



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

FOR RELEASE

June 28, 2010

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 \$12,998,479 for the year ended June 30, 2009, which included \$688,022 in tax credits from the state. The County forwarded \$8,839,223 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,159,256 of the local tax revenue to finance County operations, a 4% increase over the prior year. Other revenues included charges for service of \$900,526, operating grants, contributions and restricted interest of \$3,528,004, capital grants, contributions and restricted interest of \$706,439, local option sales tax of \$334,590, unrestricted investment earnings of \$222,082 and other general revenues of \$257,941.

Expenses for County operations totaled \$10,639,930, a less than one percent decrease from the prior year. Expenses included \$4,012,966 for roads and transportation, \$1,340,437 for public safety and legal services and \$1,305,660 for physical health and social services.

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

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**POCAHONTAS COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
  
**JUNE 30, 2009**

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**Pocahontas County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2009)</b>		
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
<b>(After January 2009)</b>		
Paul R. Beneke	Board of Supervisors	Jan 2011
Vincent Triggs	Board of Supervisors	Jan 2011
Jack Dewolf	Board of Supervisors	Jan 2013
C. Wilbur Ekstrand	Board of Supervisors	Jan 2013
Louis Stauter	Board of Supervisors	Jan 2013
Margene A. Bunda	County Auditor	Jan 2013
Sarah Winkler	County Treasurer	Jan 2011
Michael P. Bollard	County Recorder	Jan 2011
Robert Lampe	County Sheriff	Jan 2013
Ann E. Beneke	County Attorney	Jan 2011
Brian H. De Wall	County Assessor	Jan 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, 2009, 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.

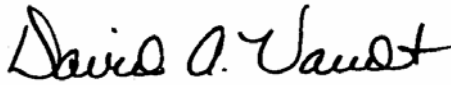
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2009, 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.

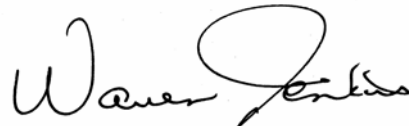
In accordance with Government Auditing Standards, we have also issued our report dated June 16, 2010 on our consideration of Pocahontas County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other 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 13 and 42 through 45 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 four years ended June 30, 2008 (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 16, 2010



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

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Pocahontas County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities decreased 4.1%, or approximately \$435,000, from fiscal year 2008 to fiscal year 2009. Property tax increased approximately \$202,000, charges for service decreased approximately \$825,000, operating grants, contributions and restricted interest decreased approximately \$375,000 and capital grants, contributions and restricted interest increased approximately \$584,000.
- The County's governmental activities expenses decreased less than one percent, or approximately \$6,000, from fiscal year 2008 to fiscal year 2009. Roads and transportation expenses decreased approximately \$376,000, non-program expenses increased approximately \$510,000 and interest on drainage warrants decreased approximately \$121,000.
- The County's net assets decreased 2.4%, or approximately \$532,000, from June 30, 2008 to June 30, 2009.

### **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.

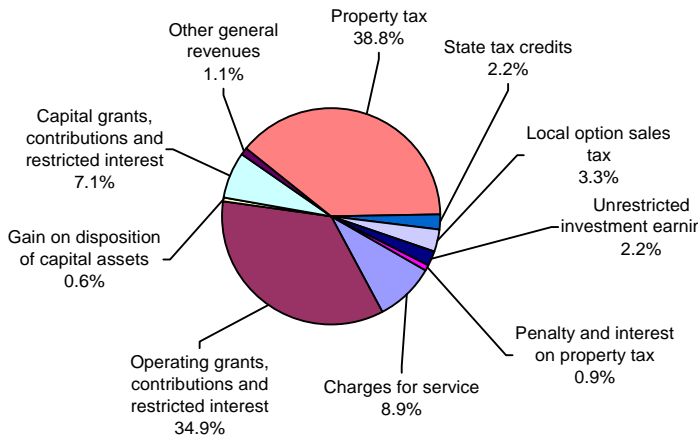
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2009	2008
Current and other assets	\$ 12,859	13,330
Capital assets	14,452	14,252
Total assets	<u>27,311</u>	<u>27,582</u>
Long-term liabilities	909	692
Other liabilities	4,727	4,683
Total liabilities	<u>5,636</u>	<u>5,375</u>
Net assets:		
Invested in capital assets	14,452	14,252
Restricted	4,657	5,186
Unrestricted	2,566	2,769
Total net assets	<u>\$ 21,675</u>	<u>22,207</u>

Net assets of Pocahontas County's governmental activities decreased approximately \$532,000, or 2.4%. 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 \$2,566,000 at June 30, 2009.

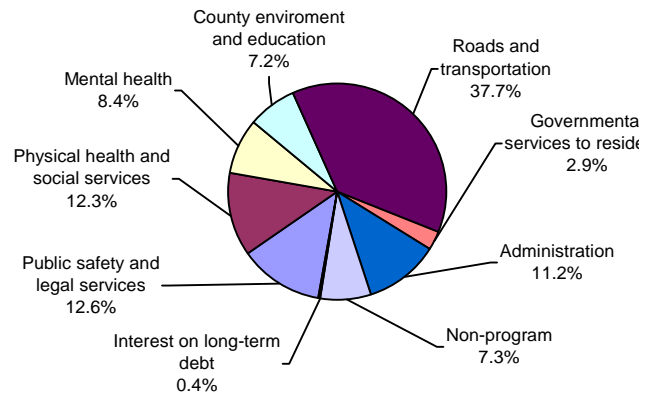
**Changes in Net Assets of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2009	2008
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 901	1,726
Operating grants, contributions and restricted interest	3,528	3,903
Capital grants, contributions and restricted interest	706	122
<b>General revenues:</b>		
Property tax	3,942	3,740
State tax credits	218	177
Penalty and interest on property tax	90	80
Local option sales tax	334	253
Unrestricted investment earnings	222	370
Gain on disposition of capital assets	56	48
Other general revenues	111	124
<b>Total revenues</b>	<b>10,108</b>	<b>10,543</b>
<b>Program expenses:</b>		
Public safety and legal services	1,340	1,296
Physical health and social services	1,305	1,314
Mental health	896	939
County environment and education	771	782
Roads and transportation	4,013	4,389
Governmental services to residents	309	287
Administration	1,194	1,271
Non-program	774	264
Interest on long-term debt	38	159
<b>Total expenses</b>	<b>10,640</b>	<b>10,701</b>
Decrease in net assets	(532)	(158)
Net assets beginning of year	22,207	22,365
Net assets end of year	<b>\$ 21,675</b>	<b>22,207</b>

**Revenues by Source**



**Expenses by Function**



Pocahontas County's net assets of governmental activities decreased approximately \$532,000 during the year. Revenues for governmental activities decreased approximately \$435,000 from the prior year. Capital grants, contributions and restricted interest increased approximately \$584,000 while charges for service, which includes drainage assessments, decreased approximately \$825,000. The County's property tax and local option sales tax revenues increased between fiscal years 2008 and 2009.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Pocahontas County completed the year, its governmental funds reported a combined fund balance of approximately \$7.7 million, a decrease of approximately \$432,000 from last year's total of approximately \$8.14 million. The following are reasons for the changes in fund balances of the major funds from the prior year:

General Fund expenditures exceeded revenues. The ending fund balance decreased approximately \$113,000 from the prior year to approximately \$2,684,000. General Fund revenues decreased approximately \$268,000 and expenditures increased approximately \$153,000 between fiscal years 2008 and 2009. The decrease in revenues is primarily due to a decrease in interest rates on invested County funds. The increase in expenditures is primarily due to additional amounts expended for adult correctional services and courthouse maintenance and repair.

The County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund. For the year, expenditures totaled approximately \$896,000, a decrease of approximately \$42,000, or 4.5%, from the prior year. The Mental Health Fund balance at year end decreased approximately \$51,000 from the prior year to approximately \$35,000. The decrease in expenditures from the prior year was primarily due to decreased client services.

Rural Services Fund revenues increased approximately \$180,000 over the previous fiscal year while expenditures increased approximately \$19,000. The Rural Services Fund balance at year end decreased approximately \$76,000 from the prior year to approximately \$212,000. Fiscal year 2009 property tax revenue increased approximately \$95,000 and local option sales tax revenue increased approximately \$81,000. The decrease in fund balance is mainly attributed to the \$150,000 increase in transfers to the Secondary Roads Fund.

Revenues in the Secondary Roads Fund decreased approximately \$249,000 while expenditures decreased approximately \$333,000 from the previous year. Revenues decreased due to reduced intergovernmental revenues from the State of Iowa. Expenditures decreased from the prior year, primarily due to decreased spending for roads and bridge maintenance projects, less spending to replenish the culvert stockpile and less equipment purchased. The Secondary Roads Fund ending balance decreased approximately \$304,000 to approximately \$3.69 million.

The Drainage Districts Fund ending balance increased approximately \$75,000 over the prior year to approximately \$650,000. FEMA funds received during fiscal year 2009 increased approximately \$248,000 while proceeds from drainage certificates decreased approximately \$827,000 as no improvement certificates were issued during fiscal year 2009. Drainage warrants and interest paid decreased approximately \$675,000, which resulted from a decrease in assessments received to retire stamped drainage warrants. Flood damage repair expenditures increased approximately \$290,000.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Pocahontas County amended its budget once. The amendment was made in May 2009 and resulted in an increase in budgeted disbursements for the following departments: Board of Supervisors, County Conservation and courthouse. The non-departmental disbursement appropriation was also increased by the amendment.

The County's receipts were \$237,815 more than budgeted, a variance of 2.6%. The variance resulted from the County receiving more than anticipated from several revenue sources.

Total disbursements were \$1,373,747 less than the amended budget. Actual disbursements for the capital projects, mental health, physical health and social services and roads and transportation functions were \$352,304, \$249,575, \$240,086 and \$182,267, respectively, less than budgeted while the other functions were also less than what was budgeted. This was primarily due to an anticipated BROS project not getting started by June 30, continued monitoring and changing demands for mental health services, programs and services were lower than estimated for physical health and social services and disbursements for roads and bridge maintenance projects, equipment and stockpile supplies were less than anticipated. The remaining decrease was accomplished by reduced spending in all areas.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, Pocahontas County had approximately \$14.45 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$201,000, or 1.4%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2009	2008
Land	\$ 1,784	1,784
Construction in progress	396	-
Buildings and building improvements	847	826
Equipment and vehicles	2,846	2,959
Infrastructure, road network	8,579	8,683
Total	\$ 14,452	14,252
This year's major additions included (in thousands):		
Road and bridge construction projects	\$ 723	

The County had depreciation expense of \$897,263 in fiscal year 2009 and total accumulated depreciation of \$6,668,007 at June 30, 2009. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### Long-Term Debt

At June 30, 2009, Pocahontas County had approximately \$719,000 in outstanding drainage warrants and drainage improvement certificates payable, compared to approximately \$483,000 at June 30, 2008. 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 2010 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 5.6%, an increase from a year ago. This compares with the State's unemployment rate of 6.2% and the national rate of 9.5%.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

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

**Pocahontas County**



## **Basic Financial Statements**

**Exhibit A**

Pocahontas County  
Statement of Net Assets  
June 30, 2009

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 6,434,359
Receivables:	
Property tax:	
Delinquent	10,233
Succeeding year	4,225,000
Interest and penalty on property tax	67,628
Accounts	63,703
Accrued interest	31,540
Drainage assessments	198,199
Due from other governments	521,691
Inventories	1,211,854
Prepaid insurance	94,922
Capital assets (net of accumulated depreciation)	14,452,383
	<u>27,311,512</u>
<b>Total assets</b>	<u>27,311,512</u>
<b>Liabilities</b>	
Accounts payable	191,611
Salaries and benefits payable	160,739
Due to other governments	149,991
Deferred revenue:	
Succeeding year property tax	4,225,000
Long-term liabilities:	
Portion due or payable within one year:	
Drainage warrants/drainage improvement certificates	569,784
Compensated absences	190,098
Portion due or payable after one year:	
Drainage improvement certificates	148,822
	<u>5,636,045</u>
<b>Total liabilities</b>	<u>5,636,045</u>
<b>Net Assets</b>	
Invested in capital assets	14,452,383
Restricted for:	
Supplemental levy purposes	313,848
Mental health purposes	40,786
Secondary roads purposes	3,664,780
Drainage district purposes	204,877
Resource enhancement and protection	68,669
Other purposes	364,213
Unrestricted	2,565,911
	<u>21,675,467</u>
<b>Total net assets</b>	<u>\$ 21,675,467</u>

See notes to financial statements.

Pocahontas County  
 Statement of Activities  
 Year ended June 30, 2009

	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	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,340,437	78,379	-	-	(1,262,058)
Physical health and social services	1,305,660	282,688	634,101	-	(388,871)
Mental health	895,792	-	412,302	-	(483,490)
County environment and education	770,755	34,944	14,447	10,334	(711,030)
Roads and transportation	4,012,966	209,086	2,458,772	395,971	(949,137)
Governmental services to residents	308,725	149,232	8,327	-	(151,166)
Administration	1,193,529	-	55	-	(1,193,474)
Non-program	773,710	146,197	-	300,134	(327,379)
Interest on long-term debt	38,356	-	-	-	(38,356)
<b>Total</b>	<b>\$ 10,639,930</b>	<b>900,526</b>	<b>3,528,004</b>	<b>706,439</b>	<b>(5,504,961)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					3,941,504
Penalty and interest on property tax					90,225
State tax credits					217,752
Local option sales tax					334,590
Unrestricted investment earnings					222,082
Gain on disposition of capital assets					56,200
Miscellaneous					111,516
<b>Total general revenues</b>					<b>4,973,869</b>
Change in net assets					(531,092)
Net assets beginning of year					22,206,559
Net assets end of year					<b>\$ 21,675,467</b>

See notes to financial statements.

Pocahontas County

Balance Sheet  
Governmental Funds

June 30, 2009

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 2,697,405	180,532	160,831	2,354,953
Receivables:				
Property tax:				
Delinquent	8,728	1,400	105	-
Succeeding year	2,581,000	414,000	1,230,000	-
Interest and penalty on property tax	67,628	-	-	-
Accounts	31,070	-	-	32,633
Accrued interest	31,515	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	52,330	47	65,975	198,247
Inventories	-	-	-	1,211,854
Prepaid insurance	60,429	-	7,318	27,175
<b>Total assets</b>	<b>\$ 5,530,105</b>	<b>595,979</b>	<b>1,464,229</b>	<b>3,824,862</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 57,031	27,481	6,010	52,075
Salaries and benefits payable	95,133	588	16,290	48,728
Due to other governments	36,506	112,575	273	637
Deferred revenue:				
Succeeding year property tax	2,581,000	414,000	1,230,000	-
Other	76,153	6,760	100	32,193
Total liabilities	2,845,823	561,404	1,252,673	133,633
Fund balances:				
Reserved for supplemental levy purposes	313,555	-	-	-
Unreserved, reported in:				
General fund	2,370,727	-	-	-
Special revenue funds	-	34,575	211,556	3,691,229
Total fund balances	2,684,282	34,575	211,556	3,691,229
<b>Total liabilities and fund balances</b>	<b>\$ 5,530,105</b>	<b>595,979</b>	<b>1,464,229</b>	<b>3,824,862</b>

See notes to financial statements.

Drainage		
Districts	Nonmajor	Total
563,918	431,509	6,389,148
-	-	10,233
-	-	4,225,000
-	-	67,628
-	-	63,703
-	25	31,540
198,199	-	198,199
203,688	1,404	521,691
-	-	1,211,854
-	-	94,922
965,805	432,938	12,813,918
42,322	56	184,975
-	-	160,739
-	-	149,991
-	-	4,225,000
273,500	-	388,706
315,822	56	5,109,411
-	-	313,555
-	-	2,370,727
649,983	432,882	5,020,225
649,983	432,882	7,704,507
965,805	432,938	12,813,918

**Pocahontas County**

Pocahontas County

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

June 30, 2009

**Total governmental fund balances (page 19)** \$ 7,704,507

***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 \$21,120,390 and the accumulated depreciation is \$6,668,007. 14,452,383

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 388,706

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. 38,575

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. (908,704)

**Net assets of governmental activities (page 16)** \$ 21,675,467

See notes to financial statements.

Pocahontas County

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

Year ended June 30, 2009

	General	Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 2,468,261	415,004	1,456,657
Interest and penalty on property tax	22,915	-	-
Intergovernmental	869,747	430,436	55,869
Licenses and permits	30,896	-	-
Charges for service	399,727	-	-
Use of money and property	278,550	-	-
Miscellaneous	30,009	-	207
Total revenues	<u>4,100,105</u>	<u>845,440</u>	<u>1,512,733</u>
<b>Expenditures:</b>			
Operating:			
Public safety and legal services	878,609	-	446,075
Physical health and social services	1,327,031	-	-
Mental health	-	896,475	-
County environment and education	471,535	-	341,152
Roads and transportation	-	-	-
Governmental services to residents	301,434	-	1,636
Administration	1,177,814	-	-
Non-program	6,830	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	<u>4,163,253</u>	<u>896,475</u>	<u>788,863</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(63,148)</u>	<u>(51,035)</u>	<u>723,870</u>
<b>Other financing sources (uses):</b>			
Sale of capital assets	600	-	-
Operating transfers in	-	-	-
Operating transfers out	(50,000)	-	(800,000)
Drainage warrants issued	-	-	-
Total other financing sources (uses)	<u>(49,400)</u>	<u>-</u>	<u>(800,000)</u>
Net change in fund balances	(112,548)	(51,035)	(76,130)
Fund balances beginning of year	<u>2,796,830</u>	<u>85,610</u>	<u>287,686</u>
Fund balances end of year	<u>\$ 2,684,282</u>	<u>34,575</u>	<u>211,556</u>

See notes to financial statements.



Special Revenue			
Secondary Roads	Drainage Districts	Nonmajor	Total
-	-	-	4,339,922
-	-	-	22,915
2,467,720	300,134	36,994	4,160,900
11,430	-	-	42,326
35,177	-	31,895	466,799
2,400	-	4,628	285,578
146,555	125,057	2,179	304,007
<u>2,663,282</u>	<u>425,191</u>	<u>75,696</u>	<u>9,622,447</u>
-	-	-	1,324,684
-	-	15,104	1,342,135
-	-	-	896,475
-	-	4,652	817,339
3,463,907	-	-	3,463,907
-	-	2,060	305,130
-	-	-	1,177,814
-	547,843	-	554,673
-	339,138	-	339,138
353,585	-	17,102	370,687
<u>3,817,492</u>	<u>886,981</u>	<u>38,918</u>	<u>10,591,982</u>
<u>(1,154,210)</u>	<u>(461,790)</u>	<u>36,778</u>	<u>(969,535)</u>
-	-	-	600
850,000	-	-	850,000
-	-	-	(850,000)
-	536,802	-	536,802
<u>850,000</u>	<u>536,802</u>	<u>-</u>	<u>537,402</u>
(304,210)	75,012	36,778	(432,133)
<u>3,995,439</u>	<u>574,971</u>	<u>396,104</u>	<u>8,136,640</u>
<u>3,691,229</u>	<u>649,983</u>	<u>432,882</u>	<u>7,704,507</u>

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, 2009

**Net change in fund balances - Total governmental funds (page 23)** \$ (432,133)

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

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

Expenditures for capital assets	\$ 646,552	
Capital assets contributed by the Iowa Department of Transportation	395,971	
Depreciation expense	<u>(897,263)</u>	145,260

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. 55,600

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	3,482	
Other	<u>(104,263)</u>	(100,781)

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

Issued	(536,802)	
Repaid	<u>300,782</u>	(236,020)

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. 19,262

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported in governmental activities. 17,720

**Change in net assets of governmental activities (page 17)** \$ (531,092)

See notes to financial statements.

Pocahontas County  
Statement of Net Assets  
Proprietary Fund  
June 30, 2009

	<u>Internal Service - Employee Group Health</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 45,211
<b>Liabilities</b>	
Accounts payable	<u>6,636</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ 38,575</u></u>

See notes to financial statements.

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

Year ended June 30, 2009

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 122,260
Reimbursements from employees and others	<u>127,186</u>
Total operating revenues	249,446
Operating expenses:	
Medical claims	<u>231,836</u>
Operating income	17,610
Non-operating revenues:	
Interest income	<u>110</u>
Net income	17,720
Net assets beginning of year	<u>20,855</u>
Net assets end of year	<u><u>\$ 38,575</u></u>

See notes to financial statements.

Pocahontas County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2009

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund contributions	\$ 122,260
Cash received from employees and others	127,186
Cash paid for medical claims	(232,548)
Net cash provided by operating activities	<u>16,898</u>
Cash flows from investing activities:	
Interest on investments	<u>110</u>
Net increase in cash and cash equivalents	17,008
Cash and cash equivalents beginning of year	<u>28,203</u>
Cash and cash equivalents end of year	<u>\$ 45,211</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 17,610
Adjustment to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts payable	<u>(712)</u>
Net cash provided by operating activities	<u>\$ 16,898</u>

See notes to financial statements.

Pocahontas County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2009

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 859,304
Other County officials	4,159
Receivables:	
Property tax:	
Delinquent	48,610
Succeeding year	8,558,000
Accounts	7,695
Special assessments	48,719
<b>Total assets</b>	<u>9,526,487</u>

**Liabilities**

Accounts payable	1,969
Salaries and benefits payable	9,914
Due to other governments	9,499,009
Trusts payable	9,580
Compensated absences	6,015
<b>Total liabilities</b>	<u>9,526,487</u>

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

Pocahontas County

Notes to Financial Statements

June 30, 2009

**(1) Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

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

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

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

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

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

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

#### B. Basis of Presentation

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

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

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

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

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

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



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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

The Secondary Roads Fund is used to account for 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2008.

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

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

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles 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, 2009. 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, 2009 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, 2009, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$18,235 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, 2009 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 50,000
	Special Revenue:	
	Rural Services	800,000
Total		\$ 850,000

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, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,783,977	-	-	1,783,977
Construction in progress	-	722,608	(326,637)	395,971
Total capital assets not being depreciated	<u>1,783,977</u>	<u>722,608</u>	<u>(326,637)</u>	<u>2,179,948</u>
Capital assets being depreciated:				
Buildings and building improvements	2,086,040	62,720	-	2,148,760
Equipment and vehicles	6,759,621	312,795	(176,369)	6,896,047
Infrastructure, road network	9,568,998	326,637	-	9,895,635
Total capital assets being depreciated	<u>18,414,659</u>	<u>702,152</u>	<u>(176,369)</u>	<u>18,940,442</u>
Less accumulated depreciation for:				
Buildings and building improvements	1,259,722	41,480	-	1,301,202
Equipment and vehicles	3,801,571	424,992	(176,369)	4,050,194
Infrastructure, road network	885,820	430,791	-	1,316,611
Total accumulated depreciation	<u>5,947,113</u>	<u>897,263</u>	<u>(176,369)</u>	<u>6,668,007</u>
Total capital assets being depreciated, net	<u>12,467,546</u>	<u>(195,111)</u>	<u>-</u>	<u>12,272,435</u>
Governmental activities capital assets, net	<u>\$ 14,251,523</u>	<u>527,497</u>	<u>(326,637)</u>	<u>14,452,383</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 49,871
Physical health and social services	1,465
County environment and education	36,428
Roads and transportation	752,365
Governmental services to residents	12,647
Administration	44,487
Total depreciation expense - governmental activities	<u>\$ 897,263</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	\$ 36,506
Special Revenue:		
Mental Health	Services	112,575
Rural Services	Services	273
Secondary Roads	Services	637
		<u>113,485</u>
Total for governmental funds		<u>\$ 149,991</u>
Agency:		
County Assessor	Collections	\$ 311,192
Schools		6,106,077
Community Colleges		401,886
Corporations		1,658,778
Auto License and Use Tax		213,639
All other		807,437
Total for agency funds		<u>\$ 9,499,009</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Drainage Warrants	Drainage Improvement Certificates	Compensated Absences	Total
Balance beginning of year	\$ 254,063	228,523	209,360	691,946
Increases	536,802	-	107,605	644,407
Decreases	241,133	59,649	126,867	427,649
Balance end of year	<u>\$ 549,732</u>	<u>168,874</u>	<u>190,098</u>	<u>908,704</u>
Due within one year	<u>\$ 549,732</u>	<u>20,052</u>	<u>190,098</u>	<u>759,882</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 4.10% of their annual covered salary and the County is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$224,874, \$204,460 and \$187,022, 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 Administrative Solutions, Inc. The agreement is subject to automatic renewal provisions.

Monthly contributions to the Internal Service, Employee Group Health Fund are recorded as expenditures from the operating funds. These contributions represent the difference between premiums required for a higher deductible and those for a lower deductible. Payments from the Internal Service, Employee Group Health Fund are for insurance premiums, employee reimbursements of medical claims up to the individual's funded deductible and administrative costs. The County's contribution for the year ended June 30, 2009 was \$122,260.

The amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2009 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	\$ 7,348
Incurred claims (including claims incurred but not reported at June 30, 2009)	(232,548)
Payment on claims during the fiscal year	<u>231,836</u>
Unpaid claims end of year	<u><u>\$ 6,636</u></u>



**(9) Risk Management**

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

**(10) Deficit Fund Balance**

The Special Revenue, Veterans Grants Fund had a deficit balance of \$56 at June 30, 2009. The deficit balance was a result of costs incurred prior to availability of funds. The deficit will be eliminated by a transfer from the General Fund.

**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, 2009

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 4,304,708	-	4,304,708
Interest and penalty on property tax	22,876	-	22,876
Intergovernmental	3,953,784	32,272	3,921,512
Licenses and permits	45,186	-	45,186
Charges for service	474,077	-	474,077
Use of money and property	301,618	-	301,618
Miscellaneous	304,331	125,057	179,274
Total receipts	9,406,580	157,329	9,249,251
<b>Disbursements:</b>			
Public safety and legal services	1,317,494	-	1,317,494
Physical health and social services	1,327,905	-	1,327,905
Mental health	892,985	-	892,985
County environment and education	812,272	-	812,272
Roads and transportation	3,551,423	-	3,551,423
Governmental services to residents	305,609	-	305,609
Administration	1,283,872	-	1,283,872
Non-program	557,006	550,176	6,830
Debt service	339,138	339,138	-
Capital projects	371,296	-	371,296
Total disbursements	10,759,000	889,314	9,869,686
Excess (deficiency) of receipts over (under) disbursements	(1,352,420)	(731,985)	(620,435)
Other financing sources, net	537,486	536,802	684
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(814,934)	(195,183)	(619,751)
Balance beginning of year	7,204,082	759,101	6,444,981
Balance end of year	\$ 6,389,148	563,918	5,825,230

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
4,272,272	4,272,272	32,436
18,000	18,000	4,876
3,766,539	3,908,318	13,194
49,100	56,280	(11,094)
398,250	427,591	46,486
238,070	287,470	14,148
35,625	41,505	137,769
<u>8,777,856</u>	<u>9,011,436</u>	<u>237,815</u>
1,422,657	1,422,657	105,163
1,567,991	1,567,991	240,086
1,142,560	1,142,560	249,575
847,318	897,318	85,046
3,733,690	3,733,690	182,267
400,234	400,234	94,625
1,222,998	1,347,998	64,126
7,385	7,385	555
-	-	-
723,600	723,600	352,304
<u>11,068,433</u>	<u>11,243,433</u>	<u>1,373,747</u>
(2,290,577)	(2,231,997)	1,611,562
15,000	15,000	(14,316)
(2,275,577)	(2,216,997)	1,597,246
5,087,612	5,087,612	1,357,369
<u>2,812,035</u>	<u>2,870,615</u>	<u>2,954,615</u>

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Pocahontas County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 9,406,580	215,867	9,622,447
Expenditures	10,759,000	(167,018)	10,591,982
Net	(1,352,420)	382,885	(969,535)
Other financing sources, net	537,486	(84)	537,402
Beginning fund balances	7,204,082	932,558	8,136,640
Ending fund balances	<u>\$ 6,389,148</u>	<u>1,315,359</u>	<u>7,704,507</u>

See accompanying independent auditor's report.

Pocahontas County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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 \$175,000 and increased budgeted receipts by \$233,580. 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, 2009, disbursements did not exceed the amounts budgeted. Disbursements in one department exceeded the amount appropriated.

**Pocahontas County**



**Other Supplementary Information**

Pocahontas County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2009

	County Attorney	County Recorder's Records Management	Courthouse Security	Court Property
<b>Assets</b>				
Cash and pooled investments	\$ 1,022	21,080	5,103	119,810
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 1,022</b>	<b>21,080</b>	<b>5,103</b>	<b>119,810</b>
<b>Liabilities and Fund Equity</b>				
Liabilities				
Accounts payable	\$ -	-	-	-
Fund equity:				
Unreserved fund balances	1,022	21,080	5,103	119,810
<b>Total Liabilities and Fund Equity</b>	<b>\$ 1,022</b>	<b>21,080</b>	<b>5,103</b>	<b>119,810</b>

See accompanying independent auditor's report.

Special Revenue							
County	Recorder's	Community		Conservation	Environmental		
Veterans	Electronic	Disaster	REAP	Land	Education		Total
Grants	Transaction Fee	Grants		Acquisition	Trust		
-	390	2,000	68,669	212,422	1,013		431,509
-	-		-	25	-		25
-	-	-	-	1,404	-		1,404
-	390	2,000	68,669	213,851	1,013		432,938
56	-	-	-	-	-		56
(56)	390	2,000	68,669	213,851	1,013		432,882
-	390	2,000	68,669	213,851	1,013		432,938

Pocahontas County

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

Year ended June 30, 2009

	County			
	Recorder's			
	County Attorney	Records Management	Courthouse Security	Court Property
Revenues:				
Intergovernmental	\$ 213	-	-	-
Charges for service	-	2,061	-	-
Use of money and property	-	237	-	-
Miscellaneous	-	-	-	-
Total revenues	213	2,298	-	-
Expenditures:				
Operating:				
Physical health and social services	-	-	-	-
County environment and education	-	-	-	-
Governmental services to residents	-	2,060	-	-
Capital projects	-	-	-	-
Total expenditures	-	2,060	-	-
Excess (deficiency) of revenues over (under) expenditures	213	238	-	-
Fund balances beginning of year	809	20,842	5,103	119,810
Fund balances end of year	\$ 1,022	21,080	5,103	119,810

See accompanying independent auditor's report.

Special Revenue							
Veterans Grants	County Recorder's Electronic Transaction Fee	Community Disaster Grants	REAP	Conservation Land Acquisition	Environmental Education Trust	Total	
10,000	-	2,000	14,447	10,334	-	36,994	
-	-	-	-	29,834	-	31,895	
-	3	-	912	3,450	26	4,628	
-	-	-	-	144	2,035	2,179	
10,000	3	2,000	15,359	43,762	2,061	75,696	
15,104	-	-	-	-	-	15,104	
-	-	-	-	-	4,652	4,652	
-	-	-	-	-	-	2,060	
-	-	-	-	17,102	-	17,102	
15,104	-	-	-	17,102	4,652	38,918	
(5,104)	3	2,000	15,359	26,660	(2,591)	36,778	
5,048	387	-	53,310	187,191	3,604	396,104	
(56)	390	2,000	68,669	213,851	1,013	432,882	

Pocahontas County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpor- ations
<b>Assets</b>						
Cash and pooled investments:						
County Treasurer	\$ -	1,616	102,535	67,219	5,552	23,555
Other County officials	4,159	-	-	-	-	-
Receivables:						
Property tax:						
Delinquent	-	429	740	19,858	1,334	26,223
Succeeding year	-	127,000	219,000	6,019,000	395,000	1,609,000
Accounts	70	-	-	-	-	-
Special assessments	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 4,229</b>	<b>129,045</b>	<b>322,275</b>	<b>6,106,077</b>	<b>401,886</b>	<b>1,658,778</b>
<b>Liabilities</b>						
Accounts payable	-	-	-	-	-	-
Salaries and benefits payable	-	-	5,068	-	-	-
Due to other governments	70	129,045	311,192	6,106,077	401,886	1,658,778
Trusts payable	4,159	-	-	-	-	-
Compensated absences	-	-	6,015	-	-	-
<b>Total liabilities</b>	<b>\$ 4,229</b>	<b>129,045</b>	<b>322,275</b>	<b>6,106,077</b>	<b>401,886</b>	<b>1,658,778</b>

See accompanying independent auditor's report.

Townships	Auto License and Use Tax	E911 Services Board	Resources Unlimited	Emergency Management Commission	Emergency Medical Services	City Special Assessments	Other	Total	
	10,574	213,639	78,704	309,951	27,587	909	874	16,589	859,304
	-	-	-	-	-	-	-	-	4,159
	22	-	-	-	-	-	-	4	48,610
188,000	-	-	-	-	-	-	1,000	-	8,558,000
	-	-	7,625	-	-	-	-	-	7,695
	-	-	-	-	-	-	48,719	-	48,719
198,596	213,639	86,329	309,951	27,587	909	49,593	17,593	9,526,487	
	-	-	1,387	344	238	-	-	-	1,969
	-	-	77	3,020	1,749	-	-	-	9,914
198,596	213,639	84,865	306,587	25,600	909	49,593	12,172	9,499,009	
	-	-	-	-	-	-	5,421	-	9,580
	-	-	-	-	-	-	-	-	6,015
198,596	213,639	86,329	309,951	27,587	909	49,593	17,593	9,526,487	

Pocahontas County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpora- tions
<b>Assets and Liabilities</b>						
Balances beginning of year	\$ 1,868	125,691	316,151	5,231,850	431,280	1,640,949
Additions:						
Property and other county tax	\$ -	124,431	214,773	5,919,030	387,996	1,535,594
E911 surcharge	-	-	-	-	-	-
State tax credits	-	6,838	11,699	285,829	23,559	120,523
Office fees and collections	200,734	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	72,669	-	-	-	-	-
Miscellaneous	-	49	2,782	1,940	169	-
Total additions	273,403	131,318	229,254	6,206,799	411,724	1,656,117
Deductions:						
Agency remittances:						
To other funds	87,670	-	-	-	-	-
To other governments	113,024	127,964	223,130	5,332,572	441,118	1,638,288
Trusts paid out	70,348	-	-	-	-	-
Total deductions	271,042	127,964	223,130	5,332,572	441,118	1,638,288
Balances end of year	\$ 4,229	129,045	322,275	6,106,077	401,886	1,658,778

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	
	179,029	182,773	159,028	229,568	32,495	909	48,457	9,143	8,589,191
	185,729	-	-	-	-	-	-	1,400	8,368,953
	-	-	78,171	-	-	-	-	-	78,171
	8,586	-	-	-	13,156	-	-	80	470,270
	-	-	-	-	-	-	-	11,687	212,421
	-	2,099,509	-	-	-	-	-	50,367	2,149,876
	-	-	-	-	-	-	12,894	-	12,894
	-	-	-	-	-	-	-	41,272	113,941
	155	-	-	196,825	58,239	-	-	30,792	290,951
	194,470	2,099,509	78,171	196,825	71,395	-	12,894	135,598	11,697,477
	-	84,330	-	-	-	-	-	-	172,000
	174,903	1,984,313	150,870	116,442	76,303	-	11,758	84,685	10,475,370
	-	-	-	-	-	-	-	42,463	112,811
	174,903	2,068,643	150,870	116,442	76,303	-	11,758	127,148	10,760,181
	198,596	213,639	86,329	309,951	27,587	909	49,593	17,593	9,526,487

Pocahontas County

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

For the Last Nine Years

	2009	2008	2007	2006
<b>Revenues:</b>				
Property and other county tax	\$ 4,339,922	4,056,590	4,060,974	3,902,308
Interest and penalty on property tax	22,915	15,548	17,232	19,166
Intergovernmental	4,160,900	4,392,022	4,044,917	4,089,221
Licenses and permits	42,326	154,215	70,049	25,364
Charges for service	466,799	458,511	488,566	476,654
Use of money and property	285,578	420,871	286,712	325,094
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	304,007	1,090,291	242,089	284,439
<b>Total</b>	<b>\$ 9,622,447</b>	<b>10,588,048</b>	<b>9,210,539</b>	<b>9,122,246</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 1,324,684	1,289,443	1,143,838	1,102,064
Physical health and social services	1,342,135	1,295,630	1,197,529	1,284,731
Mental health	896,475	938,376	852,551	976,923
County environment and education	817,339	772,033	707,212	599,434
Roads and transportation	3,463,907	3,713,055	3,061,030	3,137,882
Governmental services to residents	305,130	282,882	323,048	327,218
Administration	1,177,814	1,138,003	940,180	1,002,141
Non-program	554,673	263,954	265,868	209,554
Debt service	339,138	1,013,686	146,113	157,120
Capital projects	370,687	459,265	503,498	737,879
<b>Total</b>	<b>\$ 10,591,982</b>	<b>11,166,327</b>	<b>9,140,867</b>	<b>9,534,946</b>

See accompanying independent auditor's report.

Modified Accrual Basis				
2005	2004	2003	2002	2001
4,047,658	4,044,590	3,836,490	3,205,640	2,797,167
23,871	30,419	18,412	20,227	18,964
3,985,573	3,938,152	4,708,608	4,463,190	5,021,258
55,259	23,938	23,898	22,516	20,870
437,342	458,307	364,636	337,646	290,095
165,285	180,817	177,350	224,723	292,069
-	17,145	-	-	-
410,640	125,767	385,214	602,407	170,604
9,125,628	8,819,135	9,514,608	8,876,349	8,611,027
893,329	965,340	906,338	902,346	853,609
1,001,683	1,039,758	1,033,126	1,069,611	1,104,310
912,302	902,017	896,475	925,865	908,824
534,984	566,157	614,353	644,187	599,835
3,059,974	2,089,357	3,001,356	2,455,997	3,028,277
252,585	262,469	242,444	225,164	208,810
1,028,349	1,239,195	819,936	786,768	779,601
276,621	440,522	469,244	246,446	15,445
369,424	85,263	951,117	785,096	1,168,445
1,058,689	387,693	98,887	289,957	810,370
9,387,940	7,977,771	9,033,276	8,331,437	9,477,526

**Pocahontas County**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

To the Officials of Pocahontas County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pocahontas County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated June 16, 2010. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Pocahontas County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pocahontas County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 deficiencies we consider to be material weaknesses.

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 and Questioned Costs 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 items (A) and (C) are material weaknesses.

#### Compliance and Other Matters

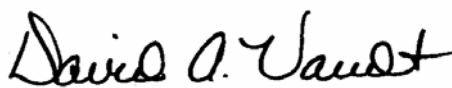
As part of obtaining reasonable assurance about whether Pocahontas County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

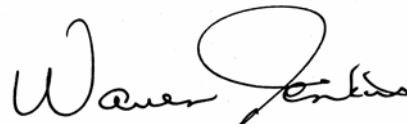
Pocahontas County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Pocahontas County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Pocahontas County and other parties to whom Pocahontas County may report. 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 16, 2010

Pocahontas County  
 Schedule of Findings  
 Year ended June 30, 2009

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES**

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

	Applicable Offices
(1) Receipts – collecting, depositing, posting and daily reconciling. Mail is opened by a person who also has access to accounting records.	Treasurer, Recorder and Sheriff
(2) Bank reconciliation is not prepared by someone who doesn't sign checks, handle or record cash.	Treasurer and Recorder
(3) Bank reconciliations are not reviewed periodically by an independent person for propriety.	Treasurer and Recorder
(4) All employees have access to the change fund.	Treasurer
(5) One individual has custody of receipts and performs all investment record keeping and reconciling functions.	Treasurer
(6) Disbursements – processing of vouchers, check writing, signing, posting, reconciling and final approval.	Recorder

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

Responses –

Treasurer –

- (1) Limited staff makes this impossible to segregate. However, the person making the deposit collects the least amount of money during the day.
- (2) Limited staff makes this difficult to segregate.

Pocahontas County

Schedule of Findings

Year ended June 30, 2009

- (3) Again limited staff makes this difficult. All bank statements are reconciled by the County Treasurer and reviewed by the Tax Deputy every month. A listing of the bank balances is presented to the Board of Supervisors every quarter as part of the quarterly investment report.
- (4) Even though all employees have access to the change fund, it is counted twice each day by different people.
- (5) A member of the Board of Supervisors does make an impromptu examination of the investment book and reconciles the book back to the actual CD's and also compares the listing of warrants purchased as investments to the actual warrants. I will start keeping the examination date and signature in the investment book.

Recorder – We will try to comply.

Sheriff – Char and the Sheriff both open the mail when they are both here.

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

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

The County does not have written policies for:

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

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



Pocahontas County

Schedule of Findings

Year ended June 30, 2009

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 will draft a policy for some protection and work to improve as needed.

Conclusion – Response accepted.

- (C) Financial Reporting – During the audit, we identified material amounts of receivables and payables not recorded in the County’s financial statements. An inventory of Secondary Roads culverts was not performed or included for financial reporting. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all revenues, expenditures and inventory are identified and included in the County’s financial statements.

Response – We will continue to work on this.

The County Engineer has marked his calendar and will have the inventory completed in a timely manner.

Conclusion – Response accepted.

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

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

Response – These needed to be sorted out and needed time to do this. This is not a customary practice.

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

- (E) Capital Asset Inventory – The capital assets listing was not reviewed periodically during the year ended June 30, 2009 to verify assets on the listing existed or all assets were on the capital asset list. Written authorization was not required from department heads prior to deleting items from the capital assets inventory.

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

Pocahontas County

Schedule of Findings

Year ended June 30, 2009

Response – Carol receives these as they are returned each September. Will consider a plan of action to meet requirement.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

Pocahontas County  
Schedule of Findings  
Year ended June 30, 2009

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted by function. However, disbursements in one department exceeded the amount appropriated.

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

Response – This was a one time occurrence due to additional work needed to be done for the heating system in the courthouse. We will continue to monitor the department appropriations and authorize, by resolution, to increase or decrease appropriations prior to exceeding the appropriation.

Conclusion – Response accepted.

- (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, Auditor's Clerk, husband is part owner of Ferguson Equipment	Tools, parts	\$ 6,666
Ray Wolf, Conservation Board member, owner of Ray's Plumbing and Heating	Plumbing and heating services	<u>2,990</u>
Total		<u><u>\$ 9,656</u></u>

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

The transactions with Ray’s Plumbing and Heating for services for the Secondary Roads Department do not appear to represent a conflict of interest in accordance with Chapter 331.342(4) of the Code of Iowa since the Conservation Board member’s employment is not directly affected as a result of the contract and the duties of employment do not directly involve procurement or preparation of any part of the contract.

Pocahontas County

Schedule of Findings

Year ended June 30, 2009

(5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

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

Certain minutes of Board proceedings were not published as required by Chapter 349.18 of the Code of Iowa.

Certain Board minutes were not signed.

Recommendation – The County should ensure the minutes are signed and published timely, as required.

Response – This is being corrected to get minutes published and signed.

Conclusion – Response accepted.

(7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

(8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

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

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

Response – These will be completed by June 30, 2010.

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 approve a policy by June 30, 2010.

Conclusion – Response accepted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2009

- (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 are working on this by seeking quotes to hire a firm.

Conclusion – Response accepted.

- (12) County Annual Financial Report – For the year ended June 30, 2009, the County’s annual financial report was prepared on the cash basis of accounting.

Recommendation – The County’s annual financial report should be prepared in conformity with generally accepted accounting principles as required by Chapter 331.403 of the Code of Iowa.

Response – We will make sure numbers are correct in the future.

Conclusion – Response accepted.

- (13) Deficit Fund Balance – The Special Revenue, Veterans Grants Fund had a deficit fund balance at June 30, 2009.

Recommendation – The County should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

Response – A transfer from the General Fund will be made to eliminate this deficit.

Conclusion – Response accepted.

- (14) 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, 2009 for the County Extension Office did not exceed the amount budgeted.

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Pocahontas County

Staff

This audit was performed by:

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