



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

NEWS RELEASE

Contact: Brian Brustkern
515/281-5834

FOR RELEASE

April 11, 2024

Auditor of State Rob Sand today released an audit report on Pocahontas County, Iowa.

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$18,677,624 for the year ended June 30, 2023, a 23.1% increase. Expenses for County operations for the year ended June 30, 2023 totaled \$16,173,195, a 19.7% increase. The significant increase in the revenues and expenses is due primarily to costs related to drainage district and secondary road projects.

AUDIT FINDINGS:

Sand reported four findings related to the receipt and expenditure of taxpayer funds. They are found on pages 82 through 87 of this report. The findings address issues such as lack of segregation of duties, accounts receivable and capital asset additions not properly recorded in the County's financial statements and questionable disbursements. Sand provided the County with recommendations to address each of these findings.

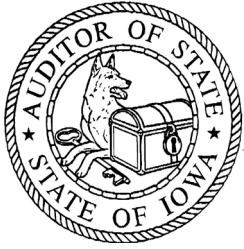
Three of the four findings discussed above are repeated from the prior year. The County Board of Supervisors and other County officials have a fiduciary responsibility to provide oversight of the County's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's website at [Audit Reports – Auditor of State](#).

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POCAHONTAS COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2023

Pocahontas County



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

State Capitol Building
Des Moines, Iowa 50319-0004
Telephone (515) 281-5834 Facsimile (515) 242-6134

Rob Sand
Auditor of State

March 25, 2024

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, 2023. 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

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Pocahontas County

Officials

(Before January 2023)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brent Aden	Board of Supervisors	Jan 2023
Clarence Siepker	Board of Supervisors	Jan 2023
Jeff Ives	Board of Supervisors	Jan 2025
Kyle Smith	Board of Supervisors	Jan 2025
Louis Stauter	Board of Supervisors	Jan 2025
Kelly A. Jepsen	County Auditor	Jan 2025
Amy Johnson	County Treasurer	Jan 2023
Michael P. Bollard	County Recorder	(Retired Jan 2021)
Cathy Frerk (Appointed Jan 2021)	County Recorder	Nov 2022
Steven Nelson	County Sheriff	Jan 2025
Daniel Feistner	County Attorney	Jan 2023
Kalista Herr	County Assessor	Jan 2028

(After January 2023)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jeff Ives	Board of Supervisors	Jan 2025
Kyle Smith	Board of Supervisors	Jan 2025
Louis Stauter	Board of Supervisors	Jan 2025
Brent Aden	Board of Supervisors	Jan 2027
Clarence Siepker	Board of Supervisors	Jan 2027
Kelly A. Jepsen	County Auditor	Jan 2025
Amy Johnson	County Treasurer	Jan 2027
Cathy Frerk	County Recorder	Jan 2027
Steven Nelson	County Sheriff	Jan 2025
Daniel Feistner	County Attorney	Jan 2027
Kalista Herr	County Assessor	Jan 2028

Pocahontas County



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Independent Auditor's Report

To the Officials of Pocahontas County:

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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, 2023 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Pocahontas County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pocahontas County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pocahontas County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pocahontas County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 56 through 68 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pocahontas County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2022 (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.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the supplementary information in Schedules 1 through 5 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 25, 2024 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.



Brian R. Brustkern, CPA
Deputy Auditor of State

March 25, 2024

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, 2023. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2023 FINANCIAL HIGHLIGHTS

- The Governor signed Senate File 619 on June 16, 2021 which significantly changed mental health funding. The County was required to transfer the remaining fund balance of the Special Revenue, Mental Health Fund to the Rolling Hills Community Services Region prior to June 30, 2022.
- Revenues of the County's governmental activities increased 23.1%, or approximately \$3,505,000, during fiscal year 2023. Charges for service increased approximately \$2,043,000, operating grants, contributions and restricted interest decreased approximately \$227,000 and capital grants, contributions and restricted interest increased approximately \$1,485,000.
- Program expenses of the County's governmental were 19.7%, or approximately \$2,659,000 more in fiscal year 2023 than in fiscal year 2022. Non-program expenses, which included drainage districts, increased approximately \$1,291,000 and roads and transportation expenses increased approximately \$1,224,000.
- The County's net position at June 30, 2023 increased 5.8%, or approximately \$2,504,000, over the June 30, 2022 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 (Custodial 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 (asset) 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 Custodial 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, 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 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 custodial capacity for others which cannot be used to support the County’s own programs. These fiduciary funds include Custodial 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 includes a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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,	
	2023	2022
Current and other assets	\$ 33,154	32,818
Capital assets	27,463	25,888
Total assets	60,617	58,705
Deferred outflows of resources	664	662
Long-term liabilities	5,111	4,290
Other liabilities	2,939	2,118
Total liabilities	8,050	6,408
Deferred inflows of resources	7,737	9,970
Net position:		
Net investment in capital assets	27,458	25,876
Restricted	13,573	13,707
Unrestricted	4,462	3,406
Total net position	\$ 45,493	42,989

Pocahontas County’s combined net position of governmental activities increased 5.8% (approximately \$45.5 million compared to approximately \$43.0 million).

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 \$1,582,000, or 6.1%, over the prior year.

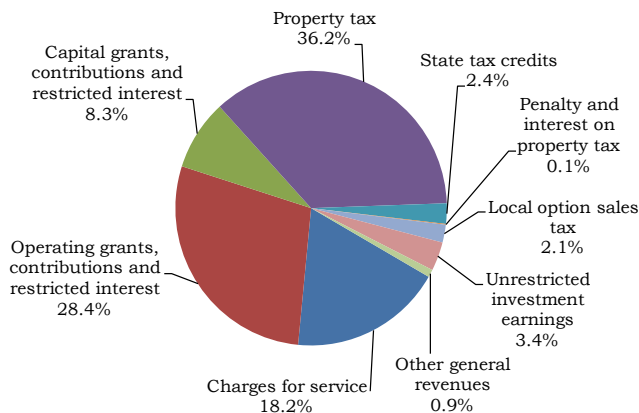
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position category decreased approximately \$134,000, or 1.0%, from the prior year.

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 \$1,056,000 over the prior year from the balance in 2022 of approximately \$3,406,000.

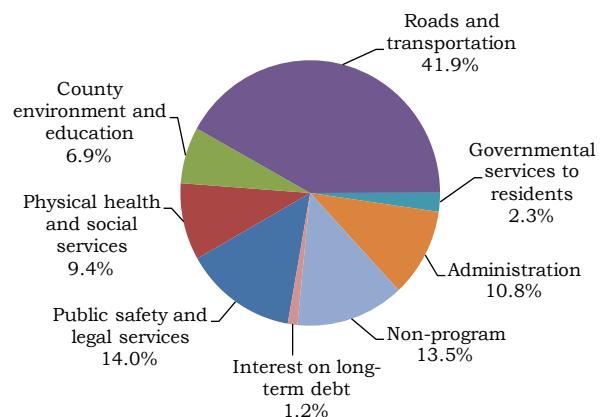
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2023	2022
Revenues:		
Program revenues:		
Charges for service	\$ 3,395	1,352
Operating grants, contributions and restricted interest	5,304	5,531
Capital grants, contributions and restricted interest	1,549	64
General revenues:		
Property tax	6,748	6,727
Penalty and interest on property tax	21	33
State tax credits	456	456
Local option sales tax	398	426
American Rescue Plan Act	-	289
Unrestricted investment earnings	637	227
Other general revenues	170	68
Total revenues	18,678	15,173
Program expenses:		
Public safety and legal services	2,262	2,127
Physical health and social services	1,515	1,329
Mental health	-	420
County environment and education	1,117	1,109
Roads and transportation	6,782	5,558
Governmental services to residents	372	365
Administration	1,750	1,493
Non-program	2,185	894
Interest on long-term debt	190	219
Total expenses	16,173	13,514
Change in net position	2,504	1,659
Net position beginning of year	42,989	41,330
Net position end of year	\$ 45,493	42,989

Revenues by Source



Expenses by Function



Pocahontas County's governmental activities net position increased approximately \$2,504,000 during the year. Revenues for governmental activities increased approximately \$3,505,000 over the prior year. Charges for services increased approximately \$2,043,000 due to an increase in drainage assessment collections in fiscal year 2023. Capital grants, contributions and restricted interest increased approximately \$1,485,000 due to an increase in infrastructure assets contributed by the Iowa Department of Transportation.

The cost of all governmental activities this year was approximately \$16.2 million compared to approximately \$13.5 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$5.9 million because some of the cost was paid by those who directly benefited from the programs (approximately \$3,395,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$6,854,000). Overall, the County's governmental program revenues, including intergovernmental aid and charges for services, increased in fiscal year 2023 from approximately \$6,947,000 to approximately \$10,249,000. As discussed above, the County received more contributions of roads paid for by the Iowa Department of Transportation in fiscal year 2023 compared to fiscal year 2022, and more drainage assessment collections.

INDIVIDUAL MAJOR FUND ANALYSIS

As Pocahontas County completed the year, its governmental funds reported a combined fund balance of approximately \$18.9 million, a decrease of approximately \$91,000 from last year's total of approximately \$19.0 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 \$381,000. The ending fund balance increased approximately \$271,000 over the prior year to approximately \$6,931,000. General Fund revenues increased approximately \$418,000, or 6.4% over the prior year due to an increase in interest rates on investments. Expenditures increased approximately \$563,000 or 9.4% over the prior year due to an increase in salaries and benefits and reimbursable mental health expenses the County is handling on behalf of the mental health region.
- Special Revenue, Rural Services Fund revenues increased approximately \$14,000, or less than 1.0%. Expenditures were relatively stable decreasing approximately \$11,000 or less than 1.0%. The Special Revenue, Rural Services Fund ending fund balance increased approximately \$175,000 or 7.7%.
- Revenues in the Special Revenue, Secondary Roads Fund increased approximately \$432,000 over the previous year, due, in part, to an increase in drainage district services provided and an increase in miscellaneous revenues. Expenditures increased approximately \$1,531,000, or 29.0%, over the prior year due to more roadway maintenance projects. The Secondary Roads Fund ending fund balance decreased approximately \$354,000 to approximately \$8.7 million.
- The Special Revenue, Drainage Districts Fund ending fund balance decreased approximately \$204,000 from the prior year to approximately \$709,000. Revenues and proceeds from the issuance of drainage warrants decreased approximately \$213,000 from the prior year. Revenues are dependent on the assessments on drainage projects performed during the year. Expenditures increased approximately \$498,000, due to an increase in drainage projects performed during the year.

BUDGETARY HIGHLIGHT

Over the course of the year, Pocahontas County amended its budget one time. The amendment was made in May of 2023 and resulted in an increase in budgeted receipts and disbursements by \$244,270 and \$1,506,832, respectively. The increase in receipts and disbursements was related to the purchase of land for a possible new jail, added employees and Secondary Road projects that were not originally budgeted.

The County's receipts were approximately \$1,004,000 more than budgeted, a variance of 7.45% above the final amended budget.

Total disbursements were \$2,975,268 less than the budget. Actual disbursements for capital projects, administration and public safety and legal services functions were \$1,005,085, \$1,168,162 and \$407,816, respectively, less than budgeted. The variance for capital projects function was due to delays in projects. The variance for administration and public safety and legal services functions was due to reduced spending in multiple areas.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, Pocahontas County had approximately \$27.5 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1.6 million, or 6.1%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2023	2022
Land	\$ 2,212	2,088
Construction in progress	1,550	7,094
Buildings and building improvements	1,731	1,789
Equipment and vehicles	4,552	3,306
Right-to-use leased assets	4	11
Infrastructure, road network	17,414	11,599
Total	<u>\$ 27,463</u>	<u>25,887</u>

This year's major additions included (in thousands):

Capital assets contributed by the Iowa		
Department of Transportation	\$	1,549
Land		124
County Sheriff and Secondary Roads		
vehicles and equipment		<u>1,580</u>
Total	\$	<u>3,253</u>

The County had depreciation/amortization expense of \$1,906,545 in fiscal year 2023 and total accumulated depreciation of \$21,623,522 at June 30, 2023. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2023, Pocahontas County had approximately \$3,379,000 of outstanding debt compared to approximately \$3,719,000 at June 30, 2022.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2023	2022
Drainage warrants and improvement certificates	\$ 3,246	3,535
State Revolving Fund improvement certificates	129	172
Lease agreements	4	12
Total	<u>\$ 3,379</u>	<u>3,719</u>

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 \$58 million. Additional information about the County's long-term debt is presented in Note 7 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 2024 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 1.8% versus 2.1% a year ago. This compares with the State's unemployment rate of 3.2% and the national rate of 3.6%.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Pocahontas County
Statement of Net Position
June 30, 2023

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 20,157,036
Receivables:	
Property tax:	
Delinquent	11,102
Succeeding year	7,253,000
Interest and penalty on property tax	28,295
Accounts	292,134
Opioid settlement	70,897
Accrued interest	82,170
Drainage assessments	2,960,566
Due from other governments	640,298
Lease receivable	35,752
Inventories	1,453,932
Prepaid insurance	168,552
Capital assets not being depreciated	3,761,550
Capital assets, net of accumulated depreciation	<u>23,701,307</u>
Total assets	<u>60,616,591</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>663,916</u>

Pocahontas County
Statement of Net Position
June 30, 2023

	Governmental Activities
Liabilities	
Accounts payable	1,629,317
Salaries and benefits payable	218,824
Due to other governments	44,068
Unearned revenues	1,046,608
Long-term liabilities:	
Portion due or payable within one year:	
Lease agreements	2,824
Drainage warrants/improvement certificates	2,150,644
State revolving fund improvement certificates	44,000
Compensated absences	313,690
OPEB Liability	73,330
Portion due or payable after one year:	
Lease agreements	1,434
Drainage warrants/improvement certificates	1,095,223
State revolving fund improvement certificates	85,000
Net pension liability	1,124,553
OPEB Liability	220,510
Total liabilities	8,050,025
Deferred Inflows of Resources	
Lease related	35,752
Unavailable property tax revenue	7,253,000
Pension related deferred inflows	448,248
Total deferred inflows of resources	7,737,000
Net Position	
Net investment in capital assets	27,458,599
Restricted for:	
Supplemental levy purposes	1,545,757
Conservation land acquisition	205,552
Rural services	2,406,099
Secondary roads purposes	8,909,786
Drainage districts	306,685
Opioid abatement	19,622
Other purposes	179,334
Unrestricted	4,462,048
Total net position	\$ 45,493,482

See notes to financial statements.

Pocahontas County

Pocahontas County
Statement of Activities
Year ended June 30, 2023

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,262,471	22,586	160,887	-	(2,078,998)
Physical health and social services	1,515,272	294,299	522,318	-	(698,655)
County environment and education	1,116,690	85,221	8,743	-	(1,022,726)
Roads and transportation	6,782,277	420,607	4,331,938	1,549,422	(480,310)
Governmental services to residents	371,536	187,556	53	-	(183,927)
Administration	1,750,004	41,895	163,745	-	(1,544,364)
Non-program	2,184,960	2,342,890	116,569	-	274,499
Interest on long-term debt	189,985	-	-	-	(189,985)
Total	\$ 16,173,195	3,395,054	5,304,253	1,549,422	(5,924,466)
General Revenues:					
Property and other county tax levied for general purposes					6,747,525
Penalty and interest on property tax					20,647
State tax credits					455,947
Local option sales tax					398,192
Unrestricted investment earnings					636,655
Gain on disposition of capital assets					87,760
Miscellaneous					82,169
Total general revenues					8,428,895
Change in net position					2,504,429
Net position beginning of year					42,989,053
Net position end of year					\$ 45,493,482

See notes to financial statements.

Pocahontas County

Balance Sheet

June 30, 2023

	Special		
	General	Rural Services	Secondary Roads
Assets			
Cash, cash equivalents and pooled investments	\$ 7,819,049	2,419,578	7,880,275
Receivables:			
Property tax:			
Delinquent	11,094	8	-
Succeeding year	4,768,000	2,308,000	-
Interest and penalty on property tax	28,295	-	-
Accounts	24,790	-	267,344
Opioid settlement receivable	-	-	-
Accrued interest	82,170	-	-
Drainage assessments	-	-	-
Due from other governments	207,639	29,894	361,423
Lease receivable	35,752	-	-
Inventories	-	-	1,453,932
Prepaid expenses	110,236	10,993	47,323
Total assets	\$ 13,087,025	4,768,473	10,010,297
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 56,109	4,856	930,196
Salaries and benefits payable	119,093	16,658	83,073
Due to other governments	42,964	456	648
Unearned revenue	1,046,608	-	-
Total liabilities	1,264,774	21,970	1,013,917
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	4,768,000	2,308,000	-
Other	87,498	8	264,323
Lease related	35,752	-	-
Total deferred inflows of resources	4,891,250	2,308,008	264,323
Fund balances (deficit):			
Nonspendable:			
Inventories	-	-	1,453,932
Prepaid expenses	110,236	10,993	47,323
Restricted for:			
Supplemental levy purposes	1,456,104	-	-
Conservation land acquisition	205,552	-	-
Rural services	-	2,427,502	-
Secondary roads purposes	-	-	7,230,802
Drainage warrants/drainage improvement certificates	-	-	-
Opioid abatement	-	-	-
Other purposes	61,093	-	-
Committed for equipment purchase	70,000	-	-
Unassigned	5,028,016	-	-
Total fund balances	6,931,001	2,438,495	8,732,057
Total liabilities, deferred inflows of resources and fund balances	\$ 13,087,025	4,768,473	10,010,297

See notes to financial statements.

<u>Revenue</u>		
<u>Drainage</u>		
<u>Districts</u>	<u>Nonmajor</u>	<u>Total</u>
1,272,771	62,823	19,454,496
-	-	11,102
-	177,000	7,253,000
-	-	28,295
-	-	292,134
-	70,897	70,897
-	-	82,170
2,960,566	-	2,960,566
41,342	-	640,298
-	-	35,752
-	-	1,453,932
-	-	168,552
<u>4,274,679</u>	<u>310,720</u>	<u>32,451,194</u>
593,127	-	1,584,288
-	-	218,824
-	-	44,068
-	-	1,046,608
<u>593,127</u>	<u>-</u>	<u>2,893,788</u>
-	177,000	7,253,000
2,972,628	70,897	3,395,354
-	-	35,752
<u>2,972,628</u>	<u>247,897</u>	<u>10,684,106</u>
-	-	1,453,932
-	-	168,552
-	-	1,456,104
-	-	205,552
-	-	2,427,502
-	-	7,230,802
708,924	-	708,924
-	19,622	19,622
-	43,201	104,294
-	-	70,000
-	-	5,028,016
<u>708,924</u>	<u>62,823</u>	<u>18,873,300</u>
<u>4,274,679</u>	<u>310,720</u>	<u>32,451,194</u>

Pocahontas County

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

June 30, 2023

Total governmental fund balances (page 21) \$ 18,873,300

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 \$49,086,379 and the accumulated depreciation/amortization is \$21,623,522. 27,462,857

Other long-term assets are not available to pay current year expenditures, and therefore, are recognized as deferred inflows of resources in the governmental funds. 3,395,354

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. 657,511

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	\$ 663,916	
Deferred inflows of resources	<u>(448,248)</u>	215,668

Long-term liabilities, including lease agreements payable, 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. (5,111,208)

Net position of governmental activities (page 17) \$ 45,493,482

See notes to financial statements.

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

Year ended June 30, 2023

	Special		
	General	Rural Services	Secondary Roads
Revenues:			
Property and other county tax	\$ 4,440,474	2,303,795	-
Local option sales tax	-	398,192	-
Interest and penalty on property tax	26,950	-	-
Intergovernmental	1,141,123	226,134	4,372,871
Licenses and permits	13,510	1,084	34,557
Charges for service	503,230	-	137,794
Use of money and property	712,442	-	60,873
Miscellaneous	108,052	-	112,224
Total revenues	<u>6,945,781</u>	<u>2,929,205</u>	<u>4,718,319</u>
Expenditures:			
Operating:			
Public safety and legal services	1,733,929	690,531	-
Physical health and social services	1,595,622	-	-
County environment and education	697,358	432,920	-
Roads and transportation	-	-	6,790,048
Governmental services to residents	399,607	3,385	-
Administration	2,047,859	-	-
Non-program	11,426	-	-
Debt service	-	-	-
Capital projects	79,445	-	18,976
Total expenditures	<u>6,565,246</u>	<u>1,126,836</u>	<u>6,809,024</u>
Excess (deficiency) of revenues over (under) expenditures	<u>380,535</u>	<u>1,802,369</u>	<u>(2,090,705)</u>
Other financing sources (uses):			
Transfers in	-	-	1,736,605
Transfers out	(109,224)	(1,627,381)	-
Drainage warrants/drainage improvement certificates issued	-	-	-
Total other financing sources (uses)	<u>(109,224)</u>	<u>(1,627,381)</u>	<u>1,736,605</u>
Change in fund balances	271,311	174,988	(354,100)
Fund balances beginning of year	<u>6,659,690</u>	<u>2,263,507</u>	<u>9,086,157</u>
Fund balances end of year	<u>\$ 6,931,001</u>	<u>2,438,495</u>	<u>8,732,057</u>

See notes to financial statements.

Revenue		
Drainage Districts	Nonmajor	Total
-	-	6,744,269
-	-	398,192
-	-	26,950
270,871	10,033	6,021,032
-	-	49,151
-	1,671	642,695
-	121	773,436
1,859,483	19,839	2,099,598
2,130,354	31,664	16,755,323
-	-	2,424,460
-	10,000	1,605,622
-	250	1,130,528
-	-	6,790,048
-	-	402,992
-	-	2,047,859
1,812,387	-	1,823,813
1,845,412	-	1,845,412
-	-	98,421
3,657,799	10,250	18,169,155
(1,527,445)	21,414	(1,413,832)
-	-	1,736,605
-	-	(1,736,605)
1,323,224	-	1,323,224
1,323,224	-	1,323,224
(204,221)	21,414	(90,608)
913,145	41,409	18,963,908
708,924	62,823	18,873,300

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, 2023

Change in fund balances - Total governmental funds (page 25) \$ (90,608)

**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/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 1,844,672	
Capital assets contributed by the Iowa Department of Transportation	1,549,422	
Depreciation/amortization expense	<u>(1,906,545)</u>	1,487,549

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. 87,760

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	3,256	
Other	<u>287,444</u>	290,700

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 repayments exceeded issuances, as follows:

Issued	(1,323,224)	
Repaid	<u>1,662,722</u>	339,498

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. 451,892

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	(72,137)	
OPEB expense	36,024	
Pension expense	<u>94,959</u>	58,846

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. (121,208)

Change in net position of governmental activities (page 19) \$ 2,504,429

See notes to financial statements.

Pocahontas County
Statement of Net Position
Proprietary Fund

June 30, 2023

	<u>Internal Service</u>
	<u>Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 702,540
Liabilities	
Accounts payable	<u>45,029</u>
Net Position	
Restricted for employee health	<u>\$ 657,511</u>

See notes to financial statements.

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

Year ended June 30, 2023

	<u>Internal Service</u>	<u>Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds	\$ 197,093	
Reimbursements from employees and others	41,114	
Total operating revenues	<u>238,207</u>	
Operating expenses:		
Medical claims	\$ 248,230	
Premiums	102,002	
Administrative charges	<u>9,927</u>	<u>360,159</u>
Operating loss		(121,952)
Non-operating revenues:		
Interest income		<u>744</u>
Net loss		(121,208)
Net position beginning of year		<u>778,719</u>
Net position end of year		<u>\$ 657,511</u>

See notes to financial statements.

Pocahontas County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2023

	Internal Service
	Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund contributions	\$ 197,093
Cash received from employees and others	41,114
Cash paid for medical claims, premiums and other	<u>(380,308)</u>
Net cash used by operating activities	(142,101)
Cash flows from investing activities:	
Interest on investments	<u>744</u>
Net decrease in cash and cash equivalents	(141,357)
Cash and cash equivalents beginning of year	<u>843,897</u>
Cash and cash equivalents end of year	<u>\$ 702,540</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$ (121,952)
Adjustment to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts payable	<u>(20,149)</u>
Net cash used by operating activities	<u>\$ (142,101)</u>

See notes to financial statements.

Pocahontas County
Statement of Fiduciary Net Position
Custodial Funds

June 30, 2023

Assets

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 1,557,294
Other County officials	12,734
Receivables:	
Property tax:	
Delinquent	74,021
Succeeding year	12,720,000
Special assessments	123,770
Due from other governments	55,352
Prepays	<u>7,756</u>
Total assets	<u>14,550,927</u>

Liabilities

Salaries and benefits payable	11,097
Due to other governments	419,939
Trusts payable	5,944
Compensated absences	<u>23,966</u>
Total liabilities	<u>460,946</u>

Deferred Inflows of Resources

Unavailable property tax revenue	<u>12,720,000</u>
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Net Position

Restricted for individuals, organizations and other governments	<u>\$ 1,369,981</u>
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See notes to financial statements.

Pocahontas County
 Statement of Changes in Fiduciary Net Position
 Custodial Funds

June 30, 2023

Additions:	
Property and other county tax	\$ 14,845,805
911 surcharge	189,982
State tax credits	1,076,389
Drivers license fees	34,443
Office fees and collections	418,419
Auto licenses, use tax and postage	3,678,135
Assessments	16,491
Trusts	255,731
Miscellaneous	<u>236,797</u>
Total additions	<u>20,752,192</u>
Deductions:	
Agency remittances:	
To other funds	324,815
To other governments	20,213,831
Trusts paid out	<u>258,051</u>
Total deductions	<u>20,796,697</u>
Change in net position	(44,505)
Net position beginning of year	<u>1,414,486</u>
Net position end of year	<u>\$ 1,369,981</u>

See notes to financial statements.

Pocahontas County

Notes to Financial Statements

June 30, 2023

(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 Custodial Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Rolling Hills Community 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/amortization and reduced by outstanding balances for debt attributable to the acquisition, construction or improvement of those assets.

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 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, 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 – Custodial 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 lease agreements 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 except for the investment in the Iowa Public Agency Investment Trust and non-negotiable certificates of deposit which are stated at amortized cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is 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, 2021 assessed property valuations; is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2022.

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.

Opioid Settlement Receivable – The County will receive payments from certain prescription drug companies and pharmaceutical distributors engaged in misleading and fraudulent conduct in the marketing and sale of opioids and failure to monitor for, detect and prevent diversion of the drugs. The County is required to use these funds for activities to remediate the opioid crisis and treat or mitigate opioid use disorder and related disorders through prevention, harm reduction and recovery services.

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 (except for intangible right-to-use lease assets, the measurement of which is discussed under “Leases” below) 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. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class. 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 three years.

Asset Class	Amount
Infrastructure	\$ 65,000
Land, buildings and improvements	25,000
Intangibles	75,000
Right-to-use leased assets	5,000
Equipment and vehicles	5,000

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, the right-to-use leased equipment and infrastructure are depreciated/amortized 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
Right-to-use-lease assets	3 - 20
Equipment	3 - 20
Vehicles	5 - 15

Leases – **County as Lessee** – Pocahontas County is the lessee for a noncancellable lease of equipment. The County has recognized a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The County recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the County initially measures the lease liability at the present value of payment expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payment made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how Pocahontas County determines the discount rate it uses to discount the expected lease payments to present value, lease term and lease payments.

Pocahontas County uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and a purchase option price that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

County as Lessor – Pocahontas County is a lessor for a noncancellable lease of farmland. The County recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the County initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how Pocahontas County determines the discount rate it uses to discount the expected lease receipts to present value, lease term and lease receipts.

Pocahontas County uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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.

Unearned Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Unearned revenue in the government-wide and governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the County has not made a qualifying expenditure. Unearned revenue consists of unspent American Rescue Plan Act proceeds.

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, 2023. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, 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 (asset), 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, 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 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, 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, the unamortized portion of the net difference between projected and actual earnings on pension plan assets and deferred amounts related to leases.

Fund Balance – 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.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year-end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

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, 2023, disbursements exceeded the amounts budgeted in the roads and transportation function prior to a budget amendment and disbursements in certain departments exceeded the amounts appropriated.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2023 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, 2023, the County had investments in drainage warrants and improvement certificates of \$2,713,243 and \$1,322,995, respectively.

In addition, the County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$6,195,330. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT is unrated.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2023 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 109,224
	Special Revenue:	
	Rural Services	<u>1,627,381</u>
Total		<u>\$ 1,736,605</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, 2023 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 2,087,976	123,696	-	2,211,672
Construction in process	7,093,936	1,562,773	(7,106,831)	1,549,878
Total capital assets not being depreciated/amortized	<u>9,181,912</u>	<u>1,686,469</u>	<u>(7,106,831)</u>	<u>3,761,550</u>
Capital assets being depreciated/amortized:				
Buildings and building improvements	4,043,671	46,896	(7,200)	4,083,367
Right-to-use leased buildings	9,757	-	-	9,757
Equipment and vehicles	9,665,211	1,763,683	(96,795)	11,332,099
Right-to-use leased equipment	6,346	-	(6,346)	-
Infrastructure, road network	22,792,775	7,106,831	-	29,899,606
Total capital assets being depreciated/amortized	<u>36,517,760</u>	<u>8,917,410</u>	<u>(110,341)</u>	<u>45,324,829</u>
Less accumulated depreciation/amortization for:				
Buildings and building improvements	2,254,530	104,914	(7,200)	2,352,244
Equipment and vehicles	6,359,373	505,851	(84,955)	6,780,269
Right-to-use leased assets	4,645	3,923	(2,992)	5,576
Infrastructure, road network	11,193,576	1,291,857	-	12,485,433
Total accumulated depreciation/amortization	<u>19,812,124</u>	<u>1,906,545</u>	<u>(95,147)</u>	<u>21,623,522</u>
Total capital assets being depreciated/amortized, net	<u>16,705,636</u>	<u>7,010,865</u>	<u>(15,194)</u>	<u>23,701,307</u>
Governmental activities capital assets, net	<u>\$ 25,887,548</u>	<u>8,697,334</u>	<u>(7,122,025)</u>	<u>27,462,857</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 72,017
Physical health and social services	349
County environment and education	63,152
Roads and transportation	1,684,983
Governmental services to residents	7,614
Administration	<u>78,430</u>
Total depreciation expense - governmental activities	<u>\$ 1,906,545</u>

(5) County Farm Lease Receivable

The County owns the Pocahontas County, Iowa Farm (Farm). Effective March 1, 2020, the County entered into a four-year lease agreement with Steve Hoffman (Operator) whereby Steve Hoffman operates the Farm. The County to receive \$72,220 in land rent annually (\$36,110 due March 1st and \$36,110 due November 1st) with an implicit rate of 2.0%.

Year Ending June 30,	Principal	Interest	Total
2024	\$ 35,752	358	36,110

(6) 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, 2023 is as follows:

Fund	Description	Amount
General	Services	\$ 42,964
Special Revenue:		
Rural Services	Services	456
Secondary Roads	Services	648
		<u>1,104</u>
Total for governmental funds		<u>\$ 44,068</u>
Custodial:		
Agriculture Extension Education	Collections	\$ 1,947
Schools		83,882
Community Colleges		8,883
Corporations		25,210
Townships		3,005
Auto License and Use Tax		266,853
All other		<u>30,159</u>
Total for Custodial funds		<u>\$ 419,939</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2023 is as follows:

	Lease Agreements	Direct Borrowing Drainage Warrants	Direct Borrowing Drainage Improvement Certificates	Direct Borrowing State Revolving Fund Improvement Certificates	Compensated Absences	Net Pension Liability (asset)	Total OPEB Liability	Total
Balance beginning of year	\$ 11,553	1,984,303	1,550,767	172,000	241,553	(1,084,707)	329,864	3,205,333
Increases	-	1,323,224	-	-	196,119	2,209,260	37,306	3,765,909
Decreases	7,295	1,384,655	227,772	43,000	123,982	-	73,330	1,860,034
Balance end of year	\$ 4,258	1,922,872	1,322,995	129,000	313,690	1,124,553	293,840	5,111,208
Due within one year	\$ 2,824	1,922,872	227,772	44,000	313,690	-	73,330	2,584,488

Lease Agreements

On December 1, 2019, the County entered into a lease agreement for a copier in the County Auditor’s Office. An initial lease liability was recorded in the amount of \$9,600. The agreement requires monthly payments of \$160 over 60 months, with an implicit interest rate of 2.0% and a final payment on November 1, 2024. During the year ended June 30, 2023, the lessor was bought by another company and the remaining balance of the lease was paid off. On February 1, 2023, the County entered into a master lease agreement for all the County’s copiers. The net present value of the net assets in the aggregate was considered insignificant and individually, the copiers did not meet the \$5,000 capitalization threshold.

On January 1, 2020, the County entered into a lease agreement for two parcels of land with a Quonset Hut structure for secondary roads with an initial lease liability of \$14,420. The agreement requires annual payments of \$2,884 over 5 years, with an implicit interest rate of 2.0% and final payment due January 10, 2024.

Future principal and interest lease payments as of June 30, 2023 are as follows:

Year Ending June 30,	Office Building		
	Principal	Interest	Total
2024	\$ 2,824	60	2,884
2025	1,434	8	1,442
Total	\$ 4,258	68	4,326

Drainage Warrants/Drainage Improvement Certificates Payable – Direct Borrowing

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 (SRF) Improvement Certificates – Direct Borrowing

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 3.00% per annum. As of June 1, 2020, the interest rate on the loan was reduced from 3.00% to 1.75%. 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, 2023, the County had drawn down the entire authorized amount. During the year ended June 30, 2023, the County paid \$43,000 of principal and \$3,010 of interest on these certificates.

The County's outstanding SRF Improvement Certificates from direct borrowings related to governmental activities of \$129,000 are secured by assessments against property in the Drainage District System. The agreement contains a provision that in an event of default, the Issuer shall have the right to take any action authorized to take whatever action law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement.

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, 2023 State Revolving Fund Improvement Certificate indebtedness is as follows:

Year Ending June 30,	Interest Rate*	Principal	Interest	Total
2024	1.75%	\$ 44,000	2,258	46,258
2025	1.75	45,000	1,488	46,488
2026	1.75	40,000	700	40,700
Total		<u>\$ 129,000</u>	<u>4,446</u>	<u>133,446</u>

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

(8) Employee Group Health

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance plan. The plan is funded by both employee and County contributions and is administered through a service agreement with 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, 2023 was \$197,093.

The amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2023 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	\$ 65,178
Incurred claims (including claims incurred but not reported at June 30, 2023)	248,230
Payment on claims during the year	<u>(268,379)</u>
Unpaid claims end of year	<u>\$ 45,029</u>

(9) Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 for employees. The 457 Plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights must be held in trust of the exclusive benefit of plan participants and beneficiaries. These funds are invested and held by the Voya Financial and do not constitute a liability of the County.

(10) 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 2023, 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 8.76% of covered payroll for a total rate of 17.52%. Protection occupation members contributed 6.21% of covered payroll and the County contributed 9.31% for a total rate of 15.52%.

The County's contributions to IPERS for the year ended June 30, 2023 totaled \$451,892.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the County reported a liability of \$1,124,553 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the County's proportion was 0.029765%, which was a decrease of 0.284436% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the County recognized pension expense of \$94,959. At June 30, 2023, 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	\$ 175,204	22,559
Changes of assumptions	1,327	82,068
Net difference between projected and actual earnings on IPERS' investments	-	227,942
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	35,493	115,679
County contributions subsequent to the measurement date	451,892	-
Total	<u>\$ 663,916</u>	<u>448,248</u>

\$451,892 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, 2024. 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
2024	\$ (230,338)
2025	(177,548)
2026	(309,643)
2027	489,488
2028	(8,183)
Total	<u>\$ (236,224)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2022 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, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.

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 geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	3.57%
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
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 (Asset) to Changes in the Discount Rate – The following presents the County’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the County’s proportionate share of the net pension liability (asset) 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 (asset)	\$ 3,058,774	1,124,553	(576,968)

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 to IPERS by June 30, 2023.

(11) 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, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Active employees	<u>87</u>
Total	<u>92</u>

Total OPEB Liability – The County’s total OPEB liability of \$293,840 was measured as of June 30, 2023, and it was determined by an actuarial valuation as of June 30, 2022. The total OPEB liability was rolled forward from the June 30, 2022 valuation date to the June 30, 2023 measurement date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2022 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, 2022)	3.00% per annum.
Rates of salary increase (effective June 30, 2022)	2.00% per annum, including inflation.
Discount rate (effective June 30, 2022)	3.54% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2022)	6.00% 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 3.54% 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 2019 United States Life Tables. Annual retirement probabilities are based on historical average retirement age for the covered group, active plan members were assumed to retire after reaching age 62.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 329,864
Changes for the year:	
Service cost	26,006
Interest	11,300
Differences between expected and actual experiences	-
Changes in assumptions	-
Benefit payments	<u>(73,330)</u>
Net changes	<u>(36,024)</u>
Total OPEB liability end of year	<u>\$ 293,840</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 (2.54%) or 1% higher (4.54%) than the current discount rate.

	<u>1% Decrease (2.54%)</u>	<u>Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
Total OPEB liability	\$ 305,242	293,840	282,377

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 (4.50%) or 1% higher (6.50%) than the current healthcare cost trend rates.

	1% Decrease (4.50%)	Healthcare Cost Trend Rate (5.50%)	1% Increase (6.50%)
Total OPEB liability	\$ 277,654	293,840	312,101

OPEB Expense – For the year ended June 30, 2023, the County recognized OPEB expense of \$36,024. 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.

(12) 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.

(13) 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

Other entities within the County provided tax abatements for urban renewal and economic development projects pursuant to Chapters 15 and 403 of the Code of Iowa.

Property tax revenues of the County were reduced by the following amount for the year ended June 30, 2023 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Fonda	Urban renewal and economic development projects	\$ 3,765
City of Pocahontas	Urban renewal and economic development projects	2,733

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, 2023

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 7,143,582	-	7,143,582
Interest and penalty on property tax	26,950	-	26,950
Intergovernmental	5,971,593	270,871	5,700,722
Licenses and permits	42,968	-	42,968
Charges for service	625,233	-	625,233
Use of money and property	700,464	-	700,464
Miscellaneous	2,073,825	1,830,203	243,622
Total receipts	<u>16,584,615</u>	<u>2,101,074</u>	<u>14,483,541</u>
Disbursements:			
Public safety and legal services	2,412,582	-	2,412,582
Physical health and social services	1,597,072	-	1,597,072
County environment and education	1,121,469	-	1,121,469
Roads and transportation	6,424,428	-	6,424,428
Governmental services to residents	404,544	-	404,544
Administration	2,082,406	-	2,082,406
Non-program	1,383,488	1,372,567	10,921
Debt service	1,845,412	1,845,412	-
Capital projects	91,016	-	91,016
Total disbursements	<u>17,362,417</u>	<u>3,217,979</u>	<u>14,144,438</u>
Excess (deficiency) of receipts over (under) disbursements	(777,802)	(1,116,905)	339,103
Other financing sources, net	1,323,224	1,323,224	-
Change in balances	545,422	206,319	339,103
Balance beginning of year	<u>18,909,074</u>	<u>1,066,452</u>	<u>17,842,622</u>
Balance end of year	<u>\$ 19,454,496</u>	<u>1,272,771</u>	<u>18,181,725</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
7,044,730	7,044,730	98,852
11,025	11,025	15,925
5,370,546	5,571,116	129,606
35,000	35,000	7,968
588,629	598,629	26,604
113,380	113,380	587,084
72,360	106,060	137,562
<u>13,235,670</u>	<u>13,479,940</u>	<u>1,003,601</u>
2,774,398	2,820,398	407,816
1,624,015	1,710,115	113,043
1,122,924	1,180,229	58,760
5,442,253	6,580,753	156,325
470,157	470,157	65,613
3,071,641	3,250,568	1,168,162
11,385	11,385	464
-	-	-
<u>1,096,101</u>	<u>1,096,101</u>	<u>1,005,085</u>
<u>15,612,874</u>	<u>17,119,706</u>	<u>2,975,268</u>
(2,377,204)	(3,639,766)	3,978,869
<u>1,000</u>	<u>1,000</u>	<u>(1,000)</u>
(2,376,204)	(3,638,766)	3,977,869
<u>15,769,892</u>	<u>15,769,892</u>	<u>2,072,730</u>
<u>13,393,688</u>	<u>12,131,126</u>	<u>6,050,599</u>

Pocahontas County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2023

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 16,584,615	170,708	16,755,323
Expenditures	17,362,417	806,738	18,169,155
Net	(777,802)	(636,030)	(1,413,832)
Other financing sources, net	1,323,224	-	1,323,224
Beginning fund balances	18,909,074	54,834	18,963,908
Ending fund balances	<u>\$ 19,454,496</u>	<u>(581,196)</u>	<u>18,873,300</u>

See accompanying independent auditor's report.

Pocahontas County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2023

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 Custodial 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 nine major classes of expenditures known as functions, not by fund. These nine functions are: public safety and legal services, physical health and social services, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$1,506,832. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County 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, 2023, disbursements exceeded the amounts budgeted in the roads and transportation function prior to the budget amendment and disbursements in certain departments exceeded the amounts appropriated.

Pocahontas County

Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)

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

Required Supplementary Information

	2023	2022	2021	2020
County's proportion of the net pension liability (asset)	0.029765%	0.314201% **	0.042440%	0.040458%
County's proportionate share of the net pension liability (asset)	\$ 1,125	(1,084)	2,981	2,342
County's covered payroll	\$ 4,353	4,377	4,324	4,242
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	25.84%	(24.77)%	68.94%	55.21%
IPERS' net position as a percentage of the total pension liability (asset)	91.40%	100.81%	82.90%	85.45%

* 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.

** Overall plan net pension asset.

See accompanying independent auditor's report.

2019	2018	2017	2016	2015
0.041905%	0.042538%	0.043237%	0.040860%	0.040386%
2,652	2,834	2,721	2,019	1,602
3,995	3,905	3,877	3,775	3,790
66.38%	72.57%	70.18%	53.48%	42.27%
83.62%	82.21%	81.82%	85.19%	87.61%

Pocahontas County

Schedule of County Contributions

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

Required Supplementary Information

	2023	2022	2021	2020
Statutorily required contribution	\$ 452	426	430	411
Contributions in relation to the statutorily required contribution	(452)	(426)	(430)	(411)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered payroll	\$ 4,838	4,353	4,377	4,324
Contributions as a percentage of covered payroll	9.34%	9.79%	9.82%	9.51%

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
406	378	356	355	347	349
(406)	(378)	(356)	(355)	(347)	(349)
-	-	-	-	-	-
4,242	3,995	3,905	3,877	3,775	3,790
9.57%	9.46%	9.12%	9.16%	9.19%	9.21%

Pocahontas County

Pocahontas County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2023

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

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.

Pocahontas County

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

For the Last Six Years
Required Supplementary Information

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Service cost	\$ 26,006	22,738	22,292	22,506
Interest cost	11,300	4,486	4,450	9,366
Difference between expected and actual experiences	-	151,574	-	(71,639)
Changes in assumptions	-	(15,398)	-	17,628
Benefit payments	<u>(73,330)</u>	<u>(27,581)</u>	<u>(23,553)</u>	<u>(13,025)</u>
Net change in total OPEB liability	<u>(36,024)</u>	<u>135,819</u>	<u>3,189</u>	<u>(35,164)</u>
Total OPEB liability beginning of year	<u>329,864</u>	<u>194,045</u>	<u>190,856</u>	<u>226,020</u>
Total OPEB liability end of year	<u>\$ 293,840</u>	<u>329,864</u>	<u>194,045</u>	<u>190,856</u>
Covered-employee payroll	\$ 4,234,914	4,151,876	4,197,373	4,115,072
Total OPEB liability as a percentage of covered-employee payroll	6.9%	7.9%	4.6%	4.6%

See accompanying independent auditor's report.

<u>2019</u>	<u>2018</u>
22,065	19,294
8,841	8,519
-	(4,081)
-	27,610
<u>(22,572)</u>	<u>(7,373)</u>
<u>8,334</u>	<u>43,969</u>
<u>217,686</u>	<u>173,717</u>
<u>226,020</u>	<u>217,686</u>
4,161,495	4,079,897
5.4%	5.3%

Pocahontas County

Notes to Required Supplementary Information – OPEB Liability

Year ended June 30, 2023

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

The 2022 valuation implemented the following refinements as a result of a new actuarial opinion dated June 30, 2022, which was rolled forward to the June 30, 2023 measurement date:

- Changed mortality assumption to the 2019 United States Life tables.

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, 2023	3.54%
Year ended June 30, 2022	3.54%
Year ended June 30, 2021	2.21%
Year ended June 30, 2020	2.21%
Year ended June 30, 2019	3.87%
Year ended June 30, 2018	3.87%
Year ended June 30, 2017	4.50%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Supplementary Information

Pocahontas County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2023

				Special
	County Recorder's Records Management	Courthouse Security	Local Government Opioid Abatement	
Assets				
Cash, cash equivalents and pooled investments	\$ 21,754	1,900	19,622	
Receivables:				
Property tax:				
Succeeding year	-	-	-	
Opioid settlement receivable	-	-	70,897	
Total assets	21,754	1,900	90,519	
Deferred Inflows of Resources and Fund Balances				
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	-	
Other	-	-	70,897	
Total deferred inflows of resources	-	-	70,897	
Fund balances:				
Restricted for other purposes	21,754	1,900	-	
Opioid abatement	-	-	19,622	
Total fund balances	21,754	1,900	19,622	
Total deferred inflows of resources and fund balances	\$ 21,754	1,900	90,519	

See accompanying independent auditor's report.

<u>Revenue</u>			
<u>REAP</u>	<u>Environmental Education Trust</u>	<u>Emergency Medical Service Trust</u>	<u>Total</u>
10,841	8,706	-	62,823
-	-	177,000	177,000
-	-	-	70,897
10,841	8,706	177,000	310,720
-	-	177,000	177,000
-	-	-	70,897
-	-	177,000	247,897
10,841	8,706	-	43,201
-	-	-	19,622
10,841	8,706	-	62,823
10,841	8,706	177,000	310,720

Pocahontas County

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

Year ended June 30, 2023

	Special		
	County Recorder's Records Management	Courthouse Security	Opioid Abatement
Revenues:			
Intergovernmental	\$ -	-	-
Charges for service	1,671	-	-
Use of money and property	101	-	-
Miscellaneous	-	-	19,622
Total revenues	1,772	-	19,622
Expenditures:			
Operating:			
Physical health and social services	-	-	-
County environment and education	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures	1,772	-	19,622
Fund balances (deficit) beginning of year	19,982	1,900	-
Fund balances end of year	\$ 21,754	1,900	19,622

See accompanying independent auditor's report.

 Revenue

Veterans Grants	REAP	Environmental Education Trust	Total
10,033	-	-	10,033
-	-	-	1,671
-	9	11	121
-	-	217	19,839
10,033	9	228	31,664
10,000	-	-	10,000
-	-	250	250
10,000	-	250	10,250
33	9	(22)	21,414
(33)	10,832	8,728	41,409
-	10,841	8,706	62,823

Pocahontas County

Combining Schedule of Fiduciary Net Position
Custodial Funds

June 30, 2023

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	1,947	288,011	83,882
Other County officials	6,452	-	-	-
Receivables:				
Property tax:				
Delinquent	-	593	830	23,995
Succeeding year	-	257,000	204,000	8,221,000
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Prepays	-	-	3,238	-
Total assets	6,452	259,540	496,079	8,328,877
Liabilities				
Salaries and benefits payable	-	-	6,073	-
Due to other governments	508	1,947	-	83,882
Trusts payable	5,944	-	-	-
Compensated absences	-	-	10,645	-
Total liabilities	6,452	1,947	16,718	83,882
Deferred Inflows of Resources				
Unavailable revenues	-	257,000	204,000	8,221,000
Net Position				
Restricted for individuals, organizations and other governments	\$ -	593	275,361	23,995

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	911 Services Board	Pocahontas County Economic Development	Other	Total
8,883	25,210	3,005	266,853	594,707	164,657	120,139	1,557,294
-	-	-	-	-	-	6,282	12,734
2,716	45,881	1	-	-	-	5	74,021
1,140,000	2,567,000	329,000	-	-	-	2,000	12,720,000
-	-	-	-	-	-	123,770	123,770
-	-	-	-	55,352	-	-	55,352
-	-	-	-	-	2,259	2,259	7,756
1,151,599	2,638,091	332,006	266,853	650,059	166,916	254,455	14,550,927
-	-	-	-	-	2,987	2,037	11,097
8,883	25,210	3,005	266,853	-	-	29,651	419,939
-	-	-	-	-	-	-	5,944
-	-	-	-	-	4,338	8,983	23,966
8,883	25,210	3,005	266,853	-	7,325	40,671	460,946
1,140,000	2,567,000	329,000	-	-	-	2,000	12,720,000
2,716	45,881	1	-	650,059	159,591	211,784	1,369,981

Pocahontas County

Combining Schedule of Changes in Fiduciary Net Position
Custodial Funds

Year ended June 30, 2023

	County Offices	Agricultural Extension Education	County Assessor	Schools
Additions:				
Property and other county tax	\$ -	237,564	332,543	10,340,320
911 surcharge	-	-	-	-
State tax credits	-	17,150	24,586	549,570
Drivers license fees	-	-	-	-
Office fees and collections	416,642	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	77,576	-	-	-
Miscellaneous	-	-	885	-
Total additions	494,218	254,714	358,014	10,889,890
Deductions:				
Agency remittances:				
To other funds	213,086	-	-	-
To other governments	201,236	254,493	460,390	10,882,771
Trusts paid out	79,896	-	-	-
Total deductions	494,218	254,493	460,390	10,882,771
Changes in net position	-	221	(102,376)	7,119
Net position beginning of year	-	372	377,737	16,876
Net position end of year	\$ -	593	275,361	23,995

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	911 Service Board	Pocahontas County Economic Development	Other	Total
1,085,187	2,507,710	340,398	-	-	-	2,083	14,845,805
-	-	-	-	189,982	-	-	189,982
57,927	408,755	18,243	-	-	-	158	1,076,389
-	-	-	-	-	-	34,443	34,443
-	-	-	-	-	-	1,777	418,419
-	-	-	3,678,135	-	-	-	3,678,135
-	-	-	-	-	-	16,491	16,491
-	-	-	-	-	-	178,155	255,731
-	-	-	-	830	97,237	137,845	236,797
1,143,114	2,916,465	358,641	3,678,135	190,812	97,237	370,952	20,752,192
-	-	-	101,284	-	-	10,445	324,815
1,142,041	2,899,935	358,640	3,576,851	137,471	113,583	186,420	20,213,831
-	-	-	-	-	-	178,155	258,051
1,142,041	2,899,935	358,640	3,678,135	137,471	113,583	375,020	20,796,697
1,073	16,530	1	-	53,341	(16,346)	(4,068)	(44,505)
1,643	29,351	-	-	596,718	175,937	215,852	1,414,486
2,716	45,881	1	-	650,059	159,591	211,784	1,369,981

Pocahontas County

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

For the Last Ten Years

	2023	2022	2021	2020
Revenues:				
Property and other county tax	\$ 6,744,269	6,727,704	6,836,769	6,623,023
Local option sales tax	398,192	425,860	401,573	319,700
Interest and penalty on property tax	26,950	32,909	48,798	9,526
Intergovernmental	6,021,032	6,192,735	6,799,770	5,155,337
Licenses and permits	49,151	32,315	35,903	26,810
Charges for service	642,695	678,967	709,318	600,501
Use of money and property	773,436	306,005	420,018	449,322
Miscellaneous	2,099,598	2,574,573	4,851,292	1,567,870
Total	\$ 16,755,323	16,971,068	20,103,441	14,752,089
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,424,460	2,276,658	2,252,787	2,341,408
Physical health and social services	1,605,622	1,444,520	1,440,941	1,455,269
Mental health	-	429,015	203,034	308,127
County environment and education	1,130,528	1,101,495	1,047,326	1,107,263
Roads and transportation	6,790,048	5,265,983	6,326,657	4,571,947
Governmental services to residents	402,992	393,511	387,266	417,590
Administration	2,047,859	1,889,466	1,639,644	1,711,089
Non-program	1,823,813	444,647	4,032,774	1,803,732
Debt service	1,845,412	2,725,448	5,350,170	1,393,368
Capital projects	98,421	45,671	245,353	257,120
Total	\$ 18,169,155	16,016,414	22,925,952	15,366,913

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
6,655,916	6,644,117	6,418,998	6,247,099	6,395,139	6,103,438
314,924	263,770	280,803	236,586	244,992	280,429
24,053	20,270	25,128	24,279	20,895	20,768
4,994,753	4,766,189	5,042,328	4,919,919	4,886,612	4,844,847
56,122	92,746	26,024	19,455	17,012	21,786
501,364	572,342	529,758	451,448	414,165	442,924
542,958	368,678	299,366	259,921	187,765	118,442
2,859,988	5,371,634	2,189,299	1,625,091	1,406,551	565,420
15,950,078	18,099,746	14,811,704	13,783,798	13,573,131	12,398,054
2,123,096	1,990,241	1,893,245	1,955,195	1,937,652	1,802,404
1,431,656	1,434,321	1,252,129	1,217,944	1,272,890	1,224,807
332,736	360,605	472,266	408,653	405,694	503,374
1,039,642	965,594	1,058,913	1,040,380	1,007,036	957,860
2,766,395	4,528,494	4,200,127	3,135,376	4,056,586	3,603,926
413,542	356,672	294,753	320,317	320,455	335,864
1,450,591	1,370,728	1,480,274	1,215,270	1,293,906	1,256,842
4,424,585	2,671,246	2,774,361	2,406,054	1,905,216	1,063,295
1,831,682	5,824,291	2,586,718	2,318,902	2,250,676	1,319,192
2,833,727	1,981,839	2,301	171,818	412,588	185,429
18,647,652	21,484,031	16,015,087	14,189,909	14,862,699	12,252,993



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

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 auditing standards generally accepted in the United States of America 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, 2023, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 25, 2024.

Report on 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 (internal control) as a basis for designing audit procedures that are 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.

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 that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2023-001 and 2023-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pocahontas County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 noncompliance or other matters which 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 Pocahontas County's operations for the year ended June 30, 2023 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


Pocahontas County's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Pocahontas County's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. Pocahontas County's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.



Brian R. Brustkern, CPA
Deputy Auditor of State

March 25, 2024

Pocahontas County

Schedule of Findings

Year ended June 30, 2023

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES

2023-001 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:

	<u>Applicable Offices</u>
(1) Receipts – collecting, depositing, posting and daily reconciling. Mail is opened by a person who also has access to accounting records.	Treasurer, Recorder, Sheriff and Conservation
(2) Bank reconciliations are not prepared by someone who doesn't sign checks, handle or record cash.	Treasurer, Recorder and Sheriff
(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 prepared and subsequently are not reviewed by an independent person for propriety.	Public Health Nurse

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.

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.

Pocahontas County

Schedule of Findings

Year ended June 30, 2023

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 is 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 circumstance.

Public Health – This matter will be taken to the Board of Health, and they will need to ensure it is taken care of. The Board of Supervisors will require a plan of action from the Board of Health

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.

2023-002 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.

Condition – Material amounts of receivables and capital asset additions were not properly recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these 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 and capital asset additions to ensure the County's financial statements are accurate and reliable.

Pocahontas County

Schedule of Findings

Year ended June 30, 2023

Effect – The lack of policies and procedures resulting in County employees not detecting the errors 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 establish procedures to ensure all accounts receivables and capital asset additions are identified and properly reported in the County’s financial statements.

Response – We will continue to implement procedures to ensure all departments accurately identify receivables and capital asset additions.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2023

Other Findings Related to Required Statutory Reporting:

2023-A Certified Budget – Disbursements during the year ended June 30, 2023 exceeded the amounts budgeted in the roads and transportation function prior to the budget amendment and disbursements in certain departments exceeded the amounts 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 appropriation of one office or department by increasing or decreasing the appropriation of one office of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – The County will monitor this more closely in the future and amend the budget as necessary.

Conclusion – Response accepted.

2023-B 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 were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Jessica Paulsen	Eleven 16 oz Yeti Tumblers	\$ 402

Additionally, during the year ended June 30, 2023, the County spent \$7,562 on personal vehicle mileage reimbursement to the EMS/E911/Safety Director who has also been provided with a county owned vehicle. During the year ended June 30, 2023, the County spent \$1,200 and \$1,935 on personal phone reimbursement to the EMS/E911/Safety Director and County Sheriff, respectively. The County does not have a cell phone policy which includes details of who may be reimbursed for County use of a personal cell phone, proper usage, and the amount to be reimbursed.

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 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 and the Emergency Management Commission should determine and document the public purpose served by these types of expenditures prior to authorizing any further payments. If this practice is continued, the County and the Emergency Management Commission should establish written policies and procedures, including requirements for proper public purpose documentation.

Pocahontas County

Schedule of Findings

Year ended June 30, 2023

Response – The tumblers were purchased in recognition for the National 911 Telecommunicators Week. The E911 Commission wishes to recognize the sacrifices that the Dispatchers make, such as missing holidays and special occasion time with their families to provide 24/7 dispatch services to the citizens of our county. EMA provides a ¾ ton dually truck and response trailer which are equipped for response to emergency events. The dually pickup is not practical for day-to-day operations. The Commission believes that the \$8,000 budgeted for mileage is less expensive than providing an additional vehicle. The Commission approves reimbursement to be paid to the Director for the use of his cell phone as the Director may be called and have to make calls at all hours of the day or night and from wherever he may be. The Commission will consider any changes that Pocahontas County may make for cell phone policy.

Conclusion – Response acknowledged. The County and the Emergency Management Commission should establish written policies and procedures, including requirements for proper public purpose documentation.

2023-C Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

2023-D Restricted Donor Activity – No transactions were noted between the County, County officials, County employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

2023-E Business Transactions – The following business transactions between the County and County officials or employees were noted:

<u>Transaction Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Kristi Seiler, Deputy Auditor - Claims and Drainage Clerk, brother in-law of owner of Seiler Appliance	Appliances/repairs	\$ 15,346
Russ Jergens, EMA/911 Coordinator, father of owner of NAPA Auto Parts of Pocahontas	Parts/supplies	2,258
Melissia Zuetlau, Custodian, wife of owner of Zuetlau Seeding	Lawn aeration	900

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.

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with NAPA Auto Parts of Pocahontas and Zuetlau Seeding do not appear to represent a conflict of interest since the total transactions were less than \$6,000 during the fiscal year.

Pocahontas County

Schedule of Findings

Year ended June 30, 2023

- 2023-F 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.
- 2023-G Board Minutes – No transactions we believe should have been approved in the Board minutes but were not noted.
- 2023-H 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.
- 2023-I 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

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Deputy
Ryan J. Pithan, CPA, Manager
Luke M. Bormann, CPA Senior Auditor II
Erin J. Sietstra, Senior Auditor
Maria R. Collins, Staff Auditor
Ariel N. Dennler, Assistant Auditor
Dillion J. Hoit, Assistant Auditor
Anthony G. Puetsch, Assistant Auditor