

Response – We will comply with the above recommendation.

Conclusion – Response accepted.

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) 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 – County ordinances will be codified as required.

Conclusion – Response accepted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2012

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

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

Response – We will consider this recommendation.

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

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

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

Response – We will try to comply if valuations are available at that time.

Conclusion – Response accepted.

- (12) Financial Condition – The Special Revenue, Rural Services and Veteran Grants Funds had deficit fund balances of \$267,009 and \$20, respectively, at June 30, 2012.

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

Response – The County will investigate alternatives to eliminate these deficits.

Conclusion – Response accepted.

- (13) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.

During the fiscal year, the County Extension Council provided two laptops to Discovery Daycare, a private, non-profit organization. This donation 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.

Pocahontas County

Schedule of Findings

Year ended June 30, 2012

According to the opinion, it is possible for such donations (use of public property) 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 County Extension Council should determine and document the public purpose served by these types of donations of public property before authorizing any further donations. If this practice is continued, the County Extension Council should establish written policies and procedures which clearly document the public purpose, including the requirement for proper documentation.

Response – The donation of the two old laptop computers given to the Discovery Daycare was a one-time occurrence and will not happen again unless proper policies and procedures are put into place. We are so sorry.

Conclusion – Response accepted.

Pocahontas County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Tiffany M. Ainger, CPA, Senior Auditor
Kassi D. Adams, Staff Auditor
Adam B. Bartz, Assistant Auditor
Matthew J. Erlbacher, Assistant Auditor
Ryan D. Baker, Intern 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