



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004
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Rob Sand
Auditor of State

March 10, 2020

Officials of Pocahontas County
Pocahontas, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Pocahontas County for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of Pocahontas County throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

Rob Sand
Auditor of State

Pocahontas County

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**Pocahontas County
Officials**

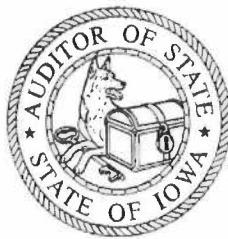
(Before January 2019)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
JoAnn Peters	Board of Supervisors	Jan 2019
Clarence Siepker	Board of Supervisors	Jan 2019
Ed Dewey	Board of Supervisors	Jan 2021
Jeff Ives	Board of Supervisors	Jan 2021
Louis Stauter	Board of Supervisors	Jan 2021
Kelly A. Jepsen	County Auditor	Jan 2021
Sarah Winkler	County Treasurer	Jan 2019
Michael P. Bollard	County Recorder	Jan 2019
Brian D. Larsen	County Sheriff	Jan 2021
Daniel Feistner (Appointed Dec 2016)	County Attorney	Nov 2018
Sue Reigelsberger	County Assessor	Jan 2022

(After January 2019)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ed Dewey	Board of Supervisors	Jan 2021
Jeff Ives	Board of Supervisors	Jan 2021
Louis Stauter	Board of Supervisors	Jan 2021
Brent Aden	Board of Supervisors	Jan 2023
Clarence Siepker	Board of Supervisors	Jan 2023
Kelly A. Jepsen	County Auditor	Jan 2021
Amy Johnson	County Treasurer	Jan 2023
Michael P. Bollard	County Recorder	Jan 2023
Brian D. Larsen	County Sheriff	Jan 2021
Daniel Feistner	County Attorney	Jan 2023
Sue Reigelsberger	County Assessor	Jan 2022

Pocahontas County



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Independent Auditor's Report

To the Officials of Pocahontas County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pocahontas County, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Pocahontas County as of June 30, 2019, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 8 through 14 and 52 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pocahontas County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the ten years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2020 on our consideration of Pocahontas County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Pocahontas County's internal control over financial reporting and compliance.


Marlys K. Gaston, CPA
Deputy Auditor of State

March 10, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pocahontas County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2019. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2019 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 5.4%, or approximately 1,053,000, from fiscal year 2018 to fiscal year 2019. Charges for service increased approximately \$1,461,000, operating grants, contributions and restricted interest increased approximately \$332,000 and capital grants, contributions and restricted interest decreased approximately \$3,030,000.
- The County's governmental activities' expenses increased 15.5%, or approximately \$2,288,000, from fiscal year 2018 to fiscal year 2019. Non-program expenses, which includes drainage districts, increased approximately \$1,738,000, roads and transportation expenses increased approximately \$395,000 and administration expenses increased approximately \$100,000.
- The County's net position at June 30, 2019 increased 4.0%, or approximately \$1,290,000, over the June 30, 2018 balance.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) A proprietary fund accounts for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2019	2018
Current and other assets	\$ 28,861	25,782
Capital assets	20,778	20,622
Total assets	49,638	46,404
Deferred outflows of resources	1,017	1,051
Long-term liabilities	9,084	8,008
Other liabilities	1,017	374
Total liabilities	10,101	8,382
Deferred inflows of resources	6,926	6,734
Net position:		
Net investment in capital assets	20,778	20,622
Restricted	11,602	11,420
Unrestricted	1,249	297
Total net position	\$ 33,629	32,339

The largest portion of the County's net position is net investment in capital assets (e.g., land, infrastructure, buildings and equipment). This net position category increased approximately \$156,000 or 0.8%, over the prior year.

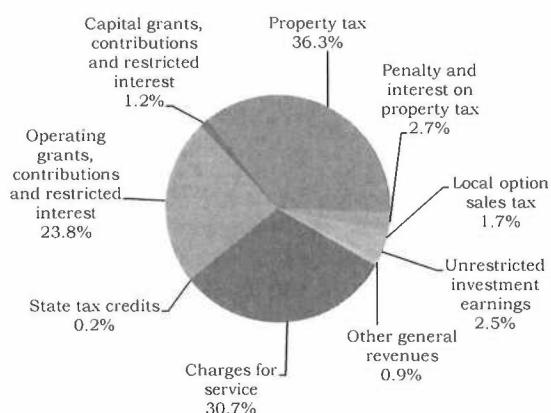
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position category increased approximately \$182,000, or 1.6%, over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$952,000 over the prior year from the balance in 2018 of approximately \$297,000. The increase in the unrestricted fund net position is primarily due to the increase in the General Fund. The General Fund ending fund balance increased approximately \$600,000 over fiscal year 2018.

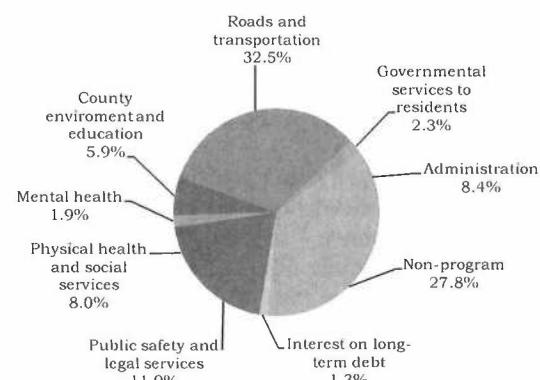
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues:		
Charges for service	\$ 5,633	4,172
Operating grants, contributions and restricted interest	4,354	4,022
Capital grants, contributions and restricted interest	222	3,252
General revenues:		
Property tax	6,657	6,644
State tax credits	28	14
Penalty and interest on property tax	500	519
Local option sales tax	315	264
Unrestricted investment earnings	457	280
Other general revenues	156	207
Total revenues	18,321	19,374
Program expenses:		
Public safety and legal services	2,026	1,936
Physical health and social services	1,370	1,367
Mental health	328	359
County environment and education	999	878
Roads and transportation	5,517	5,122
Governmental services to residents	399	367
Administration	1,430	1,331
Non-program	4,743	3,005
Interest on long-term debt	219	378
Total expenses	17,031	14,743
Change in net position	1,290	4,631
Net position beginning of year	32,339	27,708
Net position end of year	\$ 33,629	32,339

Revenues by Source



Expenses by Function



Charges for services increased approximately \$1,461,000 due to an increase in drainage district assessments. Capital grants, contributions and restricted interest decreased approximately \$3,030,000, primarily due to more capital assets contributed by the Iowa Department of Transportation in fiscal year 2018.

Expenses in fiscal year 2019 increased approximately \$2,288,000 or 15.5%, over the prior year. Non-program expenses increased approximately \$1,652,000 due to increased costs related to drainage districts and roads and transportation increased approximately \$395,000 due to increased costs related to road improvements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Pocahontas County completed the year, its governmental funds reported a combined fund balance of approximately \$15.0 million, an increase of approximately \$158,000 over last year's total of approximately \$14.9 million. The following are reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues exceeded expenditures by approximately \$668,000. The ending fund balance increased approximately \$582,000 over the prior year to approximately \$5,699,000. General Fund revenues increased approximately \$86,000, or 1.4%, due primarily to an increase in investment income. Expenditures increased approximately \$316,000 or 6.2%, due, in part, to increases in property and health insurance.
- The Special Revenue, Mental Health Fund ending fund balance decreased approximately \$8,000 from the prior year to a balance of approximately \$46,000. Mental Health Fund revenues increased approximately \$66,000, or 25.5%, over the prior year primarily due to an increase in reimbursements from the MHDS region. Expenditures decreased approximately \$28,000, or 7.7%, primarily due to an increase in mental health services offset by a decrease in funds provided to the MHDS region.
- Special Revenue, Rural Services Fund revenues stayed relatively stable, decreasing approximately \$4,000, or less than 1%. Expenditures increased approximately \$51,000, or 4.9%. Transfers to the Special Revenue, Secondary Roads Fund decreased approximately \$181,000. The Special Revenue, Rural Services Fund ending fund balance increased approximately \$167,000 or 7.6%.
- Revenues in the Special Revenue, Secondary Roads Fund increased approximately \$227,000 over the previous year, due, in part, to an increase in intergovernmental revenues. Expenditures decreased approximately \$1,054,000, or 16.4%, from the prior year due to fewer roadway maintenance projects. The Secondary Roads Fund ending fund balance increased approximately \$171,000 to approximately \$6.6 million.
- The Special Revenue, Drainage Districts Fund ending fund balance decreased approximately \$636,000 from the prior year to approximately \$285,000. Revenues and proceeds from the issuance of drainage warrants decreased approximately \$3,118,000 from the prior year. Revenues are dependent on the assessments on drainage projects performed during the year. Expenditures decreased approximately \$2,238,000, due to a decrease in drainage district warrants redeemed in fiscal year 2019 compared to fiscal year 2018, offset by an increase in construction projects.

BUDGETARY HIGHLIGHTS

Over the course of the year, Pocahontas County amended its budget two times. The first amendment was made in February 2019 and resulted in an increase in budgeted disbursements related to youth detention services, veteran expenses, salary and benefits for roads and transportation and engineering services for construction on road N28. The second amendment was made in May 2019. This amendment was made to provide for additional disbursements related to repairs to Little Clear Lake from the flooding that occurred in the spring of 2019.

The County's receipts were \$273,460 more than budgeted, a variance of 2.1%.

Total disbursements were \$1,232,339 less than the budget. Actual disbursements for public safety and legal services, physical health and social services and capital projects functions were \$233,095, \$227,789 and \$421,120 respectively, less than budgeted. The disbursements less than budget were due to reduced spending in all areas.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, Pocahontas County had approximately \$20.8 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 \$156,000, or 0.8%, from last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2019	2018
Land	\$ 2,088	2,088
Construction in progress	4,075	3,275
Buildings and building improvements	1,345	1,190
Equipment and vehicles	2,727	2,656
Infrastructure, road network	10,542	11,414
Total	\$ 20,778	20,622

The County had depreciation expense of \$1,349,765 in fiscal year 2019 and total accumulated depreciation of \$15,987,148 at June 30, 2019. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2019, Pocahontas County had approximately \$5,975,000 of outstanding debt compared to approximately \$4,739,000 at June 30, 2018. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2019	2018
Drainage warrants and improvement certificates	\$ 5,683	4,309
State Revolving Fund improvement certificates	292	430
Total	\$ 5,975	4,739

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Pocahontas County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$66 million. 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 2020 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 1.9% compared to 1.7% at June 30, 2018. This compares with the State's unemployment rate of 2.4% and the national rate of 3.7%.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Exhibit A

Pocahontas County

Statement of Net Position

June 30, 2019

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 13,065,586
Receivables:	
Property tax:	
Delinquent	10,494
Succeeding year	6,583,000
Interest and penalty on property tax	78,025
Accounts	177,430
Accrued interest	28,590
Drainage assessments	5,372,480
Due from other governments	402,987
Inventories	961,723
Prepaid insurance	2,180,350
Capital assets, net of accumulated depreciation	<u>20,777,505</u>
Total assets	<u>49,638,170</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>1,016,711</u>
Liabilities	
Accounts payable	816,750
Salaries and benefits payable	119,553
Due to other governments	80,327
Long-term liabilities:	
Portion due or payable within one year:	
Drainage warrants/drainage improvement certificates	3,316,305
State revolving fund improvement certificates	39,000
Compensated absences	231,715
Portion due or payable after one year:	
Drainage improvement certificates	2,366,204
State revolving fund improvement certificates	253,000
Net pension liability	2,651,828
Total OPEB Liability	<u>226,020</u>
Total liabilities	<u>10,100,702</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	6,583,000
Pension related deferred inflows	<u>342,668</u>
Total deferred inflows of resources	<u>6,925,668</u>
Net Position	
Net investment in capital assets	20,777,505
Restricted for:	
Supplemental levy purposes	2,205,628
Conservation land acquisition	358,690
Mental health purposes	45,905
Rural services	2,373,752
Secondary roads purposes	6,541,559
Other purposes	76,221
Unrestricted	<u>1,249,251</u>
Total net position	<u>\$ 33,628,511</u>

See notes to financial statements.

Pocahontas County

Statement of Activities

Year ended June 30, 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Charges for Service Expenses	Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest		
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,025,918	63,818	17,012	-	(1,945,088)
Physical health and social services	1,369,653	255,001	468,127	-	(646,525)
Mental health	327,679	-	77,193	-	(250,486)
County environment and education	999,218	50,150	7,565	-	(941,503)
Roads and transportation	5,516,829	217,983	3,769,898	221,855	(1,307,093)
Governmental services to residents	398,885	167,815	-	-	(231,070)
Administration	1,430,203	20,944	8,295	-	(1,400,964)
Non-program	4,742,732	4,857,749	5,508	-	120,525
Interest on long-term debt	220,451	-	-	-	(220,451)
Total	\$ 17,031,568	5,633,460	4,353,598	221,855	(6,822,655)
General Revenues:					
Property and other county tax levied for general purposes					6,657,044
Penalty and interest on property tax					27,513
State tax credits					499,628
Local option sales tax					314,924
Unrestricted investment earnings					456,768
Gain on disposition of capital assets					30,928
Miscellaneous					124,895
Total general revenues					8,111,700
Change in net position					1,289,045
Net position beginning of year					32,339,466
Net position end of year					\$ 33,628,511

See notes to financial statements.

Pocahontas County

Balance Sheet

June 30, 2019

			Special	
		General	Mental Health	Rural Services
Assets				
Cash, cash equivalents and pooled investments	\$ 5,615,559	21,941	2,380,734	
Receivables:				
Property tax:				
Delinquent	9,598	521	375	
Succeeding year	4,187,000	227,000	2,169,000	
Interest and penalty on property tax	78,025	-	-	
Accounts	77,827	-	-	
Accrued interest	28,590	-	-	
Drainage assessments	-	-	-	
Due from other governments	35,390	27,169	23,974	
Inventories	-	-	-	
Prepaid expenses	136,086	-	3,264	
Total assets	\$ 10,168,075	276,631	4,577,347	
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 32,074	1,513	14,069	
Salaries and benefits payable	60,122	1,899	10,444	
Due to other governments	69,191	23	10,082	
Total liabilities	161,387	3,435	34,595	
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	4,187,000	227,000	2,169,000	
Other	120,633	521	375	
Total deferred inflows of resources	4,307,633	227,521	2,169,375	
Fund balances:				
Nonspendable:				
Inventories	-	-	-	
Prepaid expenses	136,086	-	3,264	
Restricted for:				
Supplemental levy purposes	2,090,031	-	-	
Conservation land acquisition	358,690	-	-	
Mental health purposes	-	45,675	-	
Rural services	-	-	2,370,113	
Secondary roads purposes	-	-	-	
Drainage warrants/drainage improvement certificates	-	-	-	
Other purposes	11,934	-	-	
Unassigned	3,102,314	-	-	
Total fund balances	5,699,055	45,675	2,373,377	
Total liabilities, deferred inflows of resources and fund balances	\$ 10,168,075	276,631	4,577,347	

See notes to financial statements.

<u>Revenue</u>			
Secondary Roads	Drainage Districts	Nonmajor	Total
3,440,178	877,486	64,682	12,400,580
-	-	-	10,494
-	-	-	6,583,000
-	-	-	78,025
99,603	-	-	177,430
-	-	-	28,590
-	5,372,480	-	5,372,480
287,931	28,523	-	402,987
961,723	-	-	961,723
2,041,000	-	-	2,180,350
<u>6,830,435</u>	<u>6,278,489</u>	<u>64,682</u>	<u>28,195,659</u>
152,004	592,194	1,996	793,850
47,088	-	-	119,553
1,031	-	-	80,327
<u>200,123</u>	<u>592,194</u>	<u>1,996</u>	<u>993,730</u>
-	-	-	6,583,000
75,391	5,401,003	-	5,597,923
<u>75,391</u>	<u>5,401,003</u>	<u>-</u>	<u>12,180,923</u>
961,723	-	-	961,723
2,041,000	-	-	2,180,350
-	-	-	2,090,031
-	-	-	358,690
-	-	-	45,675
-	-	-	2,370,113
3,552,198	-	-	3,552,198
-	285,292	-	285,292
-	-	64,287	76,221
-	-	(1,601)	3,100,713
<u>6,554,921</u>	<u>285,292</u>	<u>62,686</u>	<u>15,021,006</u>
<u>6,830,435</u>	<u>6,278,489</u>	<u>64,682</u>	<u>28,195,659</u>

Pocahontas County

Pocahontas County

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

June 30, 2019

Total governmental fund balances (page 19) \$ 15,021,006

Amounts reported for governmental activities in the Statement of Net Position 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 capital assets is \$36,764,653 and the accumulated depreciation is \$15,987,148.

20,777,505

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

5,597,923

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

642,106

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 1,016,711
Deferred inflows of resources	<u>(342,668)</u> 674,043

Long-term liabilities, including drainage warrants/drainage improvement certificates payable, State Revolving Fund improvement certificates payable, compensated absences payable, net pension liability and total OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(9,084,072)

\$ 33,628,511

Net position of governmental activities (page 16)

See notes to financial statements.

Pocahontas County

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

Year ended June 30, 2019

		General	Mental Health	Rural Services	Special
Revenues:					
Property and other county tax	\$ 4,208,018	229,891	2,218,007		
Local option sales tax	-	-	314,924		
Interest and penalty on property tax	24,053	-	-		
Intergovernmental	804,026	94,652	137,978		
Licenses and permits	6,118	-	500		
Charges for service	443,113	-	-		
Use of money and property	539,602	-	-		
Miscellaneous	93,132	-	25,835		
Total revenues	6,118,062	324,543	2,697,244		
Expenditures:					
Operating:					
Public safety and legal services	1,471,305	-	650,166		
Physical health and social services	1,421,691	-	-		
Mental health	-	332,736	-		
County environment and education	604,503	-	431,585		
Roads and transportation	-	-	-		
Governmental services to residents	403,266	-	2,365		
Administration	1,450,591	-	-		
Non-program	9,948	-	-		
Debt service	-	-	-		
Capital projects	88,539	-	-		
Total expenditures	5,449,843	332,736	1,084,116		
Excess (deficiency) of revenues over (under) expenditures	668,219	(8,193)	1,613,128		
Other financing sources (uses):					
Sale of capital assets	9,028	-	-		
Transfers in	-	-	-		
Transfers out	(95,515)	-	(1,446,481)		
Drainage warrants/drainage improvement certificates issued	-	-	-		
Total other financing sources (uses)	(86,487)		(1,446,481)		
Change in fund balances	581,732	(8,193)	166,647		
Fund balances beginning of year	5,117,323	53,868	2,206,730		
Fund balances end of year	\$ 5,699,055	45,675	2,373,377		

See notes to financial statements.

<u>Revenue</u>			
<u>Secondary Roads</u>	<u>Drainage Districts</u>	<u>Nonmajor</u>	<u>Total</u>
-	-	-	6,655,916
-	-	-	314,924
-	-	-	24,053
3,893,046	47,486	17,565	4,994,753
49,504	-	-	56,122
56,346	-	1,905	501,364
2,400	-	956	542,958
20,331	2,716,530	4,160	2,859,988
<u>4,021,627</u>	<u>2,764,016</u>	<u>24,586</u>	<u>15,950,078</u>
-	-	1,625	2,123,096
-	-	9,965	1,431,656
-	-	-	332,736
-	-	3,554	1,039,642
2,766,395	-	-	2,766,395
-	-	7,911	413,542
-	-	-	1,450,591
-	4,414,637	-	4,424,585
-	1,831,682	-	1,831,682
<u>2,625,812</u>	<u>-</u>	<u>119,376</u>	<u>2,833,727</u>
<u>5,392,207</u>	<u>6,246,319</u>	<u>142,431</u>	<u>18,647,652</u>
<u>(1,370,580)</u>	<u>(3,482,303)</u>	<u>(117,845)</u>	<u>(2,697,574)</u>
-	-	-	9,028
1,541,996	-	-	1,541,996
-	-	-	(1,541,996)
<u>-</u>	<u>2,846,273</u>	<u>-</u>	<u>2,846,273</u>
<u>1,541,996</u>	<u>2,846,273</u>	<u>-</u>	<u>2,855,301</u>
171,416	(636,030)	(117,845)	157,727
<u>6,383,505</u>	<u>921,322</u>	<u>180,531</u>	<u>14,863,279</u>
<u>6,554,921</u>	<u>285,292</u>	<u>62,686</u>	<u>15,021,006</u>

Exhibit F

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, 2019

Change in fund balances - Total governmental funds (page 23) \$ 157,727

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	\$ 1,286,281
Capital assets contributed by the Iowa Department of Transportation	196,907
Depreciation expense	<u>(1,349,765)</u> 133,423

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. 21,900

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

Property tax	1,128
Other	<u>1,997,622</u> 1,998,750

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

Issued	(2,846,273)
Repaid	<u>1,611,231</u> (1,235,042)

The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 406,433

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(14,635)
OPEB expense	(8,334)
Pension expense	<u>(424,311)</u> (447,280)

The Internal Service Fund is used by management to charge the costs of partial self-funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported in governmental activities. 253,134

Change in net position of governmental activities (page 17) \$ 1,289,045

See notes to financial statements.

Pocahontas County

Statement of Net Position
Proprietary Fund

June 30, 2019

	Internal Service
	Employee Group Health
Assets	
Cash and cash equivalents	\$ 665,006
Liabilities	
Accounts payable	<u>22,900</u>
Net Position	
Unrestricted	<u>\$ 642,106</u>

See notes to financial statements.

Exhibit H

Pocahontas County

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

Year ended June 30, 2019

	Internal Service	
	Employee Group Health	
Operating revenues:		
Reimbursements from operating funds	\$ 458,300	
Reimbursements from employees and others	<u>110,727</u>	
Total operating revenues	569,027	
Operating expenses:		
Medical claims	\$ 264,319	
Premiums	40,431	
Administrative charges	<u>12,154</u>	<u>316,904</u>
Operating income		252,123
Non-operating revenues:		
Interest income		<u>1,011</u>
Operating income		253,134
Net position beginning of year		<u>388,972</u>
Net position end of year	<u>\$ 642,106</u>	

See notes to financial statements.

Pocahontas County

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2019

	Internal Service
	Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund contributions	\$ 458,300
Cash received from employees and others	110,727
Cash paid for medical claims, premiums and other	<u>(309,419)</u>
Net cash provided by operating activities	259,608
Cash flows from investing activities:	
Interest on investments	<u>1,011</u>
Net increase in cash and cash equivalents	260,619
Cash and cash equivalents beginning of year	<u>404,387</u>
Cash and cash equivalents end of year	<u>\$ 665,006</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 252,123
Adjustment to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	<u>7,485</u>
Net cash provided by operating activities	<u>\$ 259,608</u>

See notes to financial statements.

Pocahontas County

Pocahontas County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2019

Assets

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 1,582,543
Other County officials	8,959
Receivables:	
Property tax:	
Delinquent	54,149
Succeeding year	12,955,000
Accounts receivable	111
Special assessments	135,288
Due from other governments	69,863
Prepays	11,425
	<hr/>
	14,817,338

Total assets**Liabilities**

Salaries and benefits payable	10,344
Due to other governments	14,780,383
Trusts payable	3,229
Compensated absences	23,382
	<hr/>
	14,817,338

Total liabilities**Net position**

\$	-
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See notes to financial statements.

Pocahontas County

Notes to Financial Statements

June 30, 2019

(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-four 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 911 Service Board and Pocahontas County Economic Development Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

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

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

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 reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2017 assessed property valuations; is for the tax accrual period July 1, 2018 through June 30, 2019 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2018.

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. Drainage assessments receivable represent assessments which are due and payable but have not been collected and remaining assessments which are payable but not yet due.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not more than 15 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the County after the measurement date but before the end of the County's reporting period.

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2019. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Total OPEB Liability – For purposes of measuring the total OPEB liability and OPEB expense, information has been determined based on the Pocahontas County's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund

financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax which will not be recognized until the year for which it is levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied, unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets

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

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

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

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund is 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. During the year ended June 30, 2019, disbursements exceeded the amount budgeted in the roads and transportation function and disbursements in the weed commission department exceeded the amount appropriated.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2019 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 ensure 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, 2019, the County had investments in drainage warrants and improvement certificates of \$2,106,490 and \$3,000,955, respectively.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 95,515
Special Revenue:		
Rural Services		1,446,481
Total		<u>\$ 1,541,996</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2019 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,087,976	-	-	2,087,976
Construction in process	3,274,789	800,683	-	4,075,472
Total capital assets not being depreciated	<u>5,362,765</u>	<u>800,683</u>	-	<u>6,163,448</u>
Capital assets being depreciated:				
Buildings and building improvements	3,156,789	238,827	(81,766)	3,313,850
Equipment and vehicles	8,481,377	492,000	(381,627)	8,591,750
Infrastructure, road network	<u>18,695,605</u>	-	-	<u>18,695,605</u>
Total capital assets being depreciated	<u>30,333,771</u>	<u>730,827</u>	(463,393)	<u>30,601,205</u>
Less accumulated depreciation for:				
Buildings and building improvements	1,966,861	84,044	(81,766)	1,969,139
Equipment and vehicles	5,825,500	394,579	(355,205)	5,864,874
Infrastructure, road network	<u>7,281,993</u>	<u>871,142</u>	-	<u>8,153,135</u>
Total accumulated depreciation	<u>15,074,354</u>	<u>1,349,765</u>	(436,971)	<u>15,987,148</u>
Total capital assets being depreciated, net	<u>15,259,417</u>	<u>(618,938)</u>	(26,422)	<u>14,614,057</u>
Governmental activities capital assets, net	<u>\$ 20,622,182</u>	<u>181,745</u>	(26,422)	<u>20,777,505</u>

Depreciation expense was charged to the following functions:

Governmental activities:				
Public safety and legal services				\$ 77,827
Physical health and social services				1,663
County environment and education				65,779
Roads and transportation				1,142,187
Governmental services to residents				7,614
Administration				<u>54,696</u>
Total depreciation expense - governmental activities				<u>\$ 1,349,766</u>

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2019 is as follows:

Fund	Description	Amount
General	Services	\$ 69,191
Special Revenue:		
Mental Health	Services	23
Rural Services	Services	10,082
Secondary Roads	Services	1,031
		11,136
Total for governmental funds		\$ 80,327
Agency:		
Agriculture Extension Education	Collections	\$ 174,071
County Assessor		631,815
Schools		9,089,719
Community Colleges		822,817
Corporations		2,344,044
Townships		321,664
Auto License and Use Tax		207,719
911 Services Board		484,764
Pocahontas County Economic Development		485,068
All other		218,702
Total for agency funds		\$ 14,780,383

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2019 is as follows:

	Drainage Warrants	Drainage Improvement Certificates	Revolving Fund Improvement Certificates	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year	\$ 1,300,778	3,008,689	430,000	217,080	2,833,588	217,686	8,007,821
Increases	2,210,496	635,777	-	211,552	-	30,906	3,088,731
Decreases	830,250	642,981	138,000	196,917	181,760	22,572	2,012,480
Balance end of year	\$ 2,681,024	3,001,485	292,000	231,715	2,651,828	226,020	9,084,072
Due within one year	\$ 2,681,024	635,281	39,000	231,715	-	-	3,587,020

Drainage Warrants/Drainage Improvement Certificates Payable

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

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

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

State Revolving Fund Improvement Certificates

On January 27, 2010, the County entered into a loan agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of \$1,096,000 of improvement certificates with interest at 3.0% per annum. The agreement also requires the County to annually pay a .25% servicing fee on the outstanding principal balance. The certificates were issued pursuant to the provisions of Chapter 468.70 of the Code of Iowa and the American Recovery and Reinvestment Act of 2009 (ARRA) for the purpose of providing funds to pay a portion of the costs of constructing improvements and repairs to Drainage District No. 65 of the County. The County drew down funds from the Trustee upon request to reimburse the County for costs as they are incurred. An initiation fee of 1%, or \$10,960, of the authorized borrowing for the improvement certificates was charged by the Iowa Finance Authority. At June 30, 2019, the County had drawn down the entire authorized amount. During the year ended June 30, 2019, the County paid \$138,000 of principal and \$12,900 of interest on these certificates.

The County has pledged assessments against property in Drainage District No. 65 to repay the improvement certificates. The certificates are payable solely from drainage assessments against property in Drainage District No. 65 and are payable through December 2026.

A summary of the County's June 30, 2019 State Revolving Fund Improvement Certificate indebtedness is as follows:

Year Ending June 30,	Interest Rate*	Principal	Interest	Total
2020	3.00%	\$ 39,000	8,760	47,760
2021	3.00	40,000	7,590	47,590
2022	3.00	41,000	6,390	47,390
2023	3.00	43,000	5,160	48,160
2024	3.00	44,000	3,870	47,870
2025-2026	3.00	85,000	3,750	88,750
Total		\$ 292,000	35,520	327,520

* The County is also required to annually pay a 0.25% servicing fee on the outstanding principal balance.

(7) 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 Wellmark and Benefits, Inc. The agreement is subject to automatic renewal provisions.

Monthly contributions to the Internal Service, Employee Group Health Fund are recorded as expenditures from the operating funds. These contributions represent the difference between premiums required for a higher deductible plan and those for a lower deductible plan. Payments from the Internal Service, Employee Group Health Fund are for insurance premiums, employee reimbursements of medical claims up to the individual's funded deductible and administrative costs. The County's contribution for the year ended June 30, 2019 was \$458,300.

The amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2019 for reported but not paid claims have been determined by the plan administrator. 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	\$ 15,415
Incurred claims (including claims incurred but not reported at June 30, 2019)	264,319
Payment on claims during the year	<u>(256,834)</u>
Unpaid claims end of year	<u>\$ 22,900</u>

(8) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally at age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff's, deputy's and protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 year of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% for a total rate of 15.73%. The Sheriff, deputies and County each contributed 9.76% of covered payroll for a total rate of 19.52%. Protection occupation members contributed 6.81% of covered payroll and the County contributed 10.21% for a total rate of 17.02%.

The County's contributions to IPERS for the year ended June 30, 2019 totaled \$406,433.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the County reported a liability of \$2,651,828 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the County's proportion was 0.041905%, which was a decrease of 0.000633% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$424,311. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,182	81,188
Changes of assumptions	501,911	91,877
Net difference between projected and actual earnings on IPERS' investments		106,594
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	84,185	63,009
County contributions subsequent to the measurement date	<u>406,433</u>	-
Total	<u>\$ 1,016,711</u>	<u>342,668</u>

\$406,433 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2020	\$ 210,195
2021	107,643
2022	(40,844)
2023	(6,065)
2024	<u>(3,319)</u>
Total	<u>\$ 267,610</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement as follows:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$ 5,186,369	2,651,828	526,393

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County IPERS by June 30, 2019.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Pocahontas County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>92</u>
Total	<u>93</u>

Total OPEB Liability – The County's total OPEB liability of \$226,020 was measured as of June 30, 2019, and it was determined by an actuarial valuation as of June 30, 2018. The total OPEB liability was rolled forward from the June 30, 2018 valuation date to the June 30, 2019 measurement date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2018)	3.00% per annum.
Rates of salary increase (effective June 30, 2018)	3.00% per annum, including inflation.
Discount rate (effective June 30, 2018)	3.87% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	8.00% initial rate decreasing by .5% annually to an ultimate rate of 5.00%.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.87% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the 2014 United States Life Tables. Annual retirement probabilities are based on historical average retirement age for the covered group, active members were assumed to retire after reaching age 62.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year	<u>\$ 217,686</u>
Changes for the year:	
Service cost	22,065
Interest	8,841
Benefit payments	<u>(22,572)</u>
Net changes	<u>8,334</u>
Total OPEB liability end of year	<u>\$ 226,020</u>

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.87%) or 1% higher (4.87%) than the current discount rate.

	1%	Discount	1%
	Decrease	Rate	Increase
	(2.87%)	(3.87%)	(4.87%)
Total OPEB liability	\$ 236,519	226,020	215,401

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (6.50%) or 1% higher (8.50%) than the current healthcare cost trend rates.

	Healthcare		
	1%	Cost Trend	1%
	Decrease	Rate	Increase
	(7.0%)	(8.0%)	(9.0%)
Total OPEB liability	\$ 210,038	226,020	244,162

OPEB Expense – For the year ended June 30, 2019, the County recognized OPEB expense of \$30,906. The County utilized the alternative measurement method which results in all deferred outflows/inflows of resources related to OPEB being fully recognized in the current fiscal year.

(10) Risk Management

The County is exposed to various risks of loss related to torts, thefts, 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.

(11) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Property tax revenues of the County were reduced by the following amount for the year ended June 30, 2019 under agreements entered into by the following entity:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Pocahontas	Urban renewal and economic development projects	\$ 18,504

(12) Jointly Governed Organization

Pocahontas County participates in the Pocahontas County Economic Development Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. In addition, some financial transactions are held by the organization apart from the County Agency Funds. The following financial data is for the year ended June 30, 2019:

Additions:

Contributions from governmental units:

Pocahontas County	\$ 97,500
Cities of:	
Fonda	4,950
Gilmore City	500
Havelock	250
Laurens	14,000
Palmer	300
Plover	100
Pocahontas	17,375
Rolle	4,950
Varina	428
Donations	\$ 140,353
Economic development loan repayments	13,750
Interest	23,276
	484
Total additions	177,863

Deductions:

Salaries and benefits	183,417
Office supplies	7,095
Travel	9,353
Telephone	3,490
Building	5,200
Training	2,856
Shared program services	87,930
Insurance	1,651
Administrative	1,727
Miscellaneous	6,653
	309,372
Net	(131,509)
Balance beginning of year	788,039
Balance end of year	\$ 656,530

(13) County Financial Information Included in County Social Services

County Social Services (CSS), a jointly governed organization formed pursuant to the provisions of Chapter 28E and includes the following members: Allamakee, Black Hawk, Butler, Cerro Gordo, Chickasaw, Clayton, Emmet, Fayette, Floyd, Grundy, Hancock, Howard, Humboldt, Kossuth, Mitchell, Pocahontas, Tama, Webster, Winnebago, Winneshiek, Worth and Wright Counties. The financial activity of the County's Special Revenue, Mental Health Fund is included in CSS for the year ended June 30, 2019 as follows:

Revenues:		
Property and other county tax		\$ 229,891
Intergovernmental revenues:		
State tax credits	\$ 12,154	
Payments from regional fiscal agent	75,918	
Other	<u>6,580</u>	<u>94,652</u>
Total revenues		<u>324,543</u>
Expenditures:		
Services to persons with:		
Mental illness	77,214	
Intellectual disabilities	<u>727</u>	<u>77,941</u>
General administration:		
Direct administration	1,201	
Distribution to regional fiscal agent	<u>253,594</u>	<u>254,795</u>
Total expenditures		<u>332,736</u>
Deficiency of revenues under expenditures		(8,193)
Fund balance beginning of the year		<u>53,868</u>
Fund balance end of the year	\$	<u>45,675</u>

(14) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

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, 2019

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 6,964,220	-	6,964,220
Interest and penalty on property tax	24,053	-	24,053
Intergovernmental	4,964,585	47,486	4,917,099
Licenses and permits	91,794	-	91,794
Charges for service	469,983	-	469,983
Use of money and property	540,054	-	540,054
Miscellaneous	2,864,981	2,716,530	148,451
Total receipts	15,919,670	2,764,016	13,155,654
Disbursements:			
Public safety and legal services	2,136,904	-	2,136,904
Physical health and social services	1,474,502	-	1,474,502
Mental health	329,511	-	329,511
County environment and education	1,031,588	-	1,031,588
Roads and transportation	6,671,479	-	6,671,479
Governmental services to residents	411,338	-	411,338
Administration	1,469,756	-	1,469,756
Non-program	3,912,593	3,903,027	9,566
Debt service	1,917,603	1,917,603	-
Capital projects	793,382	-	793,382
Total disbursements	20,148,656	5,820,630	14,328,026
Excess (deficiency) of receipts over (under) disbursements	(4,228,986)	(3,056,614)	(1,172,372)
Other financing sources, net	2,955,301	2,946,273	9,028
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,273,685)	(110,341)	(1,163,344)
Balance beginning of year	13,674,265	987,827	12,686,438
Balance end of year	\$ 12,400,580	877,486	11,523,094

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
6,867,751	6,867,751	96,469
11,000	11,000	13,053
4,883,059	4,885,059	32,040
19,200	19,200	72,594
502,029	502,029	(32,046)
169,155	169,155	370,899
161,000	428,000	(279,549)
<u>12,613,194</u>	<u>12,882,194</u>	<u>273,460</u>
2,345,999	2,369,999	233,095
1,700,288	1,702,288	227,786
337,015	337,015	7,504
1,105,737	1,235,737	204,149
4,581,528	6,658,528	(12,951)
436,774	436,774	25,436
1,594,137	1,594,137	124,381
11,385	11,385	1,819
-	-	-
<u>1,214,502</u>	<u>1,214,502</u>	<u>421,120</u>
<u>13,327,365</u>	<u>15,560,365</u>	<u>1,232,339</u>
(714,171)	(2,678,171)	1,505,799
1,000	1,000	8,028
(713,171)	(2,677,171)	1,513,827
<u>9,304,906</u>	<u>9,304,906</u>	<u>3,381,532</u>
<u>8,591,735</u>	<u>6,627,735</u>	<u>4,895,359</u>

Pocahontas County

Pocahontas County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2019

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 15,919,670	30,408	15,950,078
Expenditures	20,148,656	(1,501,004)	18,647,652
Net	(4,228,986)	1,531,412	(2,697,574)
Other financing sources, net	2,955,301	(100,000)	2,855,301
Beginning fund balances	13,674,265	1,189,014	14,863,279
Ending fund balances	\$ 12,400,580	2,620,426	15,021,006

See accompanying independent auditor's report.

Pocahontas County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2019

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 ten major classes of expenditures known as functions, not by fund. These ten 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, two budget amendments increased budgeted disbursements by \$2,233,000. The budget amendments are 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 911 System by the Joint 911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2019, disbursements exceeded the amount budgeted in the roads and transportation function and disbursements in the weed commission department exceeded the amount appropriated.

Pocahontas County

Schedule of the County's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Five Years*
(In Thousands)

Required Supplementary Information

	2019	2018	2017	2016	2015
County's proportion of the net pension liability	0.041905%	0.042538%	0.043237%	0.040860%	0.040386%
County's proportionate share of the net pension liability	\$ 2,652	2,834	2,721	2,019	1,602
County's covered payroll	\$ 3,995	3,905	3,877	3,775	3,790
County's proportionate share of the net pension liability as a percentage of its covered payroll	66.38%	72.57%	70.18%	53.48%	42.27%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

Pocahontas County
 Schedule of County Contributions
 Iowa Public Employees' Retirement System
 For the Last Ten Years
 (In Thousands)

Required Supplementary Information

	2019	2018	2017	2016
Statutorily required contribution	\$ 406	378	356	355
Contributions in relation to the statutorily required contribution	(406)	(378)	(356)	(355)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered payroll	\$ 4,242	3,995	3,905	3,877
Contributions as a percentage of covered payroll	9.57%	9.46%	9.12%	9.16%

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
347	349	324	304	275	256
(347)	(349)	(324)	(304)	(275)	(256)
-	-	-	-	-	-
3,775	3,790	3,588	3,572	3,641	3,617
9.19%	9.21%	9.03%	8.51%	7.55%	7.08%

Pocahontas County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2019

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

Pocahontas County

Schedule of Changes in the County's
Total OPEB Liability, Related Ratios and Notes

For the Last Two Years
Required Supplementary Information

	2019	2018
Service cost	\$ 22,065	19,294
Interest cost	8,841	8,519
Difference between expected and actual experiences	- (4,081)	
Changes in assumptions	- 27,610	
Benefit payments	<u>(22,572)</u>	<u>(7,373)</u>
Net change in total OPEB liability	<u>8,334</u>	<u>43,969</u>
Total OPEB liability beginning of year	<u>217,686</u>	<u>173,717</u>
Total OPEB liability end of year	<u>\$ 226,020</u>	<u>217,686</u>
Covered-employee payroll	\$ 4,161,495	4,079,897
Total OPEB liability as a percentage of covered-employee payroll	5.4%	5.3%

Notes to Schedule of Changes in the County's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2018 3.87%
Year ended June 30, 2017 4.50%

Pocahontas County

Supplementary Information

Pocahontas County

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2019

	Special		
	County Recorder's Records Management	Courthouse Forfeiture	Courthouse Security
Assets			
Cash, cash equivalents and pooled investments	\$ 17,170	1,258	1,900
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ -	-	-
Fund balances:			
Restricted for other purposes	17,170	1,258	1,900
Unassigned	-	-	-
Total fund balances	17,170	1,258	1,900
Total liabilities and fund balances	\$ 17,170	1,258	1,900

See accompanying independent auditor's report.

Revenue

Veterans Grants	County Recorder's Electronic Transaction Fee	REAP	Environmental Education Trust	Total
-	395	40,299	3,660	64,682
-	1,996	-	-	1,996
-	-	40,299	3,660	64,287
-	(1,601)	-	-	(1,601)
-	(1,601)	40,299	3,660	62,686
-	395	40,299	3,660	64,682

Pocahontas County

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

Year ended June 30, 2019

		Special
	County Recorder's Records Management	Courthouse Forfeiture Security
Revenues:		
Intergovernmental	\$ -	-
Charges for service	1,905	-
Use of money and property	342	-
Miscellaneous	-	-
Total revenues	2,247	340
Expenditures:		
Operating:		
Public safety and legal services	-	1,625
Physical health and social services	-	-
County environment and education	-	-
Government services to residents	5,915	-
Capital projects	-	-
Total expenditures	5,915	1,625
Excess (deficiency) of revenues over (under) expenditures	(3,668)	(1,285)
Fund balances (deficit) beginning of year	20,838	2,543
Fund balances (deficit) end of year	\$ 17,170	1,258
		1,900

See accompanying independent auditor's report.

<u>Revenue</u>				
Veterans Grants	County Recorder's Electronic Transaction Fee	REAP	Environmental Education Trust	Total
10,000	-	7,565	-	17,565
-	-	-	-	1,905
-	-	608	6	956
-	-	-	3,695	4,160
<u>10,000</u>	<u>-</u>	<u>8,173</u>	<u>3,701</u>	<u>24,586</u>
 9,965	 - - - 1,996 - 9,965	 - - - - 119,376 1,996 119,376	 - - 3,554 - - 3,554 7,911 - 142,431	 1,625 9,965 3,554 7,911 119,376 142,431
35	(1,996)	(111,203)	147	(117,845)
(35)	395	151,502	3,513	180,531
-	(1,601)	40,299	3,660	62,686

Pocahontas County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2019

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	674	311,942	33,078	3,943
Other County officials	3,728	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	397	753	20,641	1,874
Succeeding year	-	173,000	329,000	9,036,000	817,000
Accounts	79	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepays	-	-	6,600	-	-
Total assets	\$ 3,807	174,071	648,295	9,089,719	822,817
Liabilities					
Salaries and benefits payable					
	-	-	5,511	-	-
Due to other governments	578	174,071	631,815	9,089,719	822,817
Trusts payable	3,229	-	-	-	-
Compensated absences	-	-	10,969	-	-
Total liabilities	\$ 3,807	174,071	648,295	9,089,719	822,817

See accompanying independent auditor's report.

Schedule 3

Corporations	Townships	Auto License and Use Tax	911 Services Board	Pocahontas County Economic Development	Other	Total
36,620	609	207,719	414,901	497,856	75,201	1,582,543
-	-	-	-	-	5,231	8,959
30,424	55	-	-	-	5	54,149
2,277,000	321,000	-	-	-	2,000	12,955,000
-	-	-	-	32	-	111
-	-	-	-	-	135,288	135,288
-	-	-	69,863	-	-	69,863
-	-	-	-	2,200	2,625	11,425
2,344,044	321,664	207,719	484,764	500,088	220,350	14,817,338
2,344,044	321,664	207,719	484,764	3,810 485,068	1,023 218,124	10,344 14,780,383
-	-	-	-	-	-	3,229
-	-	-	-	11,210	1,203	23,382
2,344,044	321,664	207,719	484,764	500,088	220,350	14,817,338

Pocahontas County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2019

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 6,642	172,880	588,209	8,815,992	1,011,273
Additions:					
Property and other county tax	-	175,179	331,790	9,123,372	826,042
911 surcharge	-	-	-	-	-
State tax credits	-	14,191	25,808	724,537	83,048
Drivers license fees	-	-	-	-	-
Office fees and collections	273,093	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	26,690	-	-	-	-
Miscellaneous	-	-	411	-	-
Total additions	299,783	189,370	358,009	9,847,909	909,090
Deductions:					
Agency remittances:					
To other funds	79,401	-	-	-	-
To other governments	192,328	188,179	297,923	9,574,182	1,097,546
Trusts paid out	30,889	-	-	-	-
Total deductions	302,618	188,179	297,923	9,574,182	1,097,546
Balances end of year	\$ 3,807	174,071	648,295	9,089,719	822,817

See accompanying independent auditor's report.

Schedule 4

Corporations	Townships	Auto License and Use Tax	911 Service Board	Pocahontas County Economic Development	Other	Total
2,384,437	301,473	210,399	412,808	658,693	196,394	14,759,200
2,071,299	328,768	-	-	-	2,212	12,858,662
-	-	-	204,200	-	-	204,200
443,419	16,736	-	-	-	180	1,307,919
-	-	-	-	-	46,774	46,774
-	-	-	-	-	1,907	275,000
-	-	2,912,882	-	-	-	2,912,882
-	-	-	-	-	35,453	35,453
-	-	-	-	-	211,253	237,943
-	-	-	577	149,353	111,880	262,221
2,514,718	345,504	2,912,882	204,777	149,353	409,659	18,141,054
-	-	86,621	-	-	13,832	179,854
2,555,111	325,313	2,828,941	132,821	307,958	154,742	17,655,044
-	-	-	-	-	217,129	248,018
2,555,111	325,313	2,915,562	132,821	307,958	385,703	18,082,916
2,344,044	321,664	207,719	484,764	500,088	220,350	14,817,338

Pocahontas County

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

For the Last Ten Years

	2019	2018	2017	2016
Revenues:				
Property and other county tax	\$ 6,655,916	6,644,117	6,418,998	6,247,099
Local option sales tax	314,924	263,770	280,803	236,586
Interest and penalty on property tax	24,053	20,270	25,128	24,279
Intergovernmental	4,994,753	4,766,189	5,042,328	4,919,919
Licenses and permits	56,122	92,746	26,024	19,455
Charges for service	501,364	572,342	529,758	451,448
Use of money and property	542,958	368,678	299,366	259,921
Miscellaneous	2,859,988	5,371,634	2,189,299	1,625,091
Total	\$ 15,950,078	18,099,746	14,811,704	13,783,798
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,123,096	1,990,241	1,893,245	1,955,195
Physical health and social services	1,431,656	1,434,321	1,252,129	1,217,944
Mental health	332,736	360,605	472,266	408,653
County environment and education	1,039,642	965,594	1,058,913	1,040,380
Roads and transportation	2,766,395	4,528,494	4,200,127	3,135,376
Governmental services to residents	413,542	356,672	294,753	320,317
Administration	1,450,591	1,370,728	1,480,274	1,215,270
Non-program	4,424,585	2,671,246	2,774,361	2,406,054
Debt service	1,831,682	5,824,291	2,586,718	2,318,902
Capital projects	2,833,727	1,981,839	2,301	171,818
Total	\$ 18,647,652	21,484,031	16,015,087	14,189,909

See accompanying independent auditor's report.

	2015	2014	2013	2012	2011	2010
6,395,139	6,103,438	5,686,967	4,767,911	4,258,656	4,254,131	
244,992	280,429	303,416	360,080	274,851	260,424	
20,895	20,768	17,380	19,995	24,833	28,515	
4,886,612	4,844,847	5,557,043	4,389,514	4,788,780	4,077,843	
17,012	21,786	36,408	43,901	66,025	43,759	
414,165	442,924	486,763	535,335	496,136	487,811	
187,765	118,442	134,056	132,441	181,153	150,090	
1,406,551	565,420	486,119	689,652	1,110,658	471,260	
13,573,131	12,398,054	12,708,152	10,938,829	11,201,092	9,773,833	
1,937,652	1,802,404	1,660,751	1,618,096	1,654,138	1,528,951	
1,272,890	1,224,807	1,201,990	1,287,291	1,366,444	1,341,200	
405,694	503,374	400,135	983,756	823,218	860,327	
1,007,036	957,860	1,003,841	930,825	933,688	880,862	
4,056,586	3,603,926	3,264,071	3,672,750	3,559,990	4,073,896	
320,455	335,864	275,606	313,726	324,948	303,558	
1,293,906	1,256,842	1,180,837	1,260,080	1,430,837	1,326,687	
1,905,216	1,063,295	3,508,980	909,061	1,619,701	1,601,325	
2,250,676	1,319,192	1,482,030	1,251,433	1,978,053	593,733	
412,588	185,429	209,021	190,738	276,989	108,903	
14,862,699	12,252,993	14,187,262	12,417,756	13,968,006	12,619,442	



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Rob Sand
Auditor of State

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

To the Officials of Pocahontas County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pocahontas County, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 10, 2020.

Internal Control Over Financial Reporting

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

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (C) and (D) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pocahontas County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Pocahontas County's Responses to the Findings

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

Purpose of this Report

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

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


Marlys K. Gaston, CPA
Deputy Auditor of State

March 10, 2020

Pocahontas County

Schedule of Findings

Year ended June 30, 2019

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error dishonesty and maximizes the accuracy of the County's financial statements.

Condition – Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	Applicable Offices
(1) Receipts – collecting, depositing, posting and daily reconciling. Mail is opened by a person who also has access to accounting records.	Treasurer, Recorder, Sheriff, Conservation, and Agricultural Extension
(2) Bank reconciliations are not prepared by someone who doesn't sign checks, handle or record cash.	Treasurer, Recorder, Sheriff and Agricultural Extension
(3) Bank reconciliations are not reviewed in a timely manner, or there is no evidence of review by an independent person for propriety.	Recorder
(4) Responsibility for the change fund is not assigned to only one person.	Treasurer
(5) One individual has custody of receipts and performs all investment record keeping and reconciling functions.	Treasurer
(6) Disbursements – processing of vouchers, check writing, signing, posting, reconciling and final approval.	Recorder and Sheriff
(7) Reconciliations of financial activity from the separate nursing services accounting system to the County general ledger are not reviewed by an independent person for propriety.	Public Health Nurse
(8) The duties and responsibilities of an absent employee are not performed by other individuals.	Sheriff

Cause – The County offices noted above have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Pocahontas County

Schedule of Findings

Year ended June 30, 2019

Effect – Inadequate segregation of duties could adversely affect each County office's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

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

Responses –

Treasurer – We try to get it as segregated as we can. It's a small office.

Recorder – We will do the best we can with only two people in the office.

Sheriff – I acknowledge the auditor's recommendation, the ability to segregate some duties is limited based on available staff. I will work to ensure maximum internal control under the circumstances.

Agricultural Extension – I understand the Auditor's recommendation. The County Extension tries to segregate duties with a small staff.

Public Health Nurse – Administrator will oversee all financial balances from month to month going forward. Administrator will review information, initial and date after reviewing the information.

Conservation – The Conservation Director is reviewing all claims and deposits brought into the office. Mail is opened and reviewed by the Conservation Director. All receipts from the courthouse are reviewed and checked for errors by the secretary and the director. The Director initials all reviews.

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

(B) Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County's financial statements.

Pocahontas County

Schedule of Findings

Year ended June 30, 2019

Condition – During the audit, we identified material accounts payables which were not initially booked by the County. Adjustments were subsequently made by the County to properly include those amounts in the financial statements.

Cause – County policies do not require and procedures have not been established to require independent review of year end cut-off transactions to ensure the County's financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in County employees not detecting the error in the normal course of performing their assigned functions. As a result, material adjustments to the County's financial statements were necessary.

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

Response – The County will take the State Auditor's recommendation and implement procedures to ensure all payables are identified and properly reported and included in the County's financial statements.

Conclusion – Response accepted.

(C) Capital Assets

Criteria – An effective internal control system provides for internal controls related to the proper approval of additions and deletions of capital assets from the County's capital asset listing.

Condition – Written authorization from the department heads is not required prior to adding to or deleting items from the County's capital asset listing.

Cause – Policies have not been established and procedures have not been implemented to ensure additions to and deletions from the County's capital asset listing are properly approved.

Effect – This condition results in unauthorized additions to and deletions from the County's capital asset listing, resulting in possible misstatements.

Recommendation – Written authorization should be required before capital assets are added to or deleted from the capital asset listing.

Response – Currently the County is having the department heads do inventory of their assets on an annual basis. In addition, the list of additions and deletions are signed off by the departments heads annually to ensure the capital asset listing is correct.

Conclusion – Response acknowledged. Authorization for additions to and deletions from the County's capital asset listing should be made at the time of purchase and disposal to help ensure the capital asset listing is complete and up-to-date.

Pocahontas County

Schedule of Findings

Year ended June 30, 2019

(D) Untimely Deposits

Criteria – An effective internal control system provides for internal controls related to ensuring the timely deposit of all incoming cash and checks.

Condition – Receipts are not always deposited timely. Three receipts tested from various County departments were deposited more than thirty days after receipt.

Cause – Procedures have not been designed and implemented to ensure all incoming cash and checks are deposited timely.

Effect – This condition could result in unrecorded or misstated revenues and receivables.

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

Response – The County will continue to work with department heads on the importance of making timely deposits with the Treasurer's office.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2019

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2019 exceeded the amount budgeted in the roads and transportation function and disbursements in the weed commission department exceeded the amount appropriated.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

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 an error made by the Auditor's Office. The Auditor has educated herself and staff, so this does not happen again.

Conclusion – Response accepted.

- (2) Questionable Expenditures – In accordance with Article III, section 31 of the Iowa Constitution and an Attorney General's opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

Paid to	Departmental Meetings	Amount
Family Table	Economic Development	\$ 280
Pizza Ranch	Board of Health	45
Pizza Ranch	Nondepartmental	110
Pizza Ranch	Economic Development	130

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

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

Response – The County will work to educate the departments on what a public purpose is and when an expenditure is not appropriate.

Conclusion – Response accepted.

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

Pocahontas County

Schedule of Findings

Year ended June 30, 2019

- (4) Business Transactions – The following business transactions between the County and County officials or employees were noted:

Transaction Business Connection	Transaction Description	Amount
Ed Dewey, Board Member, employee of Martin Marietta	Road rock	\$ 404,372
Ray Wolfe, Conservation Board Member, owner of Ray's Plumbing and Heating	Recreational supplies	520
Kristi Seiler, Deputy Auditor - Claims and Drainage Clerk, brother in-law of owner of Seiler Appliance	Recreational supplies	7,313

In the opinion of the County Attorney the transactions with Martin Marietta do not appear to represent a conflict of interest since the Board Member abstains from any decisions regarding potential business with Martin Marietta.

The transactions with Seiler Appliance do not appear to represent a conflict of interest in accordance with Chapter 331.342(d) of the Code of Iowa since the Deputy Auditor's employment is not directly affected as a result of the contracts and her duties of employment do not directly involve procurement or preparation of any part of the services.

The transactions with Ray's Plumbing and Heating do not appear to represent conflicts of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa since the total transactions were less than \$1,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions we believe should have been approved in the Board minutes but were not were noted.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

Pocahontas County

Schedule of Findings

Year ended June 30, 2019

- (9) Financial Condition – The Special Revenue, Recorder's Electronic Transaction Fund had deficit balance of \$1,601.

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

Response – During fiscal year 2020 we have brought the fund to a sound position and have since closed the fund due to inactivity.

Conclusion – Response accepted.

- (10) 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, 2019 for the County Extension Office did not exceed the amount budgeted.

Pocahontas County

Staff

This audit was performed by:

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