



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

June 17, 2009

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$12,013,817 for the year ended June 30, 2008, which included \$668,727 in tax credits from the state. The County forwarded \$8,016,848 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,996,969 of the local tax revenue to finance County operations, a less than one percent increase over the prior year. Other revenues included charges for service of \$1,725,913, operating grants, contributions and restricted interest of \$3,903,287, capital grants, contributions and restricted interest of \$121,769, local option sales tax of \$253,327, unrestricted investment earnings of \$369,934 and other general revenues of \$171,017.

Expenses for County operations totaled \$10,700,710, a 28.4 percent increase over the prior year. Expenses included \$4,389,426 for roads and transportation, \$1,314,344 for physical health and social services and \$1,296,286 for public safety and legal services.

The significant increase in expenses is due primarily to increased cost of snow and ice removal, road maintenance costs from a harsh winter and spring flooding, completion of a bridge restoration project and interest paid on drainage warrants.

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/reports.htm>.

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POCAHONTAS COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2008

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Pocahontas County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ralph E. Christiansen	Board of Supervisors	Jan 2009
Jack Dewolf	Board of Supervisors	Jan 2009
C. Wilbur Ekstrand	Board of Supervisors	Jan 2009
Paul R. Beneke	Board of Supervisors	Jan 2011
Vincent Triggs	Board of Supervisors	Jan 2011
Margene A. Bunda	County Auditor	Jan 2009
Sarah Winkler	County Treasurer	Jan 2011
Michael P. Bollard	County Recorder	Jan 2011
Robert Lampe	County Sheriff	Jan 2009
Ann E. Beneke	County Attorney	Jan 2011
Brian H. De Wall	County Assessor	Jan 2010

Pocahontas County



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Independent Auditor's Report

To the Officials of Pocahontas County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pocahontas County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Pocahontas County's management. Our responsibility is to express opinions on these financial statements based on our audit.

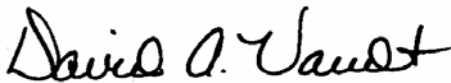
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Pocahontas County at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated June 1, 2009 on our consideration of Pocahontas County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 40 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pocahontas County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2004 (which are not presented herein) and expressed qualified opinions on those financial statements due to the omission of the supplies inventory, pertaining primarily to the Secondary Roads Fund, prior to June 30, 2004. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 1, 2009

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, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 8%, or approximately \$933,000, from fiscal 2007 to fiscal 2008. Property tax increased approximately \$33,000, charges for service increased approximately \$1,001,000, operating grants, contributions and restricted interest increased approximately \$288,000 and capital grants, contributions and restricted interest decreased approximately \$2,342,000.
- The County's governmental activities program expenses increased 28%, or approximately \$2,366,000, from fiscal 2007 to fiscal 2008. Roads and transportation expenses increased approximately \$1,743,000, administration expenses increased approximately \$221,000 and interest on drainage warrants increased approximately \$139,000. Roads and transportation expenses increased primarily due to the increased cost for snow and ice removal, increased road maintenance costs from a harsh winter and spring flooding, depreciation of equipment and roads, engineering costs related to the windmill farm construction project and completion of a bridge restoration project.
- The County's net assets decreased .7%, or approximately \$158,000, from June 30, 2007 to June 30, 2008.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

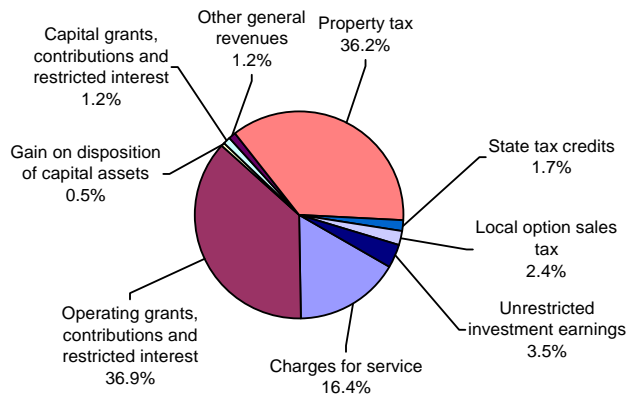
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2008	2007
Current and other assets	\$ 13,330	13,267
Capital assets	14,252	14,560
Total assets	<u>27,582</u>	<u>27,827</u>
Long-term liabilities	692	1,089
Other liabilities	4,683	4,373
Total liabilities	<u>5,375</u>	<u>5,462</u>
Net assets:		
Invested in capital assets	14,252	14,560
Restricted	5,186	5,994
Unrestricted	2,769	1,811
Total net assets	<u>\$ 22,207</u>	<u>22,365</u>

Net assets of Pocahontas County's governmental activities decreased approximately \$158,000, or .7%. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - total approximately \$2,769,000 at June 30, 2008.

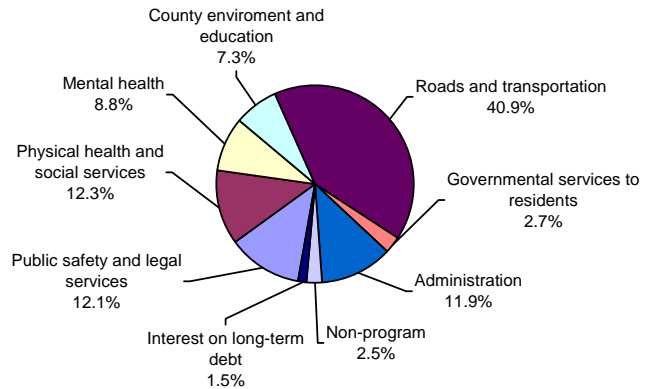
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2008	2007
Revenues:		
Program revenues:		
Charges for service	\$ 1,726	725
Operating grants, contributions and restricted interest	3,903	3,615
Capital grants, contributions and restricted interest	122	2,464
General revenues:		
Property tax	3,820	3,787
State tax credits	177	185
Local option sales tax	253	271
Unrestricted investment earnings	370	230
Gain on disposition of capital assets	48	95
Other general revenues	124	104
Total revenues	10,543	11,476
Program expenses:		
Public safety and legal services	1,296	1,173
Physical health and social services	1,314	1,202
Mental health	939	852
County environment and education	782	788
Roads and transportation	4,389	2,646
Governmental services to residents	287	338
Administration	1,271	1,050
Non-program	264	266
Interest on long-term debt	159	20
Total expenses	10,701	8,335
 Increase (decrease) in net assets	 (158)	 3,141
Net assets beginning of year	22,365	19,224
Net assets end of year	\$ 22,207	22,365

Revenues by Source



Expenses by Function



Pocahontas County's net assets of governmental activities decreased approximately \$158,000 during the year. Revenues for governmental activities decreased approximately \$933,000 from the prior year, with capital grants, contributions and restricted interest down approximately \$2,342,000 while charges for service, which includes drainage assessments, increased approximately \$1,001,000. The County's property tax and local option sales tax revenues remained relatively stable between fiscal years 2007 and 2008.

INDIVIDUAL MAJOR FUND ANALYSIS

As Pocahontas County completed the year, its governmental funds reported a combined fund balance of approximately \$8.14 million, a decrease of approximately \$126,000 from last year's total of approximately \$8.26 million. The following are reasons for the changes in fund balances of the major funds from the prior year:

General Fund revenues exceeded expenditures. The ending fund balance increased approximately \$310,000 over the prior year to approximately \$2,797,000. Both General Fund expenditures and revenues increased between fiscal year 2007 and 2008.

The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$938,000, an increase of approximately \$86,000, or 10%, over the prior year. The Mental Health Fund balance at year end decreased approximately \$80,000 from the prior year.

Rural Services Fund revenues decreased approximately \$20,000 from the previous fiscal year and expenditures increased approximately \$103,000. The Rural Services Fund balance at year end decreased approximately \$88,000 from the prior year to approximately \$288,000. The decrease in fund balance is mainly attributed to the increased cost of uniform patrol services.

Revenues in the Secondary Roads Fund increased approximately \$271,000 while expenditures increased approximately \$697,000 over the previous year. Revenues increased due to funding received for a bridge restoration project. Expenditures increased over the prior year due to increased cost for snow and ice removal, increased road maintenance costs from a harsh winter and spring flooding, engineering costs related to the windmill farm construction project and completion of the bridge restoration project. The Secondary Roads Fund ending balance decreased approximately \$529,000 to approximately \$3.99 million.

The Drainage Districts Fund ending balance increased approximately \$162,000 over the prior year to approximately \$575,000. Drainage warrants and interest paid increased approximately \$868,000, which resulted from assessments received to retire stamped drainage warrants. In addition, proceeds from drainage certificates increased approximately \$179,000 and approximately \$44,000 of FEMA funds were received during fiscal year 2008 as reimbursements for flood damage.

BUDGETARY HIGHLIGHTS

Over the course of the year, Pocahontas County amended its budget once. The amendment was made in May 2008 and resulted in an increase in budgeted disbursements for the following departments: county auditor, secondary roads, conservation board, courthouse and grounds and data processing. The non-departmental disbursement budget was also increased by the amendment.

The County's receipts were \$195,719 more than budgeted, a variance of 2%. The variance resulted from the County receiving more than anticipated from several revenue sources.

Total disbursements were \$1,049,772 less than the amended budget. Actual disbursements for the physical health and social services, mental health, roads and transportation and administration functions were \$306,264, \$271,057, \$181,325 and \$173,933, respectively, less than budgeted while the other functions were also less than budgeted. Physical

health and social services function disbursements were less than budgeted due to grants not being utilized for the allowed amount and the lack of fully staffed health services. Mental health function disbursements were less than budgeted due to continued monitoring and changing demands for mental health services. The roads and transportation function disbursements were less than budgeted as repairs to roads were budget priorities. However, due to time constraints, some of the restoration had not progressed to the extent planned. The administration function disbursements budget included additional amounts budgeted for courthouse maintenance and repair which had not yet occurred. The remaining decrease was accomplished by reduced spending in all areas.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, Pocahontas County had approximately \$14.3 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 \$308,000, or 2.1%, from last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2008	2007
Land	\$ 1,784	1,753
Construction in progress	-	3,381
Buildings and building improvements	826	857
Equipment and vehicles	2,959	3,112
Infrastructure, road network	8,683	5,457
Total	\$ 14,252	14,560

The County had depreciation expense of \$1,047,380 in FY08 and total accumulated depreciation of \$5,947,113 at June 30, 2008. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2008, Pocahontas County had approximately \$483,000 in outstanding drainage warrants and drainage improvement certificates payable, compared to approximately \$908,000 at June 30, 2007. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

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 2009 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 3.2%, the same as a year ago. This compares with the State's unemployment rate of 4.1% and the national rate of 5.6%.

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

Exhibit A

Pocahontas County
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 7,232,285
Receivables:	
Property tax:	
Delinquent	9,294
Succeeding year	4,074,000
Interest and penalty on property tax	64,995
Accounts	69,143
Accrued interest	47,568
Drainage assessments	241,603
Due from other governments	345,410
Inventories	1,150,343
Prepaid insurance	95,350
Capital assets (net of accumulated depreciation)	<u>14,251,523</u>
Total assets	<u>27,581,514</u>
Liabilities	
Accounts payable	302,579
Salaries and benefits payable	152,988
Due to other governments	153,442
Deferred revenue:	
Succeeding year property tax	4,074,000
Long-term liabilities:	
Portion due or payable within one year:	
Drainage warrants/drainage improvement certificates	287,771
Compensated absences	209,360
Portion due or payable after one year:	
Drainage improvement certificates	<u>194,815</u>
Total liabilities	<u>5,374,955</u>
Net Assets	
Invested in capital assets	14,251,523
Restricted for:	
Supplemental levy purposes	260,537
Mental health purposes	86,292
Secondary roads purposes	3,963,623
Drainage purposes	479,635
Resource enhancement and protection	53,310
Other purposes	342,794
Unrestricted	<u>2,768,845</u>
Total net assets	<u>\$ 22,206,559</u>

See notes to financial statements.

Pocahontas County
Statement of Activities
Year ended June 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,296,286	61,725	6,775	-	(1,227,786)
Physical health and social services	1,314,344	467,536	735,424	-	(111,384)
Mental health	938,362	-	401,903	-	(536,459)
County environment and education	782,306	24,880	12,484	69,309	(675,633)
Roads and transportation	4,389,426	183,029	2,736,501	-	(1,469,896)
Governmental services to residents	286,901	139,236	10,190	-	(137,475)
Administration	1,270,305	-	10	-	(1,270,295)
Non-program	263,954	849,507	-	52,460	638,013
Interest on long-term debt	158,826	-	-	-	(158,826)
Total	\$ 10,700,710	1,725,913	3,903,287	121,769	(4,949,741)
General Revenues:					
Property and other county tax levied for general purposes					3,819,669
State tax credits					177,300
Local option sales tax					253,327
Unrestricted investment earnings					369,934
Gain on disposition of capital assets					47,567
Miscellaneous					123,450
Total general revenues					4,791,247
Change in net assets					(158,494)
Net assets beginning of year					22,365,053
Net assets end of year					\$ 22,206,559

See notes to financial statements.

Pocahontas County

Balance Sheet
Governmental Funds

June 30, 2008

	Special		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 2,843,877	208,662	269,430
Receivables:			
Property tax:			
Delinquent	7,846	1,319	129
Succeeding year	2,516,000	423,000	1,135,000
Interest and penalty on property tax	64,995	-	-
Accounts	38,950	-	-
Accrued interest	47,529	-	-
Drainage assessments	-	-	-
Due from other governments	82,555	14,074	30,802
Inventories	-	-	-
Prepaid insurance	49,008	-	7,521
Total assets	\$ 5,650,760	647,055	1,442,882
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 140,581	25,908	4,855
Salaries and benefits payable	90,417	1,139	14,789
Due to other governments	33,712	110,127	424
Deferred revenue:			
Succeeding year property tax	2,516,000	423,000	1,135,000
Other	73,220	1,271	128
Total liabilities	2,853,930	561,445	1,155,196
Fund balances:			
Reserved for supplemental levy purposes	260,537	-	-
Unreserved, reported in:			
General fund	2,536,293	-	-
Special revenue funds	-	85,610	287,686
Total fund balances	2,796,830	85,610	287,686
Total liabilities and fund balances	\$ 5,650,760	647,055	1,442,882

See notes to financial statements.

Revenue			
Secondary Roads	Drainage Districts	Nonmajor	Total
2,727,634	759,101	395,378	7,204,082
-	-	-	9,294
-	-	-	4,074,000
-	-	-	64,995
29,613	-	580	69,143
-	-	39	47,568
-	241,603	-	241,603
211,694	6,172	113	345,410
1,150,343	-	-	1,150,343
38,821	-	-	95,350
4,158,105	1,006,876	396,110	13,301,788
79,226	44,655	6	295,231
46,643	-	-	152,988
9,179	-	-	153,442
-	-	-	4,074,000
27,618	387,250	-	489,487
162,666	431,905	6	5,165,148
-	-	-	260,537
-	-	-	2,536,293
3,995,439	574,971	396,104	5,339,810
3,995,439	574,971	396,104	8,136,640
4,158,105	1,006,876	396,110	13,301,788

Pocahontas County

Pocahontas County

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

June 30, 2008

Total governmental fund balances (page 17) \$ 8,136,640

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 \$20,198,636 and the accumulated depreciation is \$5,947,113. 14,251,523

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 489,487

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 20,855

Long-term liabilities, including drainage warrants/drainage improvement certificates payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (691,946)

Net assets of governmental activities (page 14) \$ 22,206,559

See notes to financial statements.

Pocahontas County

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

Year ended June 30, 2008

	General	Special	
		Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,367,839	414,040	1,274,711
Interest and penalty on property tax	15,434	114	-
Intergovernmental	1,012,928	427,918	57,777
Licenses and permits	123,027	-	-
Charges for service	392,530	-	-
Use of money and property	414,203	-	-
Miscellaneous	41,684	16,404	-
Total revenues	<u>4,367,645</u>	<u>858,476</u>	<u>1,332,488</u>
Expenditures:			
Operating:			
Public safety and legal services	824,301	-	465,142
Physical health and social services	1,295,630	-	-
Mental health	-	938,376	-
County environment and education	468,946	-	302,442
Roads and transportation	-	-	-
Governmental services to residents	280,387	-	2,495
Administration	1,134,183	-	-
Non-program	6,410	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	<u>4,009,857</u>	<u>938,376</u>	<u>770,079</u>
Excess (deficiency) of revenues over (under) expenditures	<u>357,788</u>	<u>(79,900)</u>	<u>562,409</u>
Other financing sources (uses):			
Sale of capital assets	2,550	-	-
Operating transfers in	-	-	-
Operating transfers out	(50,000)	-	(650,000)
Drainage warrants/drainage improvement certificates issued	-	-	-
Total other financing sources (uses)	<u>(47,450)</u>	<u>-</u>	<u>(650,000)</u>
Net change in fund balances	310,338	(79,900)	(87,591)
Fund balances beginning of year	<u>2,486,492</u>	<u>165,510</u>	<u>375,277</u>
Fund balances end of year	<u>\$ 2,796,830</u>	<u>85,610</u>	<u>287,686</u>

See notes to financial statements.

Revenue			
Secondary Roads	Drainage Districts	Nonmajor	Total
-	-	-	4,056,590
-	-	-	15,548
2,759,146	52,460	81,793	4,392,022
31,188	-	-	154,215
40,501	-	25,480	458,511
2,800	-	3,868	420,871
78,208	951,650	2,345	1,090,291
2,911,843	1,004,110	113,486	10,588,048
-	-	-	1,289,443
-	-	-	1,295,630
-	-	-	938,376
-	-	645	772,033
3,713,055	-	-	3,713,055
-	-	-	282,882
-	-	3,820	1,138,003
-	257,544	-	263,954
-	1,013,686	-	1,013,686
437,668	-	21,597	459,265
4,150,723	1,271,230	26,062	11,166,327
(1,238,880)	(267,120)	87,424	(578,279)
9,759	-	11,000	23,309
700,000	-	-	700,000
-	-	-	(700,000)
-	429,100	-	429,100
709,759	429,100	11,000	452,409
(529,121)	161,980	98,424	(125,870)
4,524,560	412,991	297,680	8,262,510
3,995,439	574,971	396,104	8,136,640

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, 2008

Net change in fund balances - Total governmental funds (page 21) \$ (125,870)

**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	\$ 715,120	
Depreciation expense	<u>(1,047,380)</u>	(332,260)

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

24,258

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

Property tax	858	
Other	<u>(94,534)</u>	(93,676)

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

Issued	(429,100)	
Repaid	<u>854,860</u>	425,760

Compensated absences 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.

(28,350)

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

(28,356)

Change in net assets of governmental activities (page 15) \$ (158,494)

See notes to financial statements.

Pocahontas County
Statement of Net Assets
Proprietary Fund
June 30, 2008

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 28,203
Liabilities	
Accounts payable	<u>7,348</u>
Net Assets	
Unrestricted	<u>\$ 20,855</u>

See notes to financial statements.

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

Year ended June 30, 2008

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 89,136
Reimbursements from employees	117,199
Total operating revenues	<u>206,335</u>
Operating expenses:	
Medical claims	234,968
Operating loss	<u>(28,633)</u>
Non-operating revenues:	
Interest income	277
Net loss	<u>(28,356)</u>
Net assets beginning of year	<u>49,211</u>
Net assets end of year	<u><u>\$ 20,855</u></u>

See notes to financial statements.

Pocahontas County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2008

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from employees and others	\$ 206,335
Cash paid for medical claims	(239,130)
Net cash used for operating activities	<u>(32,795)</u>
Cash flows from investing activities:	
Interest on investments	<u>277</u>
Net decrease in cash and cash equivalents	(32,518)
Cash and cash equivalents beginning of year	<u>60,721</u>
Cash and cash equivalents end of year	<u>\$ 28,203</u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (28,633)
Adjustment to reconcile operating loss to net cash used for operating activities:	
Decrease in accounts payable	<u>(4,162)</u>
Net cash used for operating activities	<u>\$ (32,795)</u>

See notes to financial statements.

Pocahontas County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2008

Assets

Cash and pooled investments:

County Treasurer	\$ 788,656
Other County officials	1,840

Receivables:

Property tax:

Delinquent	42,997
Succeeding year	7,707,000

Accounts	628
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Special assessments	48,070
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Total assets	<u>8,589,191</u>
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Liabilities

Accounts payable	2,382
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Salaries and benefits payable	17,538
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Due to other governments	8,560,614
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Trusts payable	1,837
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Compensated absences	6,820
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Total liabilities	<u>8,589,191</u>
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Net assets

\$	<u>-</u>
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See notes to financial statements.

Pocahontas County

Notes to Financial Statements

June 30, 2008

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

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

Asset Class	Amount
Infrastructure	\$ 65,000
Land, buildings and improvements	25,000
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
Equipment	3 - 20
Vehicles	5 - 15

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

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

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

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

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, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2008 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, 2008, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$18,009 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 50,000
	Special Revenue:	
	Rural Services	650,000
		<u>650,000</u>
Total		<u>\$ 700,000</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,752,658	31,319	-	1,783,977
Construction in progress	3,380,755	261,728	(3,642,483)	-
Total capital assets not being depreciated	<u>5,133,413</u>	<u>293,047</u>	<u>(3,642,483)</u>	<u>1,783,977</u>
Capital assets being depreciated:				
Buildings and building improvements	2,073,023	13,017	-	2,086,040
Equipment and vehicles	6,648,430	447,806	(336,615)	6,759,621
Infrastructure, road network	5,926,515	3,642,483	-	9,568,998
Total capital assets being depreciated	<u>14,647,968</u>	<u>4,103,306</u>	<u>(336,615)</u>	<u>18,414,659</u>
Less accumulated depreciation for:				
Buildings and building improvements	1,215,710	44,012	-	1,259,722
Equipment and vehicles	3,536,797	586,897	(322,123)	3,801,571
Infrastructure, road network	469,349	416,471	-	885,820
Total accumulated depreciation	<u>5,221,856</u>	<u>1,047,380</u>	<u>(322,123)</u>	<u>5,947,113</u>
Total capital assets being depreciated, net	<u>9,426,112</u>	<u>3,055,926</u>	<u>(14,492)</u>	<u>12,467,546</u>
Governmental activities capital assets, net	<u>\$ 14,559,525</u>	<u>3,348,973</u>	<u>(3,656,975)</u>	<u>14,251,523</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 55,146
Physical health and social services	11,524
County environment and education	24,497
Roads and transportation	907,138
Governmental services to residents	5,749
Administration	43,326
	<u>43,326</u>
Total depreciation expense - governmental activities	<u>\$ 1,047,380</u>

(5) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 33,712
Special Revenue:		
Mental Health	Services	110,127
Rural Services	Services	424
Secondary Roads	Services	9,179
		<u>119,730</u>
Total for governmental funds		<u>\$ 153,442</u>
Agency:		
County Assessor	Collections	\$ 296,300
Schools		5,231,850
Community Colleges		431,280
Corporations		1,640,949
Auto License and Use Tax		182,773
All other		777,462
		<u>777,462</u>
Total for agency funds		<u>\$ 8,560,614</u>

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Drainage Warrants	Drainage Improvement Certificates	Compensated Absences	Total
Balance beginning of year	\$ 810,264	98,082	181,010	1,089,356
Increases	250,135	178,965	95,676	524,776
Decreases	806,336	48,524	67,326	922,186
Balance end of year	<u>\$ 254,063</u>	<u>228,523</u>	<u>209,360</u>	<u>691,946</u>
Due within one year	<u>\$ 254,063</u>	<u>33,708</u>	<u>209,360</u>	<u>497,131</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.

(7) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.90% of their annual covered salary and the County is required to contribute 6.05% 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, 2008, 2007 and 2006 were \$204,460, \$187,022 and \$178,366, respectively, equal to the required contributions for each year.

(8) Employee Group Health

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance plan. The plan is funded by both employee and County contributions and is administered through a service agreement with T.P.A., Ltd. The agreement is subject to automatic renewal provisions.

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

The amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2008 for incurred but not reported and reported but not paid claims have been determined by the plan administrator since the County has not obtained an actuarial opinion as required by Chapter 509A.15 of the Code of Iowa.

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

Unpaid claims beginning of year	\$ 11,510
Incurred claims (including claims incurred but not reported at June 30, 2008)	(239,130)
Payment on claims during the fiscal year	<u>234,968</u>
Unpaid claims end of year	<u><u>\$ 7,348</u></u>

(9) Risk Management

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

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, 2008

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 4,046,115	-	4,046,115
Interest and penalty on property tax	15,266	-	15,266
Intergovernmental	4,550,895	191,935	4,358,960
Licenses and permits	152,285	-	152,285
Charges for service	1,415,106	951,650	463,456
Use of money and property	474,759	-	474,759
Miscellaneous	161,510	30,000	131,510
Total receipts	10,815,936	1,173,585	9,642,351
Disbursements:			
Public safety and legal services	1,291,826	-	1,291,826
Physical health and social services	1,290,753	-	1,290,753
Mental health	873,551	-	873,551
County environment and education	773,105	-	773,105
Roads and transportation	3,960,975	-	3,960,975
Governmental services to residents	281,760	-	281,760
Administration	1,052,725	-	1,052,725
Non-program	256,601	250,191	6,410
Debt service	1,013,685	1,013,685	-
Capital projects	476,184	-	476,184
Total disbursements	11,271,165	1,263,876	10,007,289
Excess (deficiency) of receipts over (under) disbursements	(455,229)	(90,291)	(364,938)
Other financing sources, net	442,852	429,100	13,752
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(12,377)	338,809	(351,186)
Balance beginning of year	7,216,459	420,292	6,796,167
Balance end of year	\$ 7,204,082	759,101	6,444,981

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
4,100,487	4,100,487	(54,372)
18,500	18,500	(3,234)
4,097,206	4,302,895	56,065
63,150	89,150	63,135
397,100	417,550	45,906
211,120	395,140	79,619
53,625	122,910	8,600
8,941,188	9,446,632	195,719
1,330,707	1,330,707	38,881
1,597,017	1,597,017	306,264
1,144,608	1,144,608	271,057
775,636	784,336	11,231
3,892,300	4,142,300	181,325
325,150	327,550	45,790
1,070,458	1,226,658	173,933
6,885	6,885	475
-	-	-
412,800	497,000	20,816
10,555,561	11,057,061	1,049,772
(1,614,373)	(1,610,429)	1,245,491
-	12,000	1,752
(1,614,373)	(1,598,429)	1,247,243
6,595,105	6,595,105	201,062
4,980,732	4,996,676	1,448,305

Pocahontas County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,815,936	(227,888)	10,588,048
Expenditures	11,271,165	(104,838)	11,166,327
Net	(455,229)	(123,050)	(578,279)
Other financing sources, net	442,852	9,557	452,409
Beginning fund balances	7,216,459	1,046,051	8,262,510
Ending fund balances	\$ 7,204,082	932,558	8,136,640

See accompanying independent auditor's report.

Pocahontas County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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 \$501,500 and increased budgeted receipts by \$505,444. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted.

Pocahontas County

Other Supplementary Information

Pocahontas County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2008

	County Attorney	County Recorder's Records Management	Courthouse Security	Court Property
Assets				
Cash and pooled investments	\$ 696	20,842	5,103	119,810
Accounts receivable	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	113	-	-	-
Total assets	\$ 809	20,842	5,103	119,810
Liabilities and Fund Equity				
Liabilities				
Accounts payable	\$ -	-	-	-
Fund equity:				
Unreserved fund balances	809	20,842	5,103	119,810
Total Liabilities and Fund Equity	\$ 809	20,842	5,103	119,810

See accompanying independent auditor's report.

Special Revenue						
	County					
Veterans	Recorder's		Conservation	Environmental		
Grants	Electronic	REAP	Land	Education		Total
	Transaction Fee		Acquisition	Trust		
5,054	387	53,310	186,572	3,604		395,378
-	-	-	580	-		580
-	-	-	39	-		39
-	-	-	-	-		113
5,054	387	53,310	187,191	3,604		396,110
6	-	-	-	-		6
5,048	387	53,310	187,191	3,604		396,104
5,054	387	53,310	187,191	3,604		396,110

Pocahontas County

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

Year ended June 30, 2008

	County Attorney	County Recorder's Records Management	Courthouse Security
Revenues:			
Intergovernmental	\$ -	-	-
Charges for service	809	1,827	-
Use of money and property	-	311	-
Miscellaneous	-	-	-
Total revenues	809	2,138	-
Expenditures:			
Operating:			
County environment and education	-	-	-
Administration	-	-	-
Capital projects	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures	809	2,138	-
Other financing sources:			
Sale of capital assets	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	809	2,138	-
Fund balances beginning of year	-	18,704	5,103
Fund balances end of year	\$ 809	20,842	5,103

See accompanying independent auditor's report.

Special Revenue							
Court Property	Veterans Grants	County Recorder's Electronic Transaction Fee	REAP	Conservation Land Acquisition	Environmental Education Trust		Total
-	-	-	12,484	69,309	-		81,793
-	-	-	-	22,677	167		25,480
-	-	4	947	2,581	25		3,868
-	-	-	-	445	1,900		2,345
-	-	4	13,431	95,012	2,092		113,486
-	-	-	-	-	645		645
-	3,820	-	-	-	-		3,820
-	-	-	2,139	19,458	-		21,597
-	3,820	-	2,139	19,458	645		26,062
-	(3,820)	4	11,292	75,554	1,447		87,424
-	-	-	-	11,000	-		11,000
-	(3,820)	4	11,292	86,554	1,447		98,424
119,810	8,868	383	42,018	100,637	2,157		297,680
119,810	5,048	387	53,310	187,191	3,604		396,104

Pocahontas County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpor- ations
Assets						
Cash and pooled investments:						
County Treasurer	\$ -	1,305	103,027	53,973	2,944	12,233
Other County officials	1,840	-	-	-	-	-
Receivables:						
Property tax:						
Delinquent	-	386	660	15,877	1,336	24,716
Succeeding year	-	124,000	212,000	5,162,000	427,000	1,604,000
Accounts	28	-	464	-	-	-
Special assessments	-	-	-	-	-	-
Total assets	\$ 1,868	125,691	316,151	5,231,850	431,280	1,640,949
Liabilities						
Accounts payable	-	-	-	-	-	-
Salaries and benefits payable	-	-	13,031	-	-	-
Due to other governments	31	125,691	296,300	5,231,850	431,280	1,640,949
Trusts payable	1,837	-	-	-	-	-
Compensated absences	-	-	6,820	-	-	-
Total liabilities	\$ 1,868	125,691	316,151	5,231,850	431,280	1,640,949

See accompanying independent auditor's report.

Townships	Auto License and Use Tax	E911 Services Board	Resources Unlimited	Emergency Management Commission	Emergency Medical Services	City Special Assessments	Other	Total
2,011	182,773	158,892	229,568	32,495	909	387	8,139	788,656
-	-	-	-	-	-	-	-	1,840
18	-	-	-	-	-	-	4	42,997
177,000	-	-	-	-	-	-	1,000	7,707,000
-	-	136	-	-	-	-	-	628
-	-	-	-	-	-	48,070	-	48,070
179,029	182,773	159,028	229,568	32,495	909	48,457	9,143	8,589,191
-	-	1,823	322	237	-	-	-	2,382
-	-	-	2,846	1,661	-	-	-	17,538
179,029	182,773	157,205	226,400	30,597	909	48,457	9,143	8,560,614
-	-	-	-	-	-	-	-	1,837
-	-	-	-	-	-	-	-	6,820
179,029	182,773	159,028	229,568	32,495	909	48,457	9,143	8,589,191

Pocahontas County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpora- tions
Assets and Liabilities						
Balances beginning of year	\$ 4,813	119,864	327,223	4,976,467	270,249	1,509,809
Additions:						
Property and other county tax	-	121,541	206,756	5,058,872	422,071	1,540,346
E911 surcharge	-	-	-	-	-	-
State tax credits	-	7,191	16,180	299,032	16,227	118,712
Office fees and collections	182,407	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	83,875	-	-	-	-	-
Miscellaneous	-	64	3,443	2,471	144	-
Total additions	266,282	128,796	226,379	5,360,375	438,442	1,659,058
Deductions:						
Agency remittances:						
To other funds	83,857	-	-	-	-	-
To other governments	98,752	122,969	237,451	5,104,992	277,411	1,527,918
Trusts paid out	86,618	-	-	-	-	-
Total deductions	269,227	122,969	237,451	5,104,992	277,411	1,527,918
Balances end of year	\$ 1,868	125,691	316,151	5,231,850	431,280	1,640,949

See accompanying independent auditor's report.

Townships	Auto License and Use Tax	E911 Service Board	Resources Unlimited	Emergency Management Commission	Emergency Medical Services	City Special Assessments	Other	Total
173,237	153,817	154,609	147,509	37,720	2,474	73,319	7,687	7,958,797
174,494	-	-	-	-	-	-	1,341	7,525,421
-	-	65,368	-	-	-	-	-	65,368
9,302	-	-	-	24,699	-	-	84	491,427
-	-	-	-	-	-	-	9,797	192,204
-	2,105,244	-	-	-	-	-	32,321	2,137,565
-	-	-	-	-	-	1,394	-	1,394
-	-	-	-	-	-	-	-	83,875
218	-	-	177,435	40,000	10	-	34,936	258,721
184,014	2,105,244	65,368	177,435	64,699	10	1,394	78,479	10,755,975
-	73,632	-	-	-	-	-	-	157,489
178,222	2,002,656	60,949	95,376	69,924	1,575	26,256	70,478	9,874,929
-	-	-	-	-	-	-	6,545	93,163
178,222	2,076,288	60,949	95,376	69,924	1,575	26,256	77,023	10,125,581
179,029	182,773	159,028	229,568	32,495	909	48,457	9,143	8,589,191

Pocahontas County

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

For the Last Eight Years

	Modified Accrual			
	2008	2007	2006	2005
Revenues:				
Property and other county tax	\$ 4,056,590	4,060,974	3,902,308	4,047,658
Interest and penalty on property tax	15,548	17,232	19,166	23,871
Intergovernmental	4,392,022	4,044,917	4,089,221	3,985,573
Licenses and permits	154,215	70,049	25,364	55,259
Charges for service	458,511	488,566	476,654	437,342
Use of money and property	420,871	286,712	325,094	165,285
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	1,090,291	242,089	284,439	410,640
Total	\$ 10,588,048	9,210,539	9,122,246	9,125,628
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,289,443	1,143,838	1,102,064	893,329
Physical health and social services	1,295,630	1,197,529	1,284,731	1,001,683
Mental health	938,376	852,551	976,923	912,302
County environment and education	772,033	707,212	599,434	534,984
Roads and transportation	3,713,055	3,061,030	3,137,882	3,059,974
Governmental services to residents	282,882	323,048	327,218	252,585
Administration	1,138,003	940,180	1,002,141	1,028,349
Non-program	263,954	265,868	209,554	276,621
Debt service	1,013,686	146,113	157,120	369,424
Capital projects	459,265	503,498	737,879	1,058,689
Total	\$ 11,166,327	9,140,867	9,534,946	9,387,940

See accompanying independent auditor's report.

Basis				
	2004	2003	2002	2001
	4,044,590	3,836,490	3,205,640	2,797,167
	30,419	18,412	20,227	18,964
	3,938,152	4,708,608	4,463,190	5,021,258
	23,938	23,898	22,516	20,870
	458,307	364,636	337,646	290,095
	180,817	177,350	224,723	292,069
	17,145	-	-	-
	125,767	385,214	602,407	170,604
	<u>8,819,135</u>	<u>9,514,608</u>	<u>8,876,349</u>	<u>8,611,027</u>
	965,340	906,338	902,346	853,609
	1,039,758	1,033,126	1,069,611	1,104,310
	902,017	896,475	925,865	908,824
	566,157	614,353	644,187	599,835
	2,089,357	3,001,356	2,455,997	3,028,277
	262,469	242,444	225,164	208,810
	1,239,195	819,936	786,768	779,601
	440,522	469,244	246,446	15,445
	85,263	951,117	785,096	1,168,445
	387,693	98,887	289,957	810,370
	<u>7,977,771</u>	<u>9,033,276</u>	<u>8,331,437</u>	<u>9,477,526</u>

Pocahontas County



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

To the Officials of Pocahontas County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pocahontas County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated June 1, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including a deficiency we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Pocahontas County's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Pocahontas County's financial statements that is more than inconsequential will not be prevented or detected by Pocahontas County's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Pocahontas County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item (B) is a material weakness.

Compliance and Other Matters

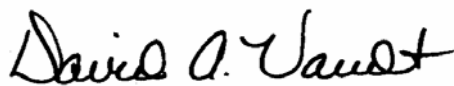
As part of obtaining reasonable assurance about whether Pocahontas County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 1, 2009

Pocahontas County
Schedule of Findings
Year ended June 30, 2008

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES

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

The County does not have written policies for:

- password privacy and confidentiality.
- requiring password changes because software does not require the user to change log-ins/passwords periodically.
- ensuring only software licensed to the County is installed on computers.
- usage of the internet.
- requiring user profiles to help limit access to programs to those who have a legitimate need.
- personal use of computer equipment and software.
- requiring personnel to scan media to upgrade to computer programs before loading them onto the County’s computer system.

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

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

Response – We do store our back up tapes off-site in a bank vault, although this is not documented. The County has started developing a policy for computer use as well as a disaster recovery plan and will continue the process for a final plan completion.

Conclusion – Response accepted.

- (B) Financial Reporting – During the audit, we identified material amounts of revenues and expenditures recorded to incorrect accounting codes. We identified a significant revenue transaction incorrectly recorded in the FY2009 financial records rather than being recorded as a receivable for FY2008. We also identified for correction significant capital asset additions and depreciation expense not recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Pocahontas County

Schedule of Findings

Year ended June 30, 2008

Recommendation – The County should implement procedures to ensure all revenues, depreciation expense and capital asset additions are identified and included in the County’s financial statements.

Response – We will work on this. Both the County Auditor and the County Treasurer will re-educate our department administrators of the importance of noting the year the revenue is to be credited to for the financial statements.

Conclusion – Response accepted

- (C) Timely Deposits – Certain State warrants for flood repairs from FEMA collected by the County Auditor were not deposited timely.

Recommendation – The County should deposit all receipts on a timely basis.

Response – The State warrants for the FEMA repairs to drainage district facilities required appropriate accounting of funds to be disbursed to the individual drainage accounts. This required time to determine the correct break down of the expenditures to revenue received. Recognizing such did require a longer time period than expected yet I am confident the funding was distributed accurately to each drainage account. It is never our intention to hold payments for a lengthy time before depositing with the County Treasurer.

Conclusion – Response acknowledged. The County should continue to work towards depositing receipts in a timely manner.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

Pocahontas County
 Schedule of Findings
 Year ended June 30, 2008

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Linda Ferguson, County Auditor’s Clerk, husband is part owner of Ferguson Equipment	Tools and parts	<u>\$ 15,101</u>

The above transactions do not represent a conflict of interest in the opinion of the Pocahontas County Attorney.

- (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 were found that we believe should have been approved in the Board minutes but were not. However, an interfund transfer was not approved in the minutes by Board resolution as required by Chapter 331.432 of the Code of Iowa

Recommendation – All interfund transfers should be approved by the Board of Supervisors by resolution in accordance with Chapter 331.432 of the Code of Iowa

Response – The County Auditor recognizes the matter was discussed with the Board of Supervisors but failed to document the same in the Board minutes as a formal motion of approval. The County Auditor will make sure appropriate documentation is made in the future.

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).

Pocahontas County
Schedule of Findings
Year ended June 30, 2008

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

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

Response – This has been an issue for many years and is currently in the process of being completed this fiscal year.

Conclusion – Response accepted.

- (10) Cellular Phones – Expenditures were made by the County and other boards for cellular telephone service. However, written policies governing the use of cellular phones have not been adopted.

Recommendation – The Board of Supervisors and other boards, in conjunction with the various Office heads, should establish written policies governing the use of cellular phones.

Response – The Board will be implementing a policy.

Conclusion – Response accepted.

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

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

Response – We have deferred this recommendation for a number of years as we believe it to be an unnecessary expense. The County will be contacting an actuary to become compliant with this recommendation albeit with reluctance.

Conclusion – Response accepted.

- (12) 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.

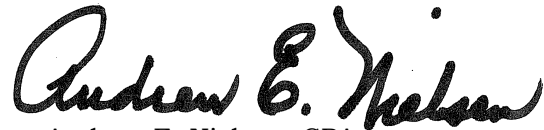
Disbursements during the year ended June 30, 2008 for the County Extension Office did not exceed the amount budgeted.

Pocahontas County

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager
Michael P. Piehl, Senior Auditor
Shawn R. Elsbury, Senior Auditor
Shannan M. Hoffman, Staff Auditor
Gabriel M. Stafford, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State