

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE _____ April 2, 2015

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$17,564,776 for the year ended June 30, 2014, which included \$717,803 in tax credits from the state. The County forwarded \$11,234,228 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$6,330,548 of the local tax revenue to finance County operations, a 6.4% increase over the prior year. Other revenues included charges for service of \$1,210,627, operating grants, contributions and restricted interest of \$4,467,057, local option sales tax of \$280,429, unrestricted investment earnings of \$42,038 and other general revenues of \$283,680.

Expenses for County operations for the year ended June 30, 2014 totaled \$12,057,995, a decrease of 12.2% from the prior year. Expenses included \$4,726,331 for roads and transportation, \$1,817,765 for public safety and legal services and \$1,366,020 for non-program services.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1410-0076-B00F.pdf>.

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

JUNE 30, 2014

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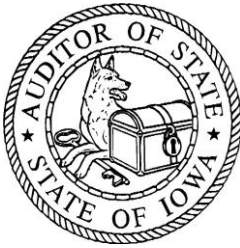
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Pocahontas County

Officials

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

Pocahontas County



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Independent Auditor's Report

To the Officials of Pocahontas County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pocahontas County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Pocahontas County as of June 30, 2014, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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

Supplementary Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pocahontas County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 17, 2015 on our consideration of Pocahontas County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Pocahontas County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 17, 2015

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, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 12.8%, or approximately \$1,858,000, from fiscal year 2013 to fiscal year 2014. Charges for service decreased approximately \$895,000 and operating grants, contributions and restricted interest decreased approximately \$1,044,000.
- The County's governmental activities' expenses decreased 12.2%, or approximately \$1,683,000, from fiscal year 2013 to fiscal year 2014. Non program expenses decreased approximately \$2,436,000, county environment and education expenses decreased approximately \$378,000 and roads and transportation expenses increased approximately \$625,000.
- The County's net position increased 2.5%, or approximately \$557,000, from June 30, 2013 to June 30, 2014.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Pocahontas County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Pocahontas County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Pocahontas County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2014	2013
Current and other assets	\$ 19,106	17,897
Capital assets	15,629	16,342
Total assets	<u>34,735</u>	<u>34,239</u>
Long-term liabilities	4,801	4,737
Other liabilities	529	6,937
Total liabilities	<u>5,330</u>	<u>11,674</u>
Deferred inflows of resources	<u>6,307</u>	6,055
Net position:		
Net investment in capital assets	15,629	16,342
Restricted	6,977	5,708
Unrestricted	492	491
Total net position	<u>\$ 23,098</u>	<u>22,541</u>

Net position of Pocahontas County's governmental activities increased approximately \$557,000, or 2.5%. The largest portion of the County's net position is net investment in capital assets (e.g., land, infrastructure, buildings and equipment). This net position category decreased approximately \$713,000, or 4.4%, from the prior year.

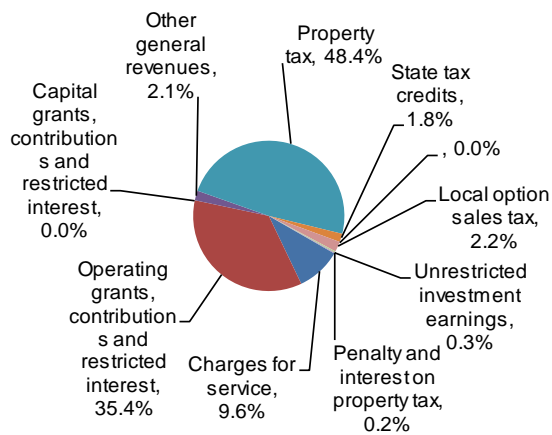
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position category increased approximately \$1,269,000, or 22.2%, over the prior year. This increase is primarily due to an increase in the amount restricted for supplemental levy and rural services purposes.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased less than 1% over the prior year.

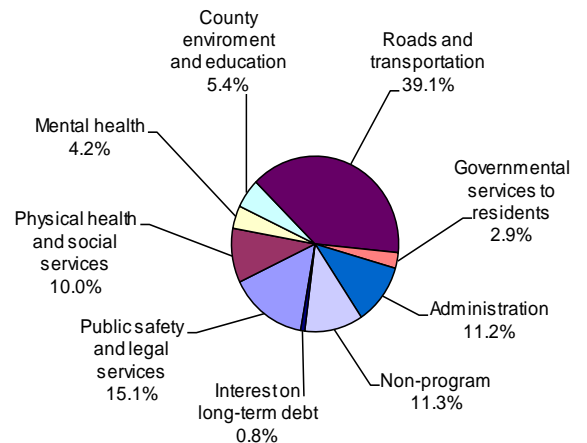
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2014	2013
Revenues:		
Program revenues:		
Charges for service	\$ 1,211	2,106
Operating grants, contributions and restricted interest	4,467	5,511
Capital grants, contributions and restricted interest	-	218
General revenues:		
Property tax	6,103	5,687
State tax credits	227	264
Penalty and interest on property tax	24	17
Local option sales tax	280	303
Unrestricted investment earnings	42	64
Other general revenues	261	303
Total revenues	12,615	14,473
Program expenses:		
Public safety and legal services	1,818	1,652
Physical health and social services	1,207	1,194
Mental health	501	397
County environment and education	646	1,024
Roads and transportation	4,726	4,101
Governmental services to residents	349	293
Administration	1,347	1,200
Non-program	1,366	3,802
Interest on long-term debt	98	78
Total expenses	12,058	13,741
Change in net position	557	732
Net position beginning of year	22,541	21,809

Revenues by Source



Expenses by Function



Pocahontas County's net position of governmental activities increased approximately \$557,000 during the year. Revenues for governmental activities decreased approximately \$1,858,000 from the prior year.

Property tax increased approximately \$416,000, or 7.3%, primarily due to a decrease in property tax rates of approximately 1.9% offset by an increase in assessed valuations of approximately \$49 million, or 8%. Operating grants, contributions and restricted interest decreased approximately \$1,044,000, or 18.9%, primarily due to receipt of over \$1 million from the Iowa Department of Agriculture and Land Stewardship, Division of Soil Conservation in the prior fiscal year to help fund the cost of drainage system improvements in Drainage District No. 178. Charges for service decreased approximately \$895,000, or 42.5%, due to a decrease in drainage district assessments.

Expenses in fiscal year 2014 decreased approximately \$1,683,000, or 12.2%, from the prior year. Non-program expenses decreased approximately \$2,436,000, or 64.1%, due to decreased costs related to drainage system improvements. This decrease was partially offset by an increase in public safety and legal services and road maintenance expenses.

INDIVIDUAL MAJOR FUND ANALYSIS

As Pocahontas County completed the year, its governmental funds reported a combined fund balance of approximately \$9.1 million, an increase of approximately \$1.4 million from last year's total of approximately \$7.7 million. The following are reasons for the changes in fund balances of the major funds from the prior year:

General Fund revenues exceeded expenditures by approximately \$550,000. The ending fund balance increased approximately \$475,000 over the prior year to approximately \$2,123,000. General Fund revenues increased approximately \$391,000, or 8%, primarily due to an increase in property tax. Expenditures increased approximately \$345,000, or 7.8%.

The Special Revenue, Mental Health Fund balance decreased approximately \$37,000 from the prior year to a balance of approximately \$146,000. Mental Health Fund revenues decreased approximately \$28,000, or 5.6%, from the prior year while expenditures increased approximately \$103,000, or 25.8%. The decrease in revenues is due to certain costs for community based services which are now paid by the mental health region.

Special Revenue, Rural Services Fund revenues increased approximately \$152,000, or 6.7%, while expenditures decreased approximately \$49,000, or 5.2%. The Rural Services Fund balance at year end increased approximately \$522,000. Fiscal year 2014 property tax revenue increased approximately \$190,000, or 10.2%, due to an increase in valuations.

Revenues in the Special Revenue, Secondary Roads Fund decreased approximately \$60,000 from the previous year, primarily due to a decrease in bridge replacement revenue during fiscal year 2014. Expenditures increased approximately \$363,000, or 10.6%, over the prior year due to additional road maintenance projects. The Secondary Roads Fund ending balance increased approximately \$366,000 to approximately \$5.2 million.

The Special Revenue, Drainage Districts Fund ending balance increased approximately \$37,000 over the prior year to approximately \$897,000. Revenues and proceeds from issuance of drainage warrants decreased approximately \$2.9 million from the prior year and expenditures decreased approximately \$2.7 million, primarily due to completion of improvement projects.

BUDGETARY HIGHLIGHTS

Over the course of the year, Pocahontas County amended its budget once. The amendment was made in May 2014 and resulted in an increase in budgeted disbursements for the Conservation Department and the Sheriff's Office.

The County's receipts were \$358,551 more than budgeted, a variance of 3.3%.

Total disbursements were \$1,859,269 less than the amended budget. Actual disbursements for the capital projects, roads and transportation and mental health functions were \$604,558, \$588,543 and \$229,625, respectively, less than budgeted, while the other functions were also less than budgeted. This was primarily due to roads and bridge maintenance projects, equipment purchases and stockpile supply purchases being less than anticipated and a change in the method the State pays for Medicaid reimbursed services. The remaining decrease was accomplished by reduced spending in all areas.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, Pocahontas County had approximately \$15.6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$712,000, or 4.4%, from last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2014	2013
Land	\$ 1,961	1,961
Construction in progress	-	-
Buildings and building improvements	1,490	1,566
Equipment and vehicles	2,256	2,235
Infrastructure, road network	9,923	10,580
Total	\$ 15,630	16,342

The County had depreciation expense of \$1,109,739 in fiscal year 2014 and total accumulated depreciation of \$10,990,418 at June 30, 2014. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2014, Pocahontas County had approximately \$4,582,000 of outstanding debt, compared to approximately \$4,487,000 at June 30, 2013. 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,	
	2014	2013
Drainage warrants and improvement certificates	\$ 3,849	3,722
State Revolving Fund improvement certificates	733	765
Total	\$ 4,582	4,487

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 2015 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 3.56%, a decrease from a year ago. This compares with the State's unemployment rate of 4.4% and the national rate of 6.1%.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Pocahontas County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Pocahontas County Auditor's Office, 99 Court Square, Pocahontas, Iowa 50574.

Basic Financial Statements

Pocahontas County
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 8,120,225
Receivables:	
Property tax:	
Delinquent	8,068
Succeeding year	6,307,000
Interest and penalty on property tax	66,443
Accounts	114,393
Accrued interest	4,126
Drainage assessments	2,483,365
Due from other governments	889,906
Inventories	1,016,746
Prepaid insurance	94,866
Capital assets, net of accumulated depreciation	15,629,396
	34,734,534
Liabilities	
Accounts payable	355,042
Salaries and benefits payable	140,696
Due to other governments	33,354
Long-term liabilities:	
Portion due or payable within one year:	
Drainage warrants/drainage improvement certificates	3,668,507
State Revolving Fund improvement certificates	33,000
Compensated absences	188,480
Portion due or payable after one year:	
Drainage improvement certificates	180,939
State Revolving Fund improvement certificates	700,000
Net OPEB Liability	30,003
	5,330,021
Deferred Inflows of Resources	
Unavailable property tax revenue	6,307,000
	15,629,396
Net Position	
Net Investment in capital assets	15,629,396
Restricted for:	
Supplemental levy purposes	613,173
Conservation land acquisition	293,836
Mental health purposes	146,116
Rural services	537,274
Secondary roads purposes	5,221,054
Other purposes	164,916
Unrestricted	491,748
	\$ 23,097,513

See notes to financial statements.

Pocahontas County

Statement of Activities

Year ended June 30, 2014

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	
Functions/Programs:				
Governmental activities:				
Public safety and legal services	\$ 1,817,765	39,050	29,788	(1,748,927)
Physical health and social services	1,206,935	173,455	627,403	(406,077)
Mental health	500,698	-	126,144	(374,554)
County environment and education	646,358	50,567	27,395	(568,396)
Roads and transportation	4,726,331	152,645	2,895,667	(1,678,019)
Governmental services to residents	348,749	170,377	-	(178,372)
Administration	1,346,993	-	25,906	(1,321,087)
Non-program	1,366,020	624,533	734,754	(6,733)
Interest on long-term debt	98,146	-	-	(98,146)
Total	\$ 12,057,995	1,210,627	4,467,057	(6,380,311)
General Revenues:				
Property and other county tax levied for general purposes				6,103,365
Penalty and interest on property tax				23,515
State tax credits				227,183
Local option sales tax				280,429
Unrestricted investment earnings				42,038
Gain on disposition of capital assets				84,418
Miscellaneous				175,747
Total general revenues				6,936,695
Change in net position				556,384
Net position beginning of year				22,541,129
Net position end of year				\$ 23,097,513
See notes to financial statements.				

Pocahontas County

Balance Sheet

June 30, 2014

	General	Mental Health	Special Rural Services
Assets			
Cash, cash equivalents and pooled investments	\$ 1,918,300	148,627	907,014
Receivables:			
Property tax:			
Delinquent	7,267	608	193
Succeeding year	3,845,000	321,000	2,141,000
Interest and penalty on property tax	66,443	-	-
Accounts	44,155	-	-
Accrued interest	4,097	-	-
Drainage assessments	-	-	-
Advance to other funds	350,000	-	-
Due from other governments	103,713	-	19,180
Inventories	-	-	-
Prepaid insurance	53,263	2,752	8,256
Total assets	\$ 6,392,238	472,987	3,075,643
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 186,628	2,449	3,385
Salaries and benefits payable	75,496	2,856	15,262
Advance from other funds	-	-	350,000
Due to other governments	23,444	153	8,163
Total liabilities	285,568	5,458	376,810
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	3,845,000	321,000	2,141,000
Other	138,656	608	193
Total deferred inflow of resources	3,983,656	321,608	2,141,193
Fund balances:			
Nonspendable:			
Advance to other funds	350,000	-	-
Inventories	-	-	-
Prepaid insurance	53,263	2,752	8,256
Restricted for:			
Supplemental levy purposes	610,145	-	-
Conservation land acquisition	292,821	-	-
Mental health purposes	-	143,169	-
Secondary roads purposes	-	-	-
Drainage warrants/drainage improvement certificates	-	-	-
Rural services	-	-	549,384
Other purposes	10,007	-	-
Unassigned	806,778	-	-
Total fund balances	2,123,014	145,921	557,640
Total liabilities, deferred inflows of resources and fund balances	\$ 6,392,238	472,987	3,075,643

See notes to financial statements.

Revenue			
Secondary Roads	Drainage Districts	Nonmajor	Total
4,041,530	917,438	156,788	8,089,697
-	-	-	8,068
-	-	-	6,307,000
-	-	-	66,443
70,238	-	-	114,393
-	-	27	4,124
-	2,483,365	-	2,483,365
-	-	-	350,000
206,371	560,642	-	889,906
1,016,746	-	-	1,016,746
30,595	-	-	94,866
5,365,480	3,961,445	156,815	19,424,608
37,053	112,209	1,906	343,630
47,082	-	-	140,696
-	-	-	350,000
1,594	-	-	33,354
85,729	112,209	1,906	867,680
-	-	-	6,307,000
49,866	2,952,174	-	3,141,497
49,866	2,952,174	-	9,448,497
-	-	-	350,000
1,016,746	-	-	1,016,746
30,595	-	-	94,866
-	-	-	610,145
-	-	-	292,821
-	-	-	143,169
4,182,544	-	-	4,182,544
-	897,062	-	897,062
-	-	-	549,384
-	-	154,909	164,916
-	-	-	806,778
5,229,885	897,062	154,909	9,108,431
5,365,480	3,961,445	156,815	19,424,608

Pocahontas County

Pocahontas County

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

June 30, 2014

Total governmental fund balances (page 19) \$ 9,108,431

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 \$26,619,814 and the accumulated depreciation is \$10,990,418. 15,629,396

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 3,141,497

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 19,118

Long-term liabilities, including drainage warrants/drainage improvement certificates payable, State Revolving Fund improvement certificates payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (4,800,929)

Net position of governmental activities (page 16) \$ 23,097,513

See notes to financial statements.

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

Year ended June 30, 2014

	General	Mental Health	Special Rural Services
Revenues:			
Property and other county tax	\$ 3,713,522	326,672	2,063,244
Local option sales tax	-	-	280,429
Interest and penalty on property tax	20,768	-	-
Intergovernmental	985,279	139,255	66,798
Licenses and permits	15,272	-	-
Charges for service	387,137	-	-
Use of money and property	115,716	-	-
Miscellaneous	67,604	235	-
Total revenues	<u>5,305,298</u>	<u>466,162</u>	<u>2,410,471</u>
Expenditures:			
Operating:			
Public safety and legal services	1,251,650	-	537,213
Physical health and social services	1,214,940	-	-
Mental health	-	503,374	-
County environment and education	603,271	-	348,810
Roads and transportation	-	-	-
Governmental services to residents	331,956	-	2,016
Administration	1,256,842	-	-
Non-program	9,000	-	-
Debt service	86,435	-	-
Capital projects	1,517	-	-
Total expenditures	<u>4,755,611</u>	<u>503,374</u>	<u>888,039</u>
Excess (deficiency) of revenues over (under) expenditures	<u>549,687</u>	<u>(37,212)</u>	<u>1,522,432</u>
Other financing sources (uses):			
Sale of capital assets	10,455	-	-
Transfers in	5,127	-	-
Transfers out	(90,000)	-	(1,000,000)
Drainage warrants/drainage improvement certificates issued	-	-	-
Total other financing sources (uses)	<u>(74,418)</u>	<u>-</u>	<u>(1,000,000)</u>
Change in fund balances	475,269	(37,212)	522,432
Fund balances beginning of year	1,647,745	183,133	35,208
Fund balances end of year	<u>\$ 2,123,014</u>	<u>145,921</u>	<u>557,640</u>

See notes to financial statements.

Revenue			
Secondary Roads	Drainage Districts	Nonmajor	Total
-	-	-	6,103,438
-	-	-	280,429
-	-	-	20,768
2,849,832	766,517	37,166	4,844,847
6,514	-	-	21,786
53,719	-	2,068	442,924
2,460	-	266	118,442
151,681	327,910	17,990	565,420
3,064,206	1,094,427	57,490	12,398,054
-	-	13,541	1,802,404
-	-	9,867	1,224,807
-	-	-	503,374
-	-	5,779	957,860
3,603,926	-	-	3,603,926
-	-	1,892	335,864
-	-	-	1,256,842
-	1,054,295	-	1,063,295
-	1,232,757	-	1,319,192
183,912	-	-	185,429
3,787,838	2,287,052	31,079	12,252,993
(723,632)	(1,192,625)	26,411	145,061
-	-	-	10,455
1,090,000	-	-	1,095,127
-	-	(5,127)	(1,095,127)
-	1,229,708	-	1,229,708
1,090,000	1,229,708	(5,127)	1,240,163
366,368	37,083	21,284	1,385,224
4,863,517	859,979	133,625	7,723,207
5,229,885	897,062	154,909	9,108,431

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, 2014

Change in fund balances - Total governmental funds (page 23) \$ 1,385,224

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

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

Expenditures for capital assets	\$ 323,594	
Depreciation expense	<u>(1,109,739)</u>	(786,145)

In the Statement of Activities, the gain on the disposition of capital assets is reported. 73,963

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:

Property tax	(73)	
Other	<u>(14,649)</u>	(14,722)

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

Issued	(1,229,708)	
Repaid	<u>1,134,611</u>	(95,097)

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	23,058	
Other postemployment benefits	<u>8,300</u>	31,358

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported in governmental activities. (38,197)

Change in net position of governmental activities (page 17) \$ 556,384

See notes to financial statements.

Pocahontas County
Statement of Net Position
Proprietary Fund

June 30, 2014

	<u>Internal Service Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 30,528
Accrued interest receivable	<u>2</u>
Total assets	30,530
Liabilities	
Accounts payable	<u>11,412</u>
Net Position	
Unrestricted	<u><u>\$ 19,118</u></u>

See notes to financial statements.

Exhibit H

Pocahontas County

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

Year ended June 30, 2014

		<u>Internal Service Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 99,292
Reimbursements from employees and others		168,190
Total operating revenues		<u>267,482</u>
Operating expenses:		
Medical claims	\$ 184,811	
Premiums	114,502	
Administrative charges	<u>6,402</u>	305,715
Operating loss		<u>(38,233)</u>
Non-operating revenues:		
Interest income		<u>36</u>
Net loss		(38,197)
Net position beginning of year		<u>57,315</u>
Net position end of year		<u><u>\$ 19,118</u></u>
See notes to financial statements.		

Pocahontas County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2014

	Internal Service Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund contributions	\$ 99,292
Cash received from employees and others	168,190
Cash paid for medical claims, premiums and other	(309,175)
Net cash used by operating activities	<u>(41,693)</u>
Cash flows from investing activities:	
Interest on investments	34
Net decrease in cash and cash equivalents	(41,659)
Cash and cash equivalents beginning of year	72,187
Cash and cash equivalents end of year	<u>\$ 30,528</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (38,233)
Adjustment to reconcile operating loss to net cash used by operating activities:	
Decrease in accounts payable	(3,460)
Net cash used by operating activities	<u>\$ (41,693)</u>
See notes to financial statements.	

Pocahontas County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2014

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 1,298,369
Other County officials	8,064

Receivables:

Property tax:

Delinquent	33,944
Succeeding year	10,792,000
Accounts receivable	36,306
Accrued interest	18
Special assessments	35,506

Total assets\$ 12,204,207**Liabilities**

Accounts payable	\$ 16,073
Salaries and benefits payable	16,443
Due to other governments	12,154,261
Trusts payable	8,064
Compensated absences	9,366

Total liabilities12,204,207**Net position**\$ -

See notes to financial statements.

Pocahontas County

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

Pocahontas County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Pocahontas County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Pocahontas County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One hundred eighty-three drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Pocahontas County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Pocahontas County Auditor's Office.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Pocahontas County Assessor’s Conference Board, Pocahontas County Emergency Management Commission, Pocahontas County Joint E911 Service Board and Pocahontas County Economic Development Commission. Financial transactions of these organizations are included in the County’s financial statements only to the extent of the County’s fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Northwest Iowa Multicounty Regional Juvenile Detention Center, Pocahontas County Solid Waste Commission and Region V Hazardous Material Commission. In addition, the County is involved in the following jointly governed organizations: Northwest Iowa Mental Health Center, North Central Alcohol Research Foundation, Second Judicial District Department of Correctional Services and MIDAS Council of Governments.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County’s nonfiduciary assets, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

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

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling Legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is recognized as deferred inflows of resources 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2013.

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

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

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

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 65,000
Land, buildings and improvements	25,000
Intangibles	75,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings and building improvements	25 - 50
Infrastructure	30 - 50
Intangibles	5 - 20
Equipment	3 - 20
Vehicles	5 - 15

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

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

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, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Deferred Inflows of Resources – 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 inflows of resources 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 inflows of resources consists of property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund 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 exceeded the amounts appropriated.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2014 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, 2014, the County had investments in drainage warrants and improvement certificates of \$1,384,004 and \$162,902, respectively.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: County Attorney	\$ 5,127
Special Revenue: Secondary Roads	General Special Revenue: Rural Services	90,000 1,000,000
Total		<u>\$ 1,095,127</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,960,976	-	-	1,960,976
Capital assets being depreciated:				
Buildings and building improvements	3,156,789	-	-	3,156,789
Equipment and vehicles	7,352,846	397,557	(362,623)	7,387,780
Infrastructure, road network	14,114,269	-	-	14,114,269
Total capital assets being depreciated	24,623,904	397,557	(362,623)	24,658,838
Less accumulated depreciation for:				
Buildings and building improvements	1,590,801	75,910	-	1,666,711
Equipment and vehicles	5,118,438	376,396	(362,623)	5,132,211
Infrastructure, road network	3,534,063	657,433	-	4,191,496
Total accumulated depreciation	10,243,302	1,109,739	(362,623)	10,990,418
Total capital assets being depreciated, net	14,380,602	(712,182)	-	13,668,420
Governmental activities capital assets, net	<u>\$ 16,341,578</u>	<u>(712,182)</u>	<u>-</u>	<u>15,629,396</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 72,121
County environment and education	47,952
Roads and transportation	931,139
Governmental services to residents	20,260
Administration	38,267
Total depreciation expense - governmental activities	<u>\$ 1,109,739</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, 2014 is as follows:

Fund	Description	Amount
General	Services	\$ 23,444
Special Revenue:		
Mental Health	Services	153
Rural Services	Services	8,163
Secondary Roads	Services	1,594
		<u>9,910</u>
Total for governmental funds		<u>\$ 33,354</u>
Agency:		
Agriculture Extension Education	Collections	\$ 129,427
County Assessor		388,408
Schools		7,608,710
Community Colleges		578,705
Corporations		2,048,585
Townships		311,207
Auto License and Use Tax		192,006
E911 Services Board		228,634
Pocahontas County Economic Development		612,018
All other		56,561
Total for agency funds		<u>\$ 12,154,261</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Drainage Warrants	Drainage Improvement Certificates	State Revolving Fund Improvement Certificates	Compen-sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$3,445,132	277,217	765,000	211,538	38,303	4,737,190
Increases	1,229,708	-	-	105,389	13,700	1,348,797
Decreases	1,028,138	74,473	32,000	128,447	22,000	1,285,058
Balance end of year	<u>\$3,646,702</u>	<u>202,744</u>	<u>733,000</u>	<u>188,480</u>	<u>30,003</u>	<u>4,800,929</u>
Due within one year	<u>\$3,646,702</u>	<u>21,805</u>	<u>33,000</u>	<u>188,480</u>	<u>-</u>	<u>3,889,987</u>

Drainage Warrants/Drainage Improvement Certificates Payable

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

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

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

State Revolving Fund Improvement Certificates

On January 27, 2010, the County entered into a loan agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of \$1,096,000 of improvement certificates with interest at 3.0% per annum. The agreement also requires the County to annually pay a .25% servicing fee on the outstanding principal balance. The certificates were issued pursuant to the provisions of Chapter 468.70 of the Code of Iowa and the American Recovery and Reinvestment Act of 2009 (ARRA) for the purpose of providing funds to pay a portion of the costs of constructing improvements and repairs to Drainage District No. 65 of the County. The County drew 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, 2014, the County had drawn down the entire authorized amount. During the year ended June 30, 2014, the County paid \$32,000 of principal and \$22,955 of interest on these certificates.

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

A summary of the County’s June 30, 2014 State Revolving Fund Improvement Certificate indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2015	3.00%	\$ 33,000	21,990	54,990
2016	3.00	34,000	21,000	55,000
2017	3.00	35,000	19,980	54,980
2018	3.00	36,000	18,930	54,930
2019	3.00	38,000	17,850	55,850
2020-2024	3.00	207,000	71,520	278,520
2025-2029	3.00	242,000	38,490	280,490
2030-2031	3.00	108,000	4,890	112,890
Total		\$ 733,000	214,650	947,650

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

(7) Advances to/from Other Funds

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 advances 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 5.95% of their annual covered salary and the County is required to contribute 8.93% 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, 2014, 2013 and 2012 were \$348,540, \$323,876 and \$304,211, 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 plan and those for a lower deductible plan. Payments from the Internal Service, Employee Group Health Fund are for insurance premiums, employee reimbursements of medical claims up to the individual's funded deductible and administrative costs. The County's contribution for the year ended June 30, 2014 was \$99,292.

The amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2014 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	\$ 14,872
Incurred claims (including claims incurred but not reported at June 30, 2014)	184,811
Payment on claims during the year	<u>(188,271)</u>
Unpaid claims end of year	<u>\$ 11,412</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 87 active and 3 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, 2014, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 14,400
Interest on net OPEB obligation	1,700
Adjustment to annual required contribution	<u>(2,400)</u>
Annual OPEB cost	13,700
Contributions made	<u>(22,000)</u>
Increase in net OPEB obligation	(8,300)
Net OPEB obligation beginning of year	<u>38,303</u>
Net OPEB obligation end of year	<u>\$ 30,003</u>

For the year ended June 30, 2014, the County contributed \$22,000 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
2012	\$ 16,700	28.1 %	\$ 38,000
2013	13,768	97.8	38,303
2014	13,700	160.6	30,003

Funded Status and Funding Progress – As of June 30, 2014, the actuarial accrued liability was approximately \$108,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$108,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,322,000 and the ratio of the UAAL to covered payroll was 3.3%. As of June 30, 2014, 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 the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

Projected claim costs of the medical plan are \$560 (single coverage) and \$1,259 (coverage, with spouse) per month for retirees less than age 65. The salary increase rate was assumed to be 2% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(11) Risk Management

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

(12) Deficit Fund Balances

The Recorder's Office had a deficit balance of \$67 at June 30, 2014. The Agency, Housing Corporation Fund had a deficit balance of \$15,083 at June 30, 2014. This fund is reported as part of the Other Agency Funds in Schedules 3 and 4 of this report. The Housing Corporation and County are reviewing options for eliminating this deficit.

(13) Related Party Transactions

The County purchased \$308,588 of road rock from Martin Marietta, a business at which Board Member Ed Dewey is employed. The County also purchased \$154,384 of bulk fuel, chemicals, oats, seed, parts and repairs from Pro Cooperative through October 2013 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. The Deputy Auditor and the Office Clerk terminated employment in October 2013.

(14) Drainage District Project

On January 20, 2011, the County entered into a 28E agreement with the Iowa Department of Agriculture and Land Stewardship (IDALS), Division of Soil Conservation to secure \$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. At June 30, 2014, the project is approximately 78% complete and \$1,523,655 has been reimbursed from IDALS for the project.

(15) Jointly Governed Organization

Pocahontas County participates in the Pocahontas County Economic Development Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. In addition, some financial transactions are held by the organization apart from the County Agency Funds. The following financial data is for the year ended June 30, 2014:

Additions:

Contributions from governmental units:

Pocahontas County	\$	197,500	
Fonda		4,950	
Gilmore City		2,500	
Havelock		250	
Laurens		11,585	
Palmer		300	
Pocahontas City		17,375	
Rolfe		4,950	
Varina		50	\$ 239,460
Donations			8,020
Refunds			27
Economic development loan repayments			31,970
Interest			387
Total additions			<u>279,864</u>

Deductions:

Salaries and benefits		104,079	
Consultants		1,260	
Office supplies		1,417	
Travel		4,368	
Telephone		1,522	
Building		2,400	
Training		908	
Shared program services		58,593	
Insurance		3,316	
Economic development loans		30,000	
Miscellaneous		4,974	212,837
Net			<u>67,027</u>
Balance beginning of year			<u>695,819</u>
Balance end of year			<u>\$ 762,846</u>

(16) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the County's proportionate share of the employee pension plan.

Pocahontas County

Required Supplementary Information

Pocahontas County
 Budgetary Comparison Schedule of
 Receipts, Disbursements and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2014

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 6,413,798	-	6,413,798
Interest and penalty on property tax	20,795	-	20,795
Intergovernmental	5,200,353	1,107,929	4,092,424
Licenses and permits	22,554	-	22,554
Charges for service	450,046	-	450,046
Use of money and property	113,762	-	113,762
Miscellaneous	584,135	327,909	256,226
Total receipts	<u>12,805,443</u>	<u>1,435,838</u>	<u>11,369,605</u>
Disbursements:			
Public safety and legal services	1,763,573	-	1,763,573
Physical health and social services	1,235,434	-	1,235,434
Mental health	502,605	-	502,605
County environment and education	967,994	-	967,994
Roads and transportation	3,752,896	-	3,752,896
Governmental services to residents	333,667	-	333,667
Administration	1,445,457	-	1,445,457
Non-program	1,330,985	1,322,359	8,626
Debt service	1,232,757	1,232,757	-
Capital projects	185,442	-	185,442
Total disbursements	<u>12,750,810</u>	<u>2,555,116</u>	<u>10,195,694</u>
Excess (deficiency) of receipts over (under) disbursements	54,633	(1,119,278)	1,173,911
Other financing sources, net	<u>1,332,586</u>	<u>1,322,131</u>	<u>10,455</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,387,219	202,853	1,184,366
Balance beginning of year	<u>6,702,478</u>	<u>714,585</u>	<u>5,987,893</u>
Balance end of year	<u>\$ 8,089,697</u>	<u>917,438</u>	<u>7,172,259</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net
Original	Final	Variance
6,429,659	6,429,659	(15,861)
15,750	15,750	5,045
3,901,179	3,919,345	173,079
26,400	26,400	(3,846)
411,035	427,600	22,446
148,280	148,280	(34,518)
34,020	44,020	212,206
10,966,323	11,011,054	358,551
1,844,687	1,854,687	91,114
1,444,211	1,444,211	208,777
732,230	732,230	229,625
1,041,643	1,058,208	90,214
4,341,439	4,341,439	588,543
364,110	364,110	30,443
1,410,993	1,459,693	14,236
10,385	10,385	1,759
-	-	-
790,000	790,000	604,558
11,979,698	12,054,963	1,859,269
(1,013,375)	(1,043,909)	2,217,820
10,000	20,400	(9,945)
(1,003,375)	(1,023,509)	2,207,875
4,462,131	6,151,761	(163,868)
3,458,756	5,128,252	2,044,007

Pocahontas County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 12,805,443	(407,389)	12,398,054
Expenditures	12,750,810	(497,817)	12,252,993
Net	54,633	90,428	145,061
Other financing sources, net	1,332,586	(92,423)	1,240,163
Beginning fund balances	6,702,478	1,020,729	7,723,207
Ending fund balances	<u>\$ 8,089,697</u>	<u>1,018,734</u>	<u>9,108,431</u>

See accompanying independent auditor's report.

Pocahontas County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2014

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 \$75,265. The budget amendment is reflected in the final budgeted amounts.

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

Disbursements in certain departments exceeded the amounts appropriated. Disbursements during the year did not exceed the amounts budgeted by function.

Pocahontas County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 124	124	0.0%	\$ 3,335	3.7%
2011	Jul 1, 2009	-	124	124	0.0	3,335	3.7
2012	Jul 1, 2009	-	124	124	0.0	3,335	3.7
2013	Jul 1, 2012	-	124	108	0.0	3,322	3.3
2014	Jul 1, 2012	-	108	108	0.0	3,322	3.3

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

See accompanying independent auditor's report.

Supplementary Information

Pocahontas County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2014

	County Recorder's Records Management	Forfeiture	Courthouse Security	Veterans Grants
Assets				
Cash, cash equivalents and pooled investments	\$ 22,631	1,543	5,109	18
Accrued interest receivable	8	-	-	-
Total assets	\$ 22,639	1,543	5,109	18
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 1,892		-	14
Fund balances:				
Restricted for other purposes	20,747	1,543	5,109	4
Total liabilities and fund balances	\$ 22,639	1,543	5,109	18

See accompanying independent auditor's report.

Special Revenue						
Community Disaster Grants	Camera Donation	County Recorder's Electronic Transaction Fee	REAP	Environmental Education Trust	Total	
2,000	4,659	393	116,735	3,700	156,788	
-	-	-	19	-	27	
2,000	4,659	393	116,754	3,700	156,815	
-	-	-	-	-	1,906	
2,000	4,659	393	116,754	3,700	154,909	
2,000	4,659	393	116,754	3,700	156,815	

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

Year ended June 30, 2014

	County Recorder's Records Management	County Attorney	Forfeiture	Courthouse Security
Revenues:				
Intergovernmental	\$ -	-	-	-
Charges for service	1,720	-	-	-
Use of money and property	35	-	-	-
Miscellaneous	-	-	2,000	-
Total revenues	<u>1,755</u>	<u>-</u>	<u>2,000</u>	<u>-</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	8,200	-
Physical health and social services	-	-	-	-
County environment and education	-	-	-	-
Governmental services to residents	1,892	-	-	-
Total expenditures	<u>1,892</u>	<u>-</u>	<u>8,200</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(137)	-	(6,200)	-
Other financing uses:				
Transfers out	-	(5,127)	-	-
Change in fund balances	(137)	(5,127)	(6,200)	-
Fund balances beginning of year	20,884	5,127	7,743	5,109
Fund balances end of year	<u>\$ 20,747</u>	<u>-</u>	<u>1,543</u>	<u>5,109</u>

See accompanying independent auditor's report.

Special Revenue							
Veterans Grants	Community Disaster Grants	Camera Donation	County Recorder's Electronic Transaction Fee	Environmental Education Trust	REAP	Trust	Total
10,000	-	-	-	-	27,166	-	37,166
-	-	-	-	-	-	348	2,068
-	-	-	-	-	229	2	266
1	-	10,000	-	-	-	5,989	17,990
10,001	-	10,000	-	-	27,395	6,339	57,490
-	-	5,341	-	-	-	-	13,541
9,867	-	-	-	-	-	-	9,867
-	-	-	-	-	2,184	3,595	5,779
-	-	-	-	-	-	-	1,892
9,867	-	5,341	-	-	2,184	3,595	31,079
134	-	4,659	-	-	25,211	2,744	26,411
-	-	-	-	-	-	-	(5,127)
134	-	4,659	-	-	25,211	2,744	21,284
(130)	2,000	-	393	-	91,543	956	133,625
4	2,000	4,659	393	-	116,754	3,700	154,909

Pocahontas County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,184	136,914	64,543
Other County officials	8,064	-	-	-
Receivables:				
Property tax:				
Delinquent	-	243	510	15,167
Succeeding year	-	128,000	269,000	7,529,000
Accounts receivable	-	-	-	-
Accrued interest	-	-	-	-
Special assessments	-	-	-	-
Total assets	\$ 8,064	129,427	406,424	7,608,710
Liabilities				
Accounts payable	\$ -	-	204	-
Salaries and benefits payable	-	-	9,681	-
Due to other governments	-	129,427	388,408	7,608,710
Trusts payable	8,064	-	-	-
Compensated absences	-	-	8,131	-
Total liabilities	\$ 8,064	129,427	406,424	7,608,710

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	E911 Services Board	Pocahontas County Economic Development	Other	Total
4,616	28,688	23,173	192,006	207,842	630,006	9,397	1,298,369
-	-	-	-	-	-	-	8,064
1,089	16,897	34	-	-	-	4	33,944
573,000	2,003,000	288,000	-	-	-	2,000	10,792,000
-	-	-	-	22,103	-	14,203	36,306
-	-	-	-	18	-	-	18
-	-	-	-	-	-	35,506	35,506
578,705	2,048,585	311,207	192,006	229,963	630,006	61,110	12,204,207
-	-	-	-	1,329	14,185	355	16,073
-	-	-	-	-	3,803	2,959	16,443
578,705	2,048,585	311,207	192,006	228,634	612,018	56,561	12,154,261
-	-	-	-	-	-	-	8,064
-	-	-	-	-	-	1,235	9,366
578,705	2,048,585	311,207	192,006	229,963	630,006	61,110	12,204,207

Pocahontas County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2014

Assets and Liabilities	Agricultural				
	County Offices	Extension Education	County Assessor	Schools	Community Colleges
Balances beginning of year	\$ 7,131	140,717	365,910	7,449,690	546,754
Additions:					
Property and other county tax	-	128,502	270,552	7,549,253	575,489
E911 surcharge	-	-	-	-	-
State tax credits	-	5,562	10,353	302,184	21,665
Drivers license fees	-	-	-	-	-
Office fees and collections	212,506	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	96,769	-	-	-	-
Miscellaneous	-	38	849	2,181	149
Total additions	309,275	134,102	281,754	7,853,618	597,303
Deductions:					
Agency remittances:					
To other funds	74,966	-	-	-	-
To other governments	138,432	145,392	241,240	7,694,598	565,352
Trusts paid out	94,944	-	-	-	-
Total deductions	308,342	145,392	241,240	7,694,598	565,352
Balances end of year	\$ 8,064	129,427	406,424	7,608,710	578,705

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	E911 Service Board	Pocahontas County Economic Development	Other	Total
1,872,232	300,031	163,071	133,769	565,855	39,544	11,584,704
1,926,733	291,043	-	-	-	2,036	10,743,608
-	-	-	141,389	-	-	141,389
140,749	10,027	-	-	-	80	490,620
-	-	-	-	-	53,096	53,096
-	-	-	-	-	1,721	214,227
-	-	2,660,683	-	-	-	2,660,683
-	-	-	-	-	19,539	19,539
-	-	-	-	-	85,103	181,872
2,678	149	-	178	246,987	86,853	340,062
2,070,160	301,219	2,660,683	141,567	246,987	248,428	14,845,096
-	-	84,990	-	-	16,226	176,182
1,893,807	290,043	2,546,758	45,373	182,836	114,944	13,858,775
-	-	-	-	-	95,692	190,636
1,893,807	290,043	2,631,748	45,373	182,836	226,862	14,225,593
2,048,585	311,207	192,006	229,963	630,006	61,110	12,204,207

Pocahontas County

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

For the Last Ten Years

	2014	2013	2012	2011
Revenues:				
Property and other county tax	\$ 6,103,438	5,686,967	4,767,911	4,258,656
Local option sales tax	280,429	303,416	360,080	274,851
Interest and penalty on property tax	20,768	17,380	19,995	24,833
Intergovernmental	4,844,847	5,557,043	4,389,514	4,788,780
Licenses and permits	21,786	36,408	43,901	66,025
Charges for service	442,924	486,763	535,335	496,136
Use of money and property	118,442	134,056	132,441	181,153
Miscellaneous	565,420	486,119	689,652	1,110,658
Total	\$ 12,398,054	12,708,152	10,938,829	11,201,092
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,802,404	1,660,751	1,618,096	1,654,138
Physical health and social services	1,224,807	1,201,990	1,287,291	1,366,444
Mental health	503,374	400,135	983,756	823,218
County environment and education	957,860	1,003,841	930,825	933,688
Roads and transportation	3,603,926	3,264,071	3,672,750	3,559,990
Governmental services to residents	335,864	275,606	313,726	324,948
Administration	1,256,842	1,180,837	1,260,080	1,430,837
Non-program	1,063,295	3,508,980	909,061	1,619,701
Debt service	1,319,192	1,482,030	1,251,433	1,978,053
Capital projects	185,429	209,021	190,738	276,989
Total	\$ 12,252,993	14,187,262	12,417,756	13,968,006

See accompanying independent auditor's report.

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
4,254,131	4,005,332	3,803,263	3,789,868	3,709,574	3,699,102
260,424	334,590	253,327	271,106	192,734	348,556
28,515	22,915	15,548	17,232	19,166	23,871
4,077,843	4,160,900	4,392,022	4,044,917	4,089,221	3,985,573
43,759	42,326	154,215	70,049	25,364	55,259
487,811	466,799	458,511	488,566	476,654	437,342
150,090	285,578	420,871	286,712	325,094	165,285
471,260	304,007	1,090,291	242,089	284,439	410,640
9,773,833	9,622,447	10,588,048	9,210,539	9,122,246	9,125,628
1,528,951	1,324,684	1,289,443	1,143,838	1,102,064	893,329
1,341,200	1,342,135	1,295,630	1,197,529	1,284,731	1,001,683
860,327	896,475	938,376	852,551	976,923	912,302
880,862	817,339	772,033	707,212	599,434	534,984
4,073,896	3,463,907	3,713,055	3,061,030	3,137,882	3,059,974
303,558	305,130	282,882	323,048	327,218	252,585
1,326,687	1,177,814	1,138,003	940,180	1,002,141	1,028,349
1,601,325	554,673	263,954	265,868	209,554	276,621
593,733	339,138	1,013,686	146,113	157,120	369,424
108,903	370,687	459,265	503,498	737,879	1,058,689
12,619,442	10,591,982	11,166,327	9,140,867	9,534,946	9,387,940

Pocahontas County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Pocahontas County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pocahontas County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 17, 2015.

Internal Control Over Financial Reporting

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

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (D) through (G) 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, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


Pocahontas County's Responses to the Findings

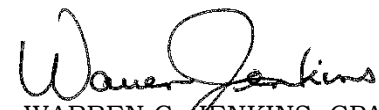
Pocahontas County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Pocahontas County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 17, 2015

Pocahontas County

Schedule of Findings

Year ended June 30, 2014

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, Agricultural Extension and Conservation
(2) Bank reconciliations are not prepared by someone who doesn't sign checks, handle or record cash.	Treasurer, Recorder, Sheriff and Agricultural Extension
(3) Bank reconciliations are not reviewed in a timely manner by an independent person for propriety.	Treasurer, Recorder and Agricultural Extension
(4) Responsibility for the change fund is not assigned to only one person.	Treasurer
(5) One individual has custody of receipts and performs all investment record keeping and reconciling functions.	Treasurer
(6) Disbursements – processing of vouchers, check writing, signing, posting, reconciling and final approval.	Recorder
(7) An initial listing of receipts is not prepared.	Sheriff and Agricultural Extension

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Each official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible and should be documented by the signature or initials of the reviewer and the date of the review.

Pocahontas County

Schedule of Findings

Year ended June 30, 2014

Responses –

Treasurer – 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 the limited staff, we have in place a couple of “receipt” internal control procedures. All voided transactions for both property tax and motor vehicle are reviewed by the Pocahontas County Treasurer and a sample of the checks received is compared to the checks deposited the next day. In addition, starting in February 2015, all voids will be initialed by a second party. All bank statements are reconciled by the County Treasurer and reviewed by the Tax Deputy every month. Starting in January 2015, the County Recorder will review all bank reconciliations. Even though all employees have access to the change fund, it is counted twice each day by different people. A member of the Board of Supervisors also makes an impromptu examination of the investment book and reconciles the book back to the actual CD’s.

Recorder – With only two people in the office it is difficult, but we’ll try as best we can.

Sheriff – It is impossible to fix with the limited staff. We will work on trying to fix this.

Conservation – Pocahontas County Conservation will continue to oversee the collection of receipts and increase the oversight and checks of those collecting, posting, reconciling and depositing the receipts.

Agricultural Extension – We are aware segregation of duties is very important and have developed the following strategy to help mitigate any losses in regards to the bank reconciliation preparation. As it is not feasible with the amount of staff available to have an independent person prepare the bank reconciliations, we will implement a review process. Monthly, the bank reconciliations along with the bank statement will be reviewed, initialed and dated by the board secretary at the Council meetings.

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

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

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

Response – This will be monitored as we move forward. Department administrators will be educated on the necessary documentation requirements.

Conclusion – Response accepted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2014

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

Seventy-three County drainage districts have deficit cash balances totaling \$3,504,239 at June 30, 2014, of which \$560,600 will be reimbursed through grant funds awarded by the Iowa Department of Agriculture and Land Stewardship, leaving a balance of \$2,943,639 to be paid by benefited land owners via drainage assessments. The County has not levied drainage assessments since fiscal year 2011. As of the date of this report, assessments of \$291,608 have been made to recover the deficit balances.

In addition, as of June 30, 2014, \$40,881 of needed corrections accumulating since 2009 have not been processed by the County. The corrections, while not material, pertain to amounts owed between drainage districts or to other funds and to refunds owed to contractors for preliminary bonds.

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

Response – The Board of Supervisors, as Trustees of the Drainage Districts, can levy once there is a classification report filed on several of the districts. The drainage district maintenance fund is allowed to run in the red for two years by statute. There are varying circumstances. However, we try to get the funds replenished timely. The districts that need to have the corrections will be completed once there is money in the fund so as not to cause another stamped warrant to draw interest. These are being watched and will be corrected as appropriate to do so. There are no refunds due to contractors to the County Auditor’s knowledge. Contractors are paid as their claims are filed with the Board.

Conclusion – Response accepted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2014

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

The County does not have written policies for:

- password privacy and confidentiality.
- security, including procedures upon termination of employment, minimum password length and maintaining password 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, including downloading files.
- requiring user profiles to help limit access to programs to those who have a legitimate need.
- personal use of computer equipment and software.
- requiring personnel to scan media to upgrade computer programs before loading them onto the County’s computer systems.

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

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

Response – The Board will begin developing policies and a disaster recovery plan.

Conclusion – Response accepted.

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

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

Response – A capital asset policy for testing against the capital asset listing will be implemented. The Board will check randomly selected assets within a department with five departments checked each year.

Conclusion – Response accepted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2014

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

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

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

For the year ended June 30, 2014, 41 employees were allowed to carry over vacation days greater than the maximum allowed 10 days. Of these, 8 employees had accrued vacation over 210 hours.

Recommendation – The County should establish procedures to ensure compliance with the County vacation accrual policy. The County should review vacation balances for all employees and ensure balances do not exceed the amount allowed by County policy.

Response – The Board has discussed this concern and the new personnel policies will clearly define the process. The Board is preparing to have actual time cards filed with the County Auditor’s office for payroll which will allow for accurate accounting of vacation/comp hours.

Conclusion – Response accepted.

(G) Receipt Deposits – Receipts are not always deposited timely. Twenty four receipts tested from various County departments were deposited 15 to 90 days after receipt.

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

Response – Current practices will be reviewed to establish improvements of the processes.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2014

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Chapter 331.434(6) of the Code of Iowa requires the Board of Supervisors to appropriate, by resolution, amounts deemed necessary for each County department during the ensuing fiscal year. For the year ended June 30, 2014, the County could not provide evidence of appropriation of the May 27, 2014 budget amendment. Disbursements in certain departments exceeded the amounts appropriated.

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – The budget amendment was published and the changes posted on the computer upon approval by the Board. Specific documentation was available, to the auditor’s knowledge, as there is a file with budget amendments.

Conclusion – Response acknowledged. Appropriations should be amended in accordance with Chapter 331.434(6) of the Code of Iowa before disbursements are allowed to exceed the appropriations.

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

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Pizza Ranch	Board of Health meeting	\$ 115
	Economic development meeting	274
	Secondary roads safety meeting	72
Subway	Board of Health meeting	68

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

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

Response – The Board of Health meets during the noon hour to accommodate the attending physician. The practice of providing lunch was approved and documented many years ago. The Board also documented taxpayer benefit in their motion for the mandatory employee meeting for safety and wellness education.

Pocahontas County

Schedule of Findings

Year ended June 30, 2014

Conclusion – Response acknowledged. The Board should determine and document the public purpose served by all such disbursements prior to authorizing further payments. Public purpose documentation should be retained and available upon request.

- (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
Ed Dewey, Board Member, employee of Martin Marietta	Road rock	\$308,588
Janis Hanson, Deputy Auditor, daughter is employed by Pro-Cooperative, and Carol McLain, Auditor's Office Clerk, spouse of a Pro-Cooperative Board member.	Bulk fuel, chemicals, oats, seed, parts and repairs	154,384

The transactions with Pro-Cooperative do not appear to represent a conflict of interest in accordance with Chapter 331.342(4) of the Code of Iowa since the Deputy Auditor's and the Auditor's Office Clerk's employment are not directly affected as a result of the contract and the duties of employment do not directly involve procurement or preparation of any part of the contracts.

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

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

Response – Legal counsel has been sought.

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 – No transactions we believe should have been approved in the Board minutes but were not were noted.

Chapter 349.18(1) of the Code of Iowa requires, "All proceedings of each regular, adjourned or special meeting of a board of supervisors...shall be published immediately after the adjournment of the meeting." Chapter 319.18(3) states, "The county auditor shall furnish a copy of the proceedings to be published, within one week following the adjournment of the board." Certain minutes of Board proceedings were not published timely as required by Chapter 349.18 of the Code of Iowa. For 7 of 10 meetings tested, publication of the minutes ranged from 29 to 57 days after the meeting date.

Pocahontas County

Schedule of Findings

Year ended June 30, 2014

For the period July 1, 2013 through December 31, 2013, the Board minutes record is maintained only in electronic format and none of the minutes are signed to authenticate the actions taken.

The electronic version of the minutes record from July 1, 2013 through December 17, 2013, noting each Board meeting date, the date each record was created, the date each record was last printed (to provide to the Board for approval), the date each record was approved by the Board and the date the record was last modified, was reviewed. For the twenty-two minutes records reviewed:

- Minutes records for 9 meetings appeared to be modified after Board approval.
- Minutes records for one meeting were not approved by the Board.

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

Response – The Board has approved a process that has been implemented.

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) Payroll Reports and IPERS Remittances – Form 1099s for the calendar years 2012 and 2013 were not filed with the Internal Revenue Service by March 31, 2013 and March 31, 2014, respectively, as required. The calendar 2013 Form W-2s have not been submitted as of the January 29, 2015.

The County remits the employer and employee portion of IPERS monthly. However an interest fee is charged if the amount remitted is late or if the amount remitted does not match the amount due. The County has been accumulating interest charges totaling \$533 since 2009.

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

Response – The W-2 and 1099 are being corrected. Having learned of the quirks of the IPERS system, the fees have been paid and procedures established to avoid future problems.

Conclusion – Response accepted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2014

- (10) Tax Increment Financing (TIF) Reconciliation – For the year ended June 30, 2013 and June 30, 2014, the County Auditor did not prepare a reconciliation to reconcile TIF receipts with total outstanding TIF debt for each City.

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

Response – This process is being implemented.

Conclusion – Response accepted.

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

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

Response – The Code has specific drainage laws which are followed. The drainage attorney prepares the notice to landowners of each district by mail and publication. The minutes are documented.

Conclusion – Response acknowledged. In accordance with Chapter 21.4 of the Code of Iowa, a governmental body shall give notice, in a manner reasonably calculated to apprise the public of the meeting, not just the landowners. Minutes of the Pocahontas County Drainage Board were not available during the audit. All Board minutes should be retained and available upon request.

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

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

Response – The proper review of the ordinances is being reviewed for codification.

Conclusion – Response accepted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2014

- (13) 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 – An actuary has been contacted.

Conclusion – Response accepted.

- (14) Financial Condition –The Agency, Housing Corporation Fund had a deficit balance of \$15,083 at June 30, 2014. The Agency, County Recorder Fund had a deficit balance of \$67 at June 30, 2014.

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

Response – The Board is aware of the deficits and will be considering the correction of the Housing Corporation Fund deficit. The Board will visit with the County Recorder for a resolution to that negative balance.

Conclusion – Response accepted.

- (15) Proposed County Assessor Budget – Chapter 441.16 of the Code of Iowa requires the County Assessor to prepare a proposed budget of all expenses for the ensuing fiscal year no later than January 1. The proposed budget for fiscal year 2014 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 – The current budget was submitted by January 1, 2015. A procedure is in place to submit future budgets to Chairman of Conference Board prior to January 1 of each year.

Conclusion – Response accepted.

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

Pocahontas County

Schedule of Findings

Year ended June 30, 2014

Recommendation – Meetings of the Pocahontas County Economic Development Commission should be preceded by proper public notice and the meeting minutes, including a schedule of bills allowed, should be published as required.

Response – The Commission has taken corrective action. The schedule of bills allowed is included with the schedule of bills printed by the County.

Conclusion – Response accepted.

- (17) 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, 2014 for the County Extension Office did not exceed the amount budgeted.

Pocahontas County

Staff

This audit was performed by:

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