



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

July 2, 2018

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$20,047,851 for the year ended June 30, 2017, which included \$1,770,641 in tax credits from the state. The County forwarded \$13,111,376 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$6,936,475 of the local tax revenue to finance County operations, a 3.2% increase over the prior year. Other revenues included charges for service of \$3,989,028, operating grants, contributions and restricted interest of \$4,401,350, capital grants, contributions and restricted interest of \$66,975, local option sales tax of \$280,803, unrestricted investment earnings of \$210,849 and other general revenues of \$197,061.

Expenses for County operations for the year ended June 30, 2017 totaled \$14,559,779, an increase of 11.2% over the prior year. Expenses included \$4,886,031 for roads and transportation, \$3,022,074 for non-program services and \$1,809,514 for public safety and legal services.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1710-0076-B00F>.

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**POCAHONTAS COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2017**

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**Pocahontas County  
Officials**

**(Before January 2017)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ed Dewey	Board of Supervisors	Jan 2017
Jeff Ives	Board of Supervisors	Jan 2017
Louis Stauter	Board of Supervisors	Jan 2017
JoAnn Peters	Board of Supervisors	Jan 2019
Clarence Siepker	Board of Supervisors	Jan 2019
Margene A. Bunda	County Auditor	Jan 2017
Sarah Winkler	County Treasurer	Jan 2019
Michael P. Bollard	County Recorder	Jan 2019
Robert Lampe	County Sheriff	Jan 2017
Ann E. Beneke (Retired Dec 2016)	County Attorney	Jan 2019
Sue Reigelsberger	County Assessor	Jan 2022

**(After January 2017)**

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

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Independent Auditor's Report

To the Officials of Pocahontas County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pocahontas County, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Pocahontas County as of June 30, 2017, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 8 through 14 and 50 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pocahontas County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 26, 2018 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.



MARY MOSIMAN, CPA  
Auditor of State

June 26, 2018

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

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Pocahontas County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2017 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 4.7%, or approximately \$723,000, from fiscal year 2016 to fiscal year 2017. Charges for service increased approximately \$565,000, operating grants, contributions and restricted interest increased approximately \$77,000 and capital grants, contributions and restricted interest decreased approximately \$174,000.
- The County's governmental activities' expenses increased 11.2%, or approximately \$1,468,000, from fiscal year 2016 to fiscal year 2017. Non-program expenses increased approximately \$351,000, roads and transportation expenses increased approximately \$655,000 and administration expenses increased approximately \$432,000.
- The County's net position at June 30, 2017 increased 5.8%, or approximately \$1,522,000, over the June 30, 2016 balance.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has three kinds of funds:

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

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

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

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

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

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

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2017	2016
Current and other assets	\$ 27,808	24,357
Capital assets	16,010	16,637
Total assets	43,818	40,994
Deferred outflows of resources	975	488
Long-term liabilities	9,767	7,887
Other liabilities	516	624
Total liabilities	10,283	8,511
Deferred inflows of resources	6,703	6,686
Net position:		
Net investment in capital assets	16,010	16,637
Restricted	12,166	10,294
Unrestricted	(369)	(646)
Total net position	\$ 27,807	26,285

The largest portion of the County's net position is net investment in capital assets (e.g., land, infrastructure, buildings and equipment). This net position category decreased approximately \$627,000, or 3.8%, from the prior year.

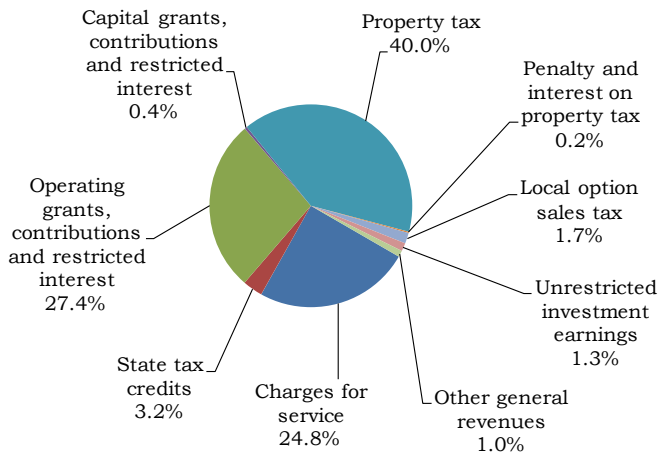
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position category increased approximately \$1,872,000, or 18.2%, over the prior year. This increase is primarily due to an increase in the amount restricted for supplemental levy and rural services purposes.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$277,000 over the prior year to a deficit of approximately \$369,000.

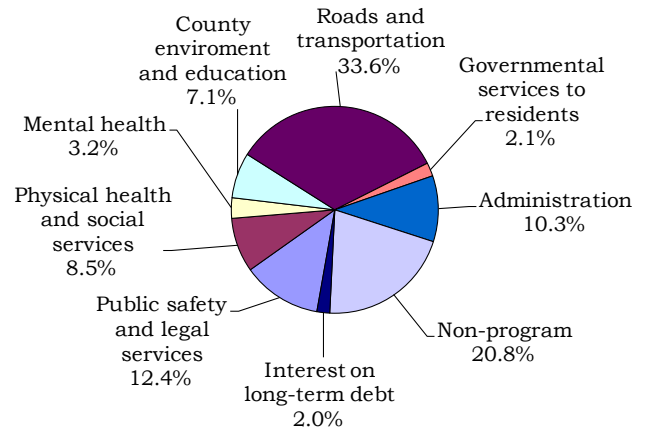
Changes in Net Position of Governmental Activities  
(Expressed in Thousands)

	Year ended June 30,	
	2017	2016
Revenues:		
Program revenues:		
Charges for service	\$ 3,989	3,424
Operating grants, contributions and restricted interest	4,401	4,324
Capital grants, contributions and restricted interest	67	241
General revenues:		
Property tax	6,420	6,247
State tax credits	516	473
Penalty and interest on property tax	38	26
Local option sales tax	281	237
Unrestricted investment earnings	211	159
Other general revenues	159	228
<b>Total revenues</b>	<b>16,082</b>	<b>15,359</b>
Program expenses:		
Public safety and legal services	1,809	1,911
Physical health and social services	1,244	1,181
Mental health	470	402
County environment and education	1,038	1,024
Roads and transportation	4,886	4,231
Governmental services to residents	305	316
Administration	1,502	1,070
Non-program	3,022	2,671
Interest on long-term debt	284	286
<b>Total expenses</b>	<b>14,560</b>	<b>13,092</b>
Change in net position	1,522	2,267
Net position beginning of year	26,285	24,018
Net position end of year	<b>\$ 27,807</b>	<b>26,285</b>

**Revenues by Source**



**Expenses by Function**



Charges for services increased approximately \$565,000 due to an increase in drainage district assessments. Capital grants, contributions and restricted interest decreased approximately \$174,000, or 72.2%, primarily due to fewer capital assets contributed by the Iowa Department of Transportation in fiscal year 2017.

Expenses in fiscal year 2017 increased approximately \$1,468,000, or 11.2%, from the prior year. Roads and transportation expenses increased approximately \$655,000 due to increased costs related to road improvements.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Pocahontas County completed the year, its governmental funds reported a combined fund balance of approximately \$14.8 million, an increase of approximately \$2,246,000 over last year's total of approximately \$12.5 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 \$864,000. The ending fund balance increased approximately \$774,000 over the prior year to approximately \$4,285,000. General Fund revenues remained fairly steady with an increase of approximately \$89,000, or 1.6%. Expenditures increased approximately \$189,000, or 4%.

The Special Revenue, Mental Health Fund ending fund balance decreased approximately \$62,000 from the prior year to a balance of approximately \$156,000. Mental Health Fund revenues increased approximately \$30,000, or 8.0%, from the prior year while expenditures increased approximately \$64,000, or 15.6%. The increase in revenues is due primarily to an increase in intergovernmental revenues.

Special Revenue, Rural Services Fund revenues increased approximately \$150,000, or 6.2% primarily due to an increase in local option sales tax revenue, and expenditures increased approximately \$45,000, or 4.4%. The Rural Services Fund fund balance at year end increased approximately \$532,000 or 41.8%.

Revenues in the Special Revenue, Secondary Roads Fund increased approximately \$251,000 over the previous year, primarily due to an increase in road use tax revenue and an increase in drainage district services. Expenditures increased approximately \$898,000, or 27.2%, from the prior year due to increased expenses related to drainage ditch work, N-65 road work and new equipment purchases. The Secondary Roads Fund ending fund balance increased approximately \$812,000 to approximately \$7.69 million.

The Special Revenue, Drainage Districts Fund ending fund balance increased approximately \$174,000 over the prior year to approximately \$678,000. Revenues and proceeds from issuance of drainage warrants increased approximately \$694,000 over the prior year and expenditures increased approximately \$637,000, due to an increase in drainage district projects.

### **BUDGETARY HIGHLIGHTS**

During fiscal year 2017, Pocahontas County amended its budget one time. The amendment was made in May 2017 and resulted in an increase in budgeted disbursements related roads and transportation engineering services, public safety emergency planning and motor vehicle costs, and administration costs.

The County's receipts were \$1,104,276 more than budgeted, a variance of 9.6%.

Total disbursements were \$3,991,374 less than the budget. Actual disbursements for roads and transportation, public safety and legal services, and physical health and social services functions were \$301,480, \$390,422 and \$287,472, respectively, less than budgeted, while the other functions were also less than budgeted. This was primarily due to reduced bridge maintenance projects, equipment purchases and stockpile supply purchases than anticipated. The remaining decrease was accomplished by reduced spending in all areas.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2017, Pocahontas County had approximately \$16.0 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$627,000, or 3.8%, from last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2017	2016
Land	\$ 1,961	1,961
Construction in progress	-	1,499
Buildings and building improvements	1,265	1,340
Equipment and vehicles	2,410	2,227
Infrastructure, road network	10,374	9,610
Total	<u>\$ 16,010</u>	<u>16,637</u>

The County had depreciation expense of \$1,210,259 in fiscal year 2017 and total accumulated depreciation of \$14,174,484 at June 30, 2017. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### Long-Term Debt

At June 30, 2017, Pocahontas County had approximately \$6,748,000 of outstanding debt compared to approximately \$5,601,000 at June 30, 2016. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2017	2016
Drainage warrants and improvement certificates	\$ 6,282	5,100
State Revolving Fund improvement certificates	466	501
Total	<u>\$ 6,748</u>	<u>5,601</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 \$37 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Pocahontas County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2018 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 2.6%, a decrease from a year ago. This compares with the State's unemployment rate of 3.2% and the national rate of 4.4%.

## **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, 2017

	Governmental Activities
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 13,669,289
Receivables:	
Property tax:	
Delinquent	9,868
Succeeding year	6,546,000
Interest and penalty on property tax	80,975
Accounts	262,595
Accrued interest	26,210
Drainage assessments	5,562,194
Due from other governments	473,260
Inventories	1,058,525
Prepaid insurance	118,765
Capital assets, net of accumulated depreciation	16,010,327
<b>Total assets</b>	43,818,008
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	974,771
<b>Liabilities</b>	
Accounts payable	266,181
Salaries and benefits payable	187,672
Due to other governments	61,648
Long-term liabilities:	
Portion due or payable within one year:	
Drainage warrants/drainage improvement certificates	5,010,547
State revolving fund improvement certificates	36,000
Compensated absences	222,665
Portion due or payable after one year:	
Drainage improvement certificates	1,271,257
State revolving fund improvement certificates	430,000
Net pension liability	2,721,011
Net OPEB Liability	74,956
<b>Total liabilities</b>	10,281,937
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	6,546,000
Pension related deferred inflows	157,373
<b>Total deferred inflows of resources</b>	6,703,373
<b>Net Position</b>	
Net investment in capital assets	16,010,327
Restricted for:	
Supplemental levy purposes	1,842,568
Conservation land acquisition	424,415
Mental health purposes	155,228
Rural services	1,784,334
Secondary roads purposes	7,763,392
Other purposes	196,211
Unrestricted	(369,006)
<b>Total net position</b>	\$ 27,807,469

See notes to financial statements.

Pocahontas County  
 Statement of Activities  
 Year ended June 30, 2017

	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	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,809,514	44,178	233,500	-	(1,531,836)
Physical health and social services	1,244,055	301,764	246,552	-	(695,739)
Mental health	469,828	-	151,821	-	(318,007)
County environment and education	1,037,650	72,092	12,547	11,017	(941,994)
Roads and transportation	4,886,031	174,187	3,709,381	55,958	(946,505)
Governmental services to residents	304,872	160,172	56	-	(144,644)
Administration	1,501,602	1,983	7	-	(1,499,612)
Non-program	3,022,074	3,234,652	47,486	-	260,064
Interest on long-term debt	284,153	-	-	-	(284,153)
<b>Total</b>	<b>\$ 14,559,779</b>	<b>3,989,028</b>	<b>4,401,350</b>	<b>66,975</b>	<b>(6,102,426)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					6,420,463
Penalty and interest on property tax					38,427
State tax credits					516,012
Local option sales tax					280,803
Unrestricted investment earnings					210,849
Gain on disposition of capital assets					19,727
Miscellaneous					138,907
<b>Total general revenues</b>					<b>7,625,188</b>
Change in net position					1,522,762
Net position beginning of year					26,284,707
Net position end of year					<b>\$ 27,807,469</b>

See notes to financial statements.

Pocahontas County

Balance Sheet

June 30, 2017

	General	Mental Health	Special Rural Services
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 4,142,020	142,356	1,991,017
Receivables:			
Property tax:			
Delinquent	9,217	483	168
Succeeding year	4,168,000	218,000	2,160,000
Interest and penalty on property tax	80,975	-	-
Accounts	81,054	14,395	-
Accrued interest	26,147	-	-
Drainage assessments	-	-	-
Advance to other funds	175,000	-	-
Due from other governments	52,987	-	21,211
Inventories	-	-	-
Prepaid insurance	82,296	1,833	-
<b>Total assets</b>	<b>\$ 8,817,696</b>	<b>377,067</b>	<b>4,172,396</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 67,191	180	14,035
Salaries and benefits payable	109,365	2,543	19,055
Advance from other funds	-	-	175,000
Due to other governments	60,094	27	-
Total liabilities	236,650	2,750	208,090
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	4,168,000	218,000	2,160,000
Other	127,648	483	168
Total deferred inflows of resources	4,295,648	218,483	2,160,168
Fund balances:			
Nonspendable:			
Advance to other funds	175,000	-	-
Inventories	-	-	-
Prepaid insurance	82,296	1,833	-
Restricted for:			
Supplemental levy purposes	1,759,605	-	-
Conservation land acquisition	424,415	-	-
Mental health purposes	-	154,001	-
Rural services	-	-	1,804,138
Secondary roads purposes	-	-	-
Drainage warrants/drainage improvement certificates	-	-	-
Other purposes	13,800	-	-
Unassigned	1,830,282	-	-
Total fund balances	4,285,398	155,834	1,804,138
<b>Total liabilities, deferred inflows of resources     and fund balances</b>	<b>\$ 8,817,696</b>	<b>377,067</b>	<b>4,172,396</b>

See notes to financial statements.

Revenue			
Secondary Roads	Drainage Districts	Nonmajor	Total
6,338,135	806,309	182,348	13,602,185
-	-	-	9,868
-	-	-	6,546,000
-	-	-	80,975
167,146	-	-	262,595
-	-	63	26,210
-	5,562,194	-	5,562,194
-	-	-	175,000
351,576	47,486	-	473,260
1,058,525	-	-	1,058,525
34,636	-	-	118,765
<u>7,950,018</u>	<u>6,415,989</u>	<u>182,411</u>	<u>27,915,577</u>
47,684	128,603	-	257,693
56,612	-	97	187,672
-	-	-	175,000
1,527	-	-	61,648
<u>105,823</u>	<u>128,603</u>	<u>97</u>	<u>682,013</u>
-	-	-	6,546,000
<u>158,535</u>	<u>5,609,680</u>	<u>-</u>	<u>5,896,514</u>
<u>158,535</u>	<u>5,609,680</u>	<u>-</u>	<u>12,442,514</u>
-	-	-	175,000
1,058,525	-	-	1,058,525
34,636	-	-	118,765
-	-	-	1,759,605
-	-	-	424,415
-	-	-	154,001
-	-	-	1,804,138
6,592,499	-	-	6,592,499
-	677,706	-	677,706
-	-	182,411	196,211
-	-	(97)	1,830,185
<u>7,685,660</u>	<u>677,706</u>	<u>182,314</u>	<u>14,791,050</u>
<u>7,950,018</u>	<u>6,415,989</u>	<u>182,411</u>	<u>27,915,577</u>

**Pocahontas County**

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

June 30, 2017

**Total governmental fund balances (page 19)** \$ 14,791,050

**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 \$30,184,811 and the accumulated depreciation is \$14,174,484. 16,010,327

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 5,896,514

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. 58,616

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	\$ 974,771	
Deferred inflows of resources	<u>(157,373)</u>	817,398

Long-term liabilities, including drainage warrants/drainage improvement certificates payable, State Revolving Fund improvement certificates payable, compensated absences payable, net pension liability and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (9,766,436)

**Net position of governmental activities (page 16)** \$ 27,807,469

See notes to financial statements.

Pocahontas County

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

Year ended June 30, 2017

	Special		
	General	Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 4,052,737	237,880	2,128,381
Local option sales tax	-	-	280,803
Interest and penalty on property tax	25,091	-	37
Intergovernmental	872,289	172,371	145,325
Licenses and permits	8,020	-	-
Charges for service	474,998	-	-
Use of money and property	295,722	-	-
Miscellaneous	64,417	-	27,334
<b>Total revenues</b>	<b>5,793,274</b>	<b>410,251</b>	<b>2,581,880</b>
<b>Expenditures:</b>			
<b>Operating:</b>			
Public safety and legal services	1,283,875	-	609,170
Physical health and social services	1,242,032	-	-
Mental health	-	472,266	-
County environment and education	619,321	-	438,628
Roads and transportation	-	-	-
Governmental services to residents	292,263	-	2,490
Administration	1,480,274	-	-
Non-program	9,053	-	-
Debt service	-	-	-
Capital projects	1,962	-	-
<b>Total expenditures</b>	<b>4,928,780</b>	<b>472,266</b>	<b>1,050,288</b>
Excess (deficiency) of revenues over (under) expenditures	864,494	(62,015)	1,531,592
<b>Other financing sources (uses):</b>			
Transfers in	-	-	-
Transfers out	(90,000)	-	(1,000,000)
Drainage warrants/drainage improvement certificates issued	-	-	-
<b>Total other financing sources (uses)</b>	<b>(90,000)</b>	<b>-</b>	<b>(1,000,000)</b>
Change in fund balances	774,494	(62,015)	531,592
Fund balances beginning of year	3,510,904	217,849	1,272,546
Fund balances end of year	\$ 4,285,398	155,834	1,804,138

See notes to financial statements.



Revenue			
Secondary Roads	Drainage Districts	Nonmajor	Total
-	-	-	6,418,998
-	-	-	280,803
-	-	-	25,128
3,830,280	-	22,063	5,042,328
18,004	-	-	26,024
53,154	-	1,606	529,758
3,100	-	544	299,366
18,378	2,076,525	2,645	2,189,299
3,922,916	2,076,525	26,858	14,811,704
-	-	200	1,893,245
-	-	10,097	1,252,129
-	-	-	472,266
-	-	964	1,058,913
4,200,127	-	-	4,200,127
-	-	-	294,753
-	-	-	1,480,274
-	2,765,308	-	2,774,361
-	2,586,718	-	2,586,718
339	-	-	2,301
4,200,466	5,352,026	11,261	16,015,087
(277,550)	(3,275,501)	15,597	(1,203,383)
1,090,000	-	-	1,090,000
-	-	-	(1,090,000)
-	3,449,315	-	3,449,315
1,090,000	3,449,315	-	3,449,315
812,450	173,814	15,597	2,245,932
6,873,210	503,892	166,717	12,545,118
7,685,660	677,706	182,314	14,791,050

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, 2017

**Change in fund balances - Total governmental funds (page 23)** \$ 2,245,932

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

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

Expenditures for capital assets	\$ 530,542	
Capital assets contributed by the Iowa Department of Transportation	33,553	
Depreciation expense	<u>(1,210,259)</u>	(646,164)

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. 19,427

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

Property tax	1,428	
Other	<u>1,070,630</u>	1,072,058

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

Issued	(3,449,315)	
Repaid	<u>2,302,565</u>	(1,146,750)

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. 356,460

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	(15,119)	
Other postemployment benefits	(14,730)	
Pension expense	<u>(361,450)</u>	(391,299)

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. 13,098

**Change in net position of governmental activities (page 17)** \$ 1,522,762

See notes to financial statements.

Pocahontas County  
Statement of Net Position  
Proprietary Fund  
June 30, 2017

	<u>Internal Service</u>
	<u>Employee Group Health</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 67,104
<b>Liabilities</b>	
Accounts payable	<u>8,488</u>
<b>Net Position</b>	
Unrestricted	<u>\$ 58,616</u>

See notes to financial statements.

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

Year ended June 30, 2017

		<u>Internal Service Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 120,868
Reimbursements from employees and others		<u>137,978</u>
Total operating revenues		258,846
Operating expenses:		
Medical claims	\$ 155,003	
Premiums	82,034	
Administrative charges	<u>8,744</u>	<u>245,781</u>
Operating income		13,065
Non-operating revenues:		
Interest income		<u>33</u>
Net income		13,098
Net position beginning of year		<u>45,518</u>
Net position end of year		<u><u>\$ 58,616</u></u>

See notes to financial statements.

Pocahontas County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2017

	Internal Service
	Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund contributions	\$ 120,868
Cash received from employees and others	137,978
Cash paid for medical claims, premiums and other	<u>(241,970)</u>
Net cash provided by operating activities	16,876
Cash flows from investing activities:	
Interest on investments	<u>33</u>
Net increase in cash and cash equivalents	16,909
Cash and cash equivalents beginning of year	50,195
Cash and cash equivalents end of year	<u>\$ 67,104</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 13,065
Adjustment to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	<u>3,811</u>
Net cash provided by operating activities	<u>\$ 16,876</u>

See notes to financial statements.

Pocahontas County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2017

**Assets**

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 1,676,214
Other County officials	9,642
Receivables:	
Property tax:	
Delinquent	49,889
Succeeding year	11,948,000
Accounts receivable	6,850
Interest receivable	39
Special assessments	138,685
Due from other governments	<u>35,740</u>
<b>Total assets</b>	<u>13,865,059</u>

**Liabilities**

Accounts payable	2,627
Salaries and benefits payable	23,716
Due to other governments	13,810,583
Trusts payable	6,768
Compensated absences	<u>21,365</u>
<b>Total liabilities</b>	<u>13,865,059</u>

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

Pocahontas County

Notes to Financial Statements

June 30, 2017

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

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

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

A. Reporting Entity

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

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

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

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

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Pocahontas County Assessor’s Conference Board, Pocahontas County Emergency Management Commission, Pocahontas County Joint E-911 Service Board and Pocahontas County Economic Development Commission. Financial transactions of these organizations are included in the County’s financial statements only to the extent of the County’s fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

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

B. Basis of Presentation

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

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

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

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

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

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



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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2016.

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

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

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not 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. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2017. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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 represents the amount of assets that have been recognized but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and unrecognized items not yet charged to pension expense.

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

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

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

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements during the year ended June 30, 2017 did not exceed the amounts budgeted. However, disbursements in one department exceeded the amount appropriated.

**(2) Cash, Cash Equivalents and Pooled Investments**

The County's deposits in banks at June 30, 2017 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, 2017, the County had investments in drainage warrants and improvement certificates of \$1,571,741 and \$1,392,780, respectively.

### (3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 90,000
	Special Revenue:	
	Rural Services	<u>1,000,000</u>
Total		<u>\$ 1,090,000</u>

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

### (4) Capital Assets

Capital assets activity for the year ended June 30, 2017 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>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,960,976	-	-	1,960,976
Construction in process	1,499,398	-	(1,499,398)	-
Total capital assets not being depreciated	<u>3,460,374</u>	<u>-</u>	<u>(1,499,398)</u>	<u>1,960,976</u>
Capital assets being depreciated:				
Buildings and building improvements	3,156,789	-	-	3,156,789
Equipment and vehicles	7,897,464	572,583	(236,906)	8,233,141
Infrastructure, road network	15,300,954	1,532,951	-	16,833,905
Total capital assets being depreciated	<u>26,355,207</u>	<u>2,105,534</u>	<u>(236,906)</u>	<u>28,223,835</u>
Less accumulated depreciation for:				
Buildings and building improvements	1,817,370	74,745	-	1,892,115
Equipment and vehicles	5,670,113	366,997	(214,292)	5,822,818
Infrastructure, road network	5,691,034	768,517	-	6,459,551
Total accumulated depreciation	<u>13,178,517</u>	<u>1,210,259</u>	<u>(214,292)</u>	<u>14,174,484</u>
Total capital assets being depreciated, net	<u>13,176,690</u>	<u>895,275</u>	<u>(22,614)</u>	<u>14,049,351</u>
Governmental activities capital assets, net	<u>\$ 16,637,064</u>	<u>895,275</u>	<u>(1,522,012)</u>	<u>16,010,327</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 69,806
Physical health and social services	1,314
County environment and education	39,447
Roads and transportation	1,037,461
Governmental services to residents	7,613
Administration	<u>54,618</u>
Total depreciation expense - governmental activities	<u>\$ 1,210,259</u>

**(5) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2017 is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 60,094
Special Revenue:		
Mental Health	Services	27
Secondary Roads	Services	1,527
		<u>1,554</u>
Total for governmental funds		<u>\$ 61,648</u>
Agency:		
Agriculture Extension Education	Collections	\$ 171,005
County Assessor		531,969
Schools		8,371,749
Community Colleges		713,006
Corporations		2,258,138
Townships		292,392
Auto License and Use Tax		215,432
E-911 Services Board		330,973
Pocahontas County Economic Development		754,997
All other		170,922
Total for agency funds		<u>\$ 13,810,583</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	<u>Drainage Warrants</u>	<u>Drainage Improvement Certificates</u>	<u>State Revolving Fund Improvement Certificates</u>	<u>Compensated Absences</u>	<u>Net Pension Liability</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance beginning	\$ 4,089,393	1,010,661	501,000	207,546	2,018,685	60,226	7,887,511
Increases	2,898,489	550,826	-	56,627	702,326	29,082	4,237,350
Decreases	2,098,859	168,706	35,000	41,508	-	14,352	2,358,425
Balance end of year	<u>\$ 4,889,023</u>	<u>1,392,781</u>	<u>466,000</u>	<u>222,665</u>	<u>2,721,011</u>	<u>74,956</u>	<u>9,766,436</u>
Due within one year	<u>\$ 4,889,023</u>	<u>121,524</u>	<u>36,000</u>	<u>222,665</u>	<u>-</u>	<u>-</u>	<u>5,269,212</u>

Drainage Warrants/Drainage Improvement Certificates Payable

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



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

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

State Revolving Fund Improvement Certificates

On January 27, 2010, the County entered into a loan agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of \$1,096,000 of improvement certificates with interest at 3.0% per annum. The agreement also requires the County to annually pay a .25% servicing fee on the outstanding principal balance. The certificates were issued pursuant to the provisions of Chapter 468.70 of the Code of Iowa and the American Recovery and Reinvestment Act of 2009 (ARRA) for the purpose of providing funds to pay a portion of the costs of constructing improvements and repairs to Drainage District No. 65 of the County. The County drew down funds from the Trustee upon request to reimburse the County for costs as they are incurred. An initiation fee of 1%, or \$10,960, of the authorized borrowing for the improvement certificates was charged by the Iowa Finance Authority. At June 30, 2017, the County had drawn down the entire authorized amount. During the year ended June 30, 2017, the County paid \$35,000 of principal and \$15,030 of interest on these certificates.

The County has pledged assessments against property in Drainage District No. 65 to repay the improvement certificates. The certificates are payable solely from drainage assessments against property in Drainage District No. 65 and are payable through December 2028.

A summary of the County's June 30, 2017 State Revolving Fund Improvement Certificate indebtedness is as follows:

Year Ending June 30,	Interest Rate*	Principal	Interest	Total
2018	3.00%	\$ 36,000	13,980	49,980
2019	3.00	38,000	12,900	50,900
2020	3.00	39,000	11,760	50,760
2021	3.00	40,000	10,590	50,590
2022	3.00	41,000	9,390	50,390
2023-2027	3.00	227,000	27,570	254,570
2028	3.00	45,000	1,350	46,350
Total		\$ 466,000	87,540	553,540

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

**(7) Advances to/from Other Funds**

The detail of advances to/from other funds is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Rural Services	<u>\$ 175,000</u>

The advances to/from other funds resulted from the General Fund extending a loan for \$350,000 to the Special Revenue, Rural Services Fund. The loan will be repaid in the future as property tax collections become available. No repayments were made by the County during the year ended June 30, 2017.

**(8) Employee Group Health**

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Administrative Solutions, Inc. The agreement is subject to automatic renewal provisions.

Monthly contributions to the Internal Service, Employee Group Health Fund are recorded as expenditures from the operating funds. These contributions represent the difference between premiums required for a higher deductible 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, 2017 was \$120,868.

The amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2017 for reported but not paid claims have been determined by the plan administrator since the County has not obtained an actuarial opinion as required by Chapter 509A.15 of the Code of Iowa.

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

Unpaid claims beginning of year	\$ 4,677
Incurred claims (including claims incurred but not reported at June 30, 2017)	182,184
Payment on claims during the year	<u>(178,373)</u>
Unpaid claims end of year	<u>\$ 8,488</u>

## **(9) 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 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://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 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% for a total rate of 14.88%. The Sheriff, deputies and County each contributed 9.63% of covered payroll for a total rate of 19.26%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% for a total rate of 16.40%.

The County’s contributions to IPERS for the year ended June 30, 2017 totaled \$356,460.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the County reported a liability of \$2,721,011 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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, 2016, the County’s proportion was 0.043237%, which was an increase of 0.002377% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$361,450. At June 30, 2017, 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	\$ 22,360	59,551
Changes of assumptions	38,600	10,530
Net difference between projected and actual earnings on IPERS' investments	525,123	-
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	32,228	87,292
County contributions subsequent to the measurement date	356,460	-
Total	<u>\$ 974,771</u>	<u>157,373</u>

\$356,460 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, 2017. 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
2018	\$ 39,018
2019	39,018
2020	244,306
2021	142,975
2022	<u>(4,379)</u>
Total	<u>\$ 460,938</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 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, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00% to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS’ fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS’ investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	\$ 4,912,999	2,721,011	872,691

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](http://www.ipers.org).

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County IPERS by June 30, 2017.

**(10) Other Postemployment Benefits (OPEB)**

Plan Description – The County operates a single employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 83 active and 1 retired member in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount determined using the alternate measurement method permitted by GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 30,069
Interest on net OPEB obligation	2,710
Adjustment to annual required contribution	<u>(3,697)</u>
Annual OPEB cost	29,082
Contributions made	<u>(14,352)</u>
Increase in net OPEB obligation	14,730
Net OPEB obligation beginning of year	<u>60,226</u>
Net OPEB obligation end of year	<u>\$ 74,956</u>

For the year ended June 30, 2017, the County contributed \$14,352 to the medical plan and there were no contributions from plan members eligible for benefits.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the assets in excess of net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 13,997	51.4%	\$ 36,800
2016	29,466	20.5	60,226
2017	29,082	49.4	74,956

Funded Status and Funding Progress – As of June 30, 2017, the actuarial accrued liability was approximately \$141,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$141,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,981,000 and the ratio of the UAAL to covered payroll was 3.5%. As of June 30, 2017, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2015 valuation date, a simplified version of the unit credit actuarial cost method was used. The assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 5%. The ultimate medical trend rate is 5%. An inflation rate of 3% is assumed for the purpose of this calculation.

Mortality rates are from the 2011 United States Life Tables. Annual retirement and termination probabilities were based on historical retirement patterns for the covered group.

Projected claim costs of the medical plan are \$689 (single coverage) and \$1,543 (coverage, with spouse) per month for retirees less than age 65. The salary increase rate was assumed to be 2% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(11) Risk Management**

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

**(12) Related Party Transactions**

The County purchased \$426,287 of road rock from Martin Marietta, a business which employs Board Member Ed Dewey.

**(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**

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2017 under agreements entered into by the following entities:

<b>Entity</b>	<b>Tax Abatement Program</b>	<b>Amount of Tax Abated</b>
City of Pocahontas	Urban renewal and economic development projects	\$ 21,348



**(14) Jointly Governed Organization**

Pocahontas County participates in the Pocahontas County Economic Development Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. In addition, some financial transactions are held by the organization apart from the County Agency Funds. The following financial data is for the year ended June 30, 2017:

Additions:		
Contributions from governmental units:		
Pocahontas County	\$	197,500
Cities of:		
Fonda		3,250
Gilmore City		250
Havelock		250
Laurens		6,000
Palmer		300
Plover		100
Pocahontas		12,000
Rolfe		4,950
Varina		50
		<u>224,650</u>
Donations		12,380
Economic development loan repayments		15,330
Interest		428
		<u>252,788</u>
Total additions		
Deductions:		
Salaries and benefits	137,093	
Office supplies	9,891	
Travel	6,932	
Telephone	3,243	
Building	6,690	
Training	2,947	
Shared program services	71,564	
Insurance	1,756	
Economic development loans	38,000	
Administrative	1,671	
Miscellaneous	1,625	
		<u>281,412</u>
Net		(28,624)
Balance beginning of year		<u>960,351</u>
Balance end of year	\$	<u>931,727</u>

**(15) County Financial Information Included in County Social Services**

County Social Services (CSS), a jointly governed organization formed pursuant to the provisions of Chapter 28E and Chapter 331.390 of the Code of Iowa which became effective April 1, 2013, includes the following members: Allamakee, Black Hawk, Butler, Cerro Gordo, Chickasaw, Clayton, Fayette, Floyd, Grundy, Hancock, Howard, Humboldt, Kossuth, Mitchell, Pocahontas, Tama, Webster, Winnebago, Winneshiek, Worth and Wright Counties. The agreement was amended April 1, 2014 to include Emmet County. The financial activity of the County's Special Revenue, Mental Health Fund is included in CSS for the year ended June 30, 2017 as follows:

Revenues:		
Property and other county tax		\$ 237,880
Intergovernmental revenues:		
State tax credits	\$ 13,211	
Payments from regional fiscal agent	116,775	
Other	42,385	172,371
Total revenues		<u>410,251</u>
Expenditures:		
Services to persons with:		
Mental illness	77,902	
Intellectual disabilities	7,820	85,722
General administration:		
Direct administration	31,133	
Distribution to regional fiscal agent	355,411	386,544
Total expenditures		<u>472,266</u>
Deficiency of revenues under expenditures		(62,015)
Fund balance beginning of the year		<u>217,849</u>
Fund balance end of the year		<u>\$ 155,834</u>

**(16) New Accounting Pronouncement**

The County adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about tax abatements of other entities which impact the County.

**(17) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the County's other postemployment benefits.

**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, 2017

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 6,695,965	-	6,695,965
Interest and penalty on property tax	25,091	-	25,091
Intergovernmental	4,933,332	-	4,933,332
Licenses and permits	25,564	-	25,564
Charges for service	536,269	-	536,269
Use of money and property	282,204	-	282,204
Miscellaneous	2,203,759	2,076,525	127,234
Total receipts	<u>14,702,184</u>	<u>2,076,525</u>	<u>12,625,659</u>
<b>Disbursements:</b>			
Public safety and legal services	1,900,155	-	1,900,155
Physical health and social services	1,258,689	-	1,258,689
Mental health	472,185	-	472,185
County environment and education	1,054,954	-	1,054,954
Roads and transportation	4,332,833	-	4,332,833
Governmental services to residents	295,727	-	295,727
Administration	1,416,521	-	1,416,521
Non-program	2,922,700	2,913,647	9,053
Debt service	2,586,718	2,586,718	-
Capital projects	13,014	-	13,014
Total disbursements	<u>16,253,496</u>	<u>5,500,365</u>	<u>10,753,131</u>
Excess (deficiency) of receipts over (under) disbursements	(1,551,312)	(3,423,840)	1,872,528
Other financing sources, net	<u>3,449,315</u>	<u>3,449,315</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,898,003	25,475	1,872,528
Balance beginning of year	<u>11,704,182</u>	<u>780,834</u>	<u>10,923,348</u>
Balance end of year	<u>\$ 13,602,185</u>	<u>806,309</u>	<u>12,795,876</u>

See accompanying independent auditor's report.

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Budgeted Amounts		Final to
Original	Final	Net Variance
6,786,104	6,786,104	(90,139)
17,000	17,000	8,091
4,032,115	4,032,115	901,217
11,400	11,400	14,164
423,130	423,130	113,139
130,980	130,980	151,224
120,654	120,654	6,580
<u>11,521,383</u>	<u>11,521,383</u>	<u>1,104,276</u>
2,191,094	2,290,577	390,422
1,546,161	1,546,161	287,472
527,751	527,751	55,566
1,149,367	1,149,367	94,413
4,290,813	4,634,313	301,480
343,110	343,110	47,383
1,550,818	1,580,338	163,817
11,385	11,385	2,332
-	-	-
<u>2,661,503</u>	<u>2,661,503</u>	<u>2,648,489</u>
<u>14,272,002</u>	<u>14,744,505</u>	<u>3,991,374</u>
(2,750,619)	(3,223,122)	5,095,650
<u>15,000</u>	<u>15,000</u>	<u>(15,000)</u>
(2,735,619)	(3,208,122)	5,080,650
<u>7,463,487</u>	<u>7,463,487</u>	<u>3,459,861</u>
<u>4,727,868</u>	<u>4,255,365</u>	<u>8,540,511</u>

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Pocahontas County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
Required Supplementary Information

Year ended June 30, 2017

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 14,702,184	109,520	14,811,704
Expenditures	16,253,496	(238,409)	16,015,087
Net	(1,551,312)	347,929	(1,203,383)
Other financing sources, net	3,449,315	-	3,449,315
Beginning fund balances	11,704,182	840,936	12,545,118
Ending fund balances	<u>\$ 13,602,185</u>	<u>1,188,865</u>	<u>14,791,050</u>

See accompanying independent auditor's report.

Pocahontas County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2017

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, the Internal Service Fund and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$472,503. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2017, disbursements did not exceed the amounts budgeted. However, disbursements in one department exceeded the amount appropriated.

**Pocahontas County**



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Pocahontas County

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

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

Required Supplementary Information

	2017	2016	2015
County's proportion of the net pension liability	0.043237%	0.040860%	0.040386%
County's proportionate share of the net pension liability	\$ 2,721	2,019	1,602
County's covered-employee payroll	\$ 3,877	3,775	3,790
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	70.18%	53.48%	42.27%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

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Pocahontas County

Schedule of County Contributions

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

Required Supplementary Information

	2017	2016	2015	2014
Statutorily required contribution	\$ 356	355	347	349
Contributions in relation to the statutorily required contribution	(356)	(355)	(347)	(349)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered-employee payroll	\$ 3,905	3,877	3,775	3,790
Contributions as a percentage of covered-employee payroll	9.12%	9.16%	9.19%	9.21%

\* Note: GASB Statement No. 68 requires ten years of information be presented in this table.  
However, until a full 10-year trend is compiled, the County will present information for those years  
for which information is available.

See accompanying independent auditor's report.

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2013	2012	2011	2010	2009
324	304	275	256	225
(324)	(304)	(275)	(256)	(225)
-	-	-	-	-
3,588	3,572	3,641	3,617	3,355
9.03%	8.51%	7.55%	7.08%	6.71%

Pocahontas County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2017

Changes of benefit terms:

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

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

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

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

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

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

Pocahontas County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 124	124	0.0%	\$ 3,335	3.7%
2011	Jul 1, 2009	-	124	124	0.0	3,753	3.3
2012	Jul 1, 2009	-	124	124	0.0	3,676	3.4
2013	Jul 1, 2012	-	108	108	0.0	3,671	2.9
2014	Jul 1, 2012	-	108	108	0.0	3,864	2.8
2015	Jul 1, 2012	-	108	108	0.0	3,843	2.8
2016	Jul 1, 2015	-	141	141	0.0	3,960	3.6
2017	Jul 1, 2015	-	141	141	0.0	3,981	3.5

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

See accompanying independent auditor's report.

**Pocahontas County**

## **Supplementary Information**

Pocahontas County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2017

				Special
<b>Assets</b>	County Recorder's Records Management	Forfeiture	Courthouse Security	
Cash, cash equivalents and pooled investments	\$ 20,989	1,888	1,900	
Accrued interest receivable	25			
<b>Total assets</b>	<b>\$ 21,014</b>	<b>1,888</b>	<b>1,900</b>	
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Salaries payable	\$ -	-	-	
Fund balances:				
Restricted for other purposes	21,014	1,888	1,900	
Unassigned	-	-	-	
Total fund balances	21,014	1,888	1,900	
<b>Total liabilities and fund balances</b>	<b>\$ 21,014</b>	<b>1,888</b>	<b>1,900</b>	

See accompanying independent auditor's report.



Revenue					
Veterans Grants	County Recorder's Electronic Transaction Fee	REAP	Environmental Education Trust		Total
-	393	153,714	3,464		182,348
		38			63
-	393	153,752	3,464		182,411
97	-	-	-		97
-	393	153,752	3,464		182,411
(97)	-	-	-		(97)
(97)	393	153,752	3,464		182,314
-	393	153,752	3,464		182,411

Pocahontas County

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

Year ended June 30, 2017

	Special		
	County Recorder's Records Management	Forfeiture	Courthouse Security
Revenues:			
Intergovernmental	\$ -	-	-
Charges for service	1,606	-	-
Use of money and property	56	-	-
Miscellaneous	-	1,414	-
Total revenues	<u>1,662</u>	<u>1,414</u>	<u>-</u>
Expenditures:			
Operating:			
Public safety and legal services	-	200	-
Physical health and social services	-	-	-
County environment and education	-	-	-
Total expenditures	<u>-</u>	<u>200</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	1,662	1,214	-
Fund balances beginning of year	<u>19,352</u>	<u>674</u>	<u>1,900</u>
Fund balances end of year	<u>\$ 21,014</u>	<u>1,888</u>	<u>1,900</u>

See accompanying independent auditor's report.

Revenue					
Veterans Grants	County Recorder's Electronic Transaction Fee	REAP	Environmental Education Trust		Total
10,000	-	12,063	-		22,063
-	-	-	-		1,606
-	-	484	4		544
-	-	-	1,231		2,645
10,000	-	12,547	1,235		26,858
-	-	-	-		200
10,097	-	-	-		10,097
-	-	-	964		964
10,097	-	-	964		11,261
(97)	-	12,547	271		15,597
-	393	141,205	3,193		166,717
(97)	393	153,752	3,464		182,314

Pocahontas County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	1,631	253,590	67,475	6,449
Other County officials	6,730	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	374	663	18,274	1,557
Succeeding year	-	169,000	300,000	8,286,000	705,000
Accounts	38	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 6,768</b>	<b>171,005</b>	<b>554,253</b>	<b>8,371,749</b>	<b>713,006</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	-	-	-
Salaries and benefits payable	-	-	12,174	-	-
Due to other governments	-	171,005	531,969	8,371,749	713,006
Trusts payable	6,768	-	-	-	-
Compensated absences	-	-	10,110	-	-
<b>Total liabilities</b>	<b>\$ 6,768</b>	<b>171,005</b>	<b>554,253</b>	<b>8,371,749</b>	<b>713,006</b>

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	E-911 Services Board	Pocahontas County Economic Development	Other	Total
33,145	2,369	215,432	290,603	772,795	32,725	1,676,214
-	-	-	-	-	2,912	9,642
28,993	23	-	-	-	5	49,889
2,196,000	290,000	-	-	-	2,000	11,948,000
-	-	-	6,812	-	-	6,850
-	-	-	39	-	-	39
-	-	-	-	-	138,685	138,685
-	-	-	34,252	10	1,478	35,740
<b>2,258,138</b>	<b>292,392</b>	<b>215,432</b>	<b>331,706</b>	<b>772,805</b>	<b>177,805</b>	<b>13,865,059</b>
-	-	-	733	1,476	418	2,627
-	-	-	-	7,755	3,787	23,716
2,258,138	292,392	215,432	330,973	754,997	170,922	13,810,583
-	-	-	-	-	-	6,768
-	-	-	-	8,577	2,678	21,365
<b>2,258,138</b>	<b>292,392</b>	<b>215,432</b>	<b>331,706</b>	<b>772,805</b>	<b>177,805</b>	<b>13,865,059</b>

Pocahontas County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 3,597	198,438	502,825	8,142,402	785,470
Additions:					
Property and other county tax	-	171,061	303,500	8,368,297	713,783
E-911 surcharge	-	-	-	-	-
State tax credits	-	17,186	25,331	708,546	68,252
Drivers license fees	-	-	-	-	-
Office fees and collections	221,471	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	39,823	-	-	-	-
Miscellaneous	-	-	250	-	-
Total additions	261,294	188,247	329,081	9,076,843	782,035
Deductions:					
Agency remittances:					
To other funds	75,003	-	-	-	-
To other governments	147,299	215,680	277,653	8,847,496	854,499
Trusts paid out	35,821	-	-	-	-
Total deductions	258,123	215,680	277,653	8,847,496	854,499
Balances end of year	\$ 6,768	171,005	554,253	8,371,749	713,006

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	E-911 Service Board	Pocahontas County Economic Development	Other	Total
2,194,820	305,201	188,856	306,640	791,112	201,144	13,620,505
1,999,482	298,360	-	-	-	2,264	11,856,747
-	-	-	158,332	-	-	158,332
416,466	18,652	-	-	-	196	1,254,629
-	-	-	-	-	29,093	29,093
-	-	-	-	-	1,607	223,078
-	-	2,797,321	-	-	-	2,797,321
-	-	-	-	-	14,337	14,337
-	-	-	-	-	116,315	156,138
-	-	-	309	225,105	71,482	297,146
2,415,948	317,012	2,797,321	158,641	225,105	235,294	16,786,821
-	-	82,265	-	-	10,584	167,852
2,352,630	329,821	2,688,480	133,575	243,412	130,841	16,221,386
-	-	-	-	-	117,208	153,029
2,352,630	329,821	2,770,745	133,575	243,412	258,633	16,542,267
2,258,138	292,392	215,432	331,706	772,805	177,805	13,865,059

Pocahontas County

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

For the Last Ten Years

	2017	2016	2015	Modified 2014
<b>Revenues:</b>				
Property and other county tax	\$ 6,418,998	6,247,099	6,395,139	6,103,438
Local option sales tax	280,803	236,586	244,992	280,429
Interest and penalty on property tax	25,128	24,279	20,895	20,768
Intergovernmental	5,042,328	4,919,919	4,886,612	4,844,847
Licenses and permits	26,024	19,455	17,012	21,786
Charges for service	529,758	451,448	414,165	442,924
Use of money and property	299,366	259,921	187,765	118,442
Miscellaneous	2,189,299	1,625,091	1,406,551	565,420
<b>Total</b>	<b>\$ 14,811,704</b>	<b>13,783,798</b>	<b>13,573,131</b>	<b>12,398,054</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 1,893,245	1,955,195	1,937,652	1,802,404
Physical health and social services	1,252,129	1,217,944	1,272,890	1,224,807
Mental health	472,266	408,653	405,694	503,374
County environment and education	1,058,913	1,040,380	1,007,036	957,860
Roads and transportation	4,200,127	3,135,376	4,056,586	3,603,926
Governmental services to residents	294,753	320,317	320,455	335,864
Administration	1,480,274	1,215,270	1,293,906	1,256,842
Non-program	2,774,361	2,406,054	1,905,216	1,063,295
Debt service	2,586,718	2,318,902	2,250,676	1,319,192
Capital projects	2,301	171,818	412,588	185,429
<b>Total</b>	<b>\$ 16,015,087</b>	<b>14,189,909</b>	<b>14,862,699</b>	<b>12,252,993</b>

See accompanying independent auditor's report.



Accrual Basis					
2013	2012	2011	2010	2009	2008
5,686,967	4,767,911	4,258,656	4,254,131	4,005,332	3,803,263
303,416	360,080	274,851	260,424	334,590	253,327
17,380	19,995	24,833	28,515	22,915	15,548
5,557,043	4,389,514	4,788,780	4,077,843	4,160,900	4,392,022
36,408	43,901	66,025	43,759	42,326	154,215
486,763	535,335	496,136	487,811	466,799	458,511
134,056	132,441	181,153	150,090	285,578	420,871
486,119	689,652	1,110,658	471,260	304,007	1,090,291
12,708,152	10,938,829	11,201,092	9,773,833	9,622,447	10,588,048
1,660,751	1,618,096	1,654,138	1,528,951	1,324,684	1,289,443
1,201,990	1,287,291	1,366,444	1,341,200	1,342,135	1,295,630
400,135	983,756	823,218	860,327	896,475	938,376
1,003,841	930,825	933,688	880,862	817,339	772,033
3,264,071	3,672,750	3,559,990	4,073,896	3,463,907	3,713,055
275,606	313,726	324,948	303,558	305,130	282,882
1,180,837	1,260,080	1,430,837	1,326,687	1,177,814	1,138,003
3,508,980	909,061	1,619,701	1,601,325	554,673	263,954
1,482,030	1,251,433	1,978,053	593,733	339,138	1,013,686
209,021	190,738	276,989	108,903	370,687	459,265
14,187,262	12,417,756	13,968,006	12,619,442	10,591,982	11,166,327

**Pocahontas County**



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

Mary Mosiman, CPA  
Auditor of State

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

To the Officials of Pocahontas County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pocahontas County, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 26, 2018.

Internal Control Over Financial Reporting

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

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

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

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

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


### Pocahontas County's Responses to the Findings

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

### Purpose of this Report

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

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

  
MARY MOSIMAN, CPA  
Auditor of State

June 26, 2018

Pocahontas County  
 Schedule of Findings  
 Year ended June 30, 2017

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES**

(A) Segregation of Duties

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

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

	Applicable Offices
(1) Receipts – collecting, depositing, posting and daily reconciling. Mail is opened by a person who also has access to accounting records.	Treasurer, Recorder, Sheriff, and Agricultural Extension
(2) Bank reconciliations are not prepared by someone who doesn't sign checks, handle or record cash.	Treasurer, Recorder, Sheriff and Agricultural Extension
(3) Bank reconciliations are not reviewed in a timely manner, or there is no evidence of review by an independent person for propriety.	Recorder and Sheriff
(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) An initial listing of receipts is not prepared and an independent reconciliation of the receipts to the initial listing is not performed.	Treasurer
(8) Reconciliations of financial activity from the separate nursing services accounting system to the County general ledger are not reviewed by an independent person for propriety.	Public Health Nurse
(9) The duties and responsibilities of an absent employee are not performed by other individuals.	Sheriff

Pocahontas County

Schedule of Findings

Year ended June 30, 2017

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 the County’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

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

Responses –

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

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

Sheriff – No comment.

Agricultural Extension – No comment.

Public Health Nurse – We will be implementing a new system in fiscal year 2018.

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

(B) Financial Reporting

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

Condition – During the audit, we identified material amounts of capital assets and receivables. Adjustments were subsequently made by the County to properly include those amounts in the financial statements.

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

Pocahontas County

Schedule of Findings

Year ended June 30, 2017

Effect – Lack of policies and procedures resulted 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 implement procedures to ensure all capital assets additions and deductions and receivables are identified and properly reported and included in the County’s financial statements.

Response – Procedures will be reviewed with corrections implemented where necessary.

Conclusion – Response accepted.

(C) Drainage Assessments

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

Condition – Sixty drainage districts have deficit cash balances totaling \$4,836,231 at June 30, 2017 to be paid by benefited land owners via drainage assessments. The County levied drainage assessments of \$1,538,568 during fiscal year 2017 to recover a portion of these deficit balances. During fiscal year 2018, the County levied \$5,008,734 of drainage assessments which included assessments to cover the deficit balances.

Cause – Policies have not been established and procedures have not been implemented to require timely and adequate assessment of drainage district improvement costs to benefited land owners.

Effect – Untimely and inadequate drainage assessments has resulted in sixty drainage districts with negative balances.

Pocahontas County

Schedule of Findings

Year ended June 30, 2017

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

Response – We will work on putting a policy together.

Conclusion – Response accepted.

(D) Computer Systems

Criteria – Properly designed policies and procedures pertaining to control activities over the County’s computer system and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable.

Condition – The County does not have a written disaster recovery plan for the County’s computer system.

Cause – Management has not required a written policy for the disaster recovery plan.

Effect – The failure to have a formal disaster recovery plan could result in the County’s inability to function in the event of a disaster or continue County business without interruption.

Recommendation – A written disaster recovery plan should be developed.

Response – Our Chairman of the Board states that our outside IT company has provided a written disaster recovery plan; however, the new County Auditor has been unable to find it. She is working to get a copy of the plan.

Conclusion – Response accepted.

(E) Capital Assets

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

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

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

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



Pocahontas County  
Schedule of Findings  
Year ended June 30, 2017

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

Response – We will work to establish a policy.

Conclusion – Response accepted.

(F) Vacation Accruals

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

- Upon employment: ten days
- After nine years: fifteen days
- After twenty years: twenty days

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

Condition – For the year ended June 30, 2017, 9 employees had accrued vacation over 210 hours, or 30 days.

Cause – Procedures have not been implemented to ensure compliance with the County vacation accrual policy.

Effect – This condition results in excessive accrued vacation balances and although not material, an overstatement of the liability reported for compensated absences.

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

Response – The policy is currently under review in fiscal year 2018.

Conclusion – Response accepted.

(G) Untimely Deposits

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

Condition – Receipts are not always deposited timely. Five receipts tested from various County departments were deposited 37 to 73 days after receipt.

Pocahontas County

Schedule of Findings

Year ended June 30, 2017

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

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

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

Response – According to the County Treasurer, they have a policy where we deposit every check every day. We do not have control over other departments and whether they hold checks or not. The Auditor will work with departments to ensure this does not continue to happen.

Conclusion – Response accepted.

(H) Timesheets

Criteria – An effective internal control system provides for internal controls related to preparation of timesheets by all employees. Timesheets should support all hours worked and taken as vacation, sick leave, compensatory time, holiday hours and personal days and provide an accurate record of hours worked. Supervisory review of timesheets can help ensure the accuracy of recorded hours worked.

Condition – Timesheets are not required to be prepared and submitted by all employees, including salaried employees.

Cause – Policies have not been established and procedures have not been implemented to require all employees, including salaried employees, to prepare timesheets or to require timesheets be reviewed and approved by supervisory personnel.

Effect – Lack of timesheets increases the risk of inaccurate leave records and the potential for pay for hours not worked. The lack of a documented supervisory review process increases the probability staff errors in recording hours or leave will go undetected.

Recommendation – Timesheets should be prepared by all personnel in all departments, salaried as well as hourly, and should be submitted to the County Auditor's office prior to the processing of payroll for each pay period. The timesheets should be signed by the employee's immediate supervisor or the County officer or department head prior to submission. The timesheets should support all hours worked and all hours taken as vacation, sick leave, compensatory time, holiday hours and personal days.

Response – During fiscal year 2018, a policy was implemented.

Conclusion – Response accepted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2017

(I) Credit Cards

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity’s governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing polices addressing proper asset use and proper supporting documentation.

Condition – The County has credit cards for use by various employees while on County business. However, the County has not adopted a formal written policy to regulate the use of the credit cards and to establish procedures for the proper accounting of credit card charges.

Cause – Adoption of a formal policy to regulate the use of credit cards has not been prioritized by the Board.

Effect – Lack of written policies and procedures to regulate the use of credit cards could result in unauthorized and unsupported transactions and the opportunity for misappropriation.

Recommendation – The Board should adopt a written policy governing the use of County owned credit cards. The policy should specify the individuals who are authorized to use the cards and should include the types of expenses allowed to be charged and the documentation required to be submitted to support the expense incurred and to allow authorization for payment. Board policy should prohibit the use of County-owned credit cards for personal expenses.

Response – The County is currently drafting a credit card policy to be approved by the Board of Supervisors and implemented in fiscal year 2018.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2017

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2017 did not exceed the amounts budgeted. However, disbursements in one department exceeded the amount appropriated prior to the approval of an appropriation amendment by the Board of Supervisors.

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

Response – This was an error made by the Auditor’s Office. The Auditor has educated herself and staff so this does not happen again.

Conclusion – Response accepted.

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

<u>Paid to</u>	<u>Departmental Meetings</u>	<u>Amount</u>
Family Table	Economic Development	\$ 667
Pizza Ranch	Board of Health	170
Pizza Ranch	Secondary Roads	52
Pizza Ranch	Economic Development	277
Pizza Ranch	Veteran's Affairs	550
Subway Sandwiches	Board of Health	108

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

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

Response – The County will establish a policy to ensure public purpose is established prior to authorizing payment.

Conclusion – Response accepted.

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

Pocahontas County

Schedule of Findings

Year ended June 30, 2017

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

<u>Transaction</u>	<u>Transaction</u>	
<u>Business Connection</u>	<u>Description</u>	<u>Amount</u>
Ed Dewey, Board Member, employee of Martin Marietta	Road rock	\$ 426,287

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

Recommendation – The County should consult legal counsel to determine the disposition of the purchases from Martin Marietta.

Response – The Chairman states that our County Engineer has prepared a report detailing our business with Martin Marietta. The report dealt with past bid lettings for rock and Martin Marietta was the winning bid. Also, some services can only be done by Martin Marietta and Supervisor Dewey always abstains from making any decisions pertaining to Martin Marietta.

Conclusion – Response acknowledged. Current competitive bids, publicly invited and opened, must be utilized to conduct County business with a member of the Board of Supervisors with the cost exceeds \$1,500 during the fiscal year.

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

In addition, Chapter 571-33.30(6) of the Iowa Administrative Code requires submission of the County's annual certification by October 1 of each year to qualify the County for annual funding. The County submitted the annual certification on August 1, 2017. However, the report incorrectly understated miscellaneous fees and interest by \$697.

Recommendation – The County should develop procedures to ensure the amounts reported on the annual certification are accurate.

Response – The Auditor will work with the Conservation Department to correct.

Conclusion – Response accepted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2017

- (9) Tax Increment Financing (TIF) Reconciliation – For the year ended June 30, 2017, the County Auditor did not prepare a reconciliation to reconcile TIF receipts with total outstanding TIF debt for each City.

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

Response – This is being done by the new County Auditor.

Conclusion – Response accepted.

- (10) Drainage Board Meetings – Chapter 21.3 of the Code of Iowa requires, “Each governmental body shall keep minutes of all its meetings showing the date, time and place, the members present, and the action taken at each meeting.” Chapter 21.4 of the Code of Iowa states, in part, “...a governmental body shall give notice of the time, date, and place of each meeting including a reconvened meeting of the governmental body, and the tentative agenda of the meeting, in a manner reasonably calculated to apprise the public of that information....Notice shall be given at least twenty-four hours prior to commencement of any meeting...” Public notice of the meetings of the Pocahontas County Drainage Board was not given and a minutes record of the proceedings of each meeting was not maintained for July 2016 through December 2016, as required.

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

Response – This is being done by the new County Auditor.

Conclusion – Response accepted.

- (11) Financial Condition-Interfund Loan – During fiscal year 2011, the Board approved a \$350,000 interfund loan from the Special revenue, Rural Services Fund to the General Fund. At June 30, 2015, the balance of the loan was \$175,000. The County has not made any payments for the loan since the year ended June 30, 2015. The County did not establish a repayment plan for the loan.

Recommendation – Since it is unlawful, in accordance with Chapter 331.432 of the Code of Iowa, to make permanent transfers of money between the General Fund and the Special revenue, Rural Services Fund, the County should make payments on the loan. In addition, the County should establish a repayment plan and make annual scheduled payments on the loan.

Response – The County will establish a repayment plan.

Conclusion – Response accepted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2017

- (12) Financial Condition – The Veterans Affairs Fund and the Agency, Records Office Fund had deficit balances of \$97 and \$337, respectively.

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

Response – The new County Auditor has established a process to ensure that this does not happen again.

Conclusion – Response accepted.

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

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

Response – The new County Auditor is working to have this completed during fiscal year 2018.

Conclusion – Response accepted.

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

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

Response – An actuary has been contacted.

Conclusion – Response accepted.

- (15) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2017 for the County Extension Office did not exceed the amount budgeted.

- (16) Secondary Roads Transfers – On June 30, 2016, the Board of Supervisors approved a resolution authorizing fiscal year 2017 transfers of no more than \$90,000 from the General Fund and no more than \$1,135,000 from the Special Revenue, Rural Services Fund to the Special Revenue, Secondary Roads Fund. On May 30, 2017, the County transferred \$90,000 and \$1,000,000 from the General Fund and Rural Services Fund, respectively, to the Secondary Roads Fund.

The County's transfers to the Secondary Roads Fund were \$113,441 less than the minimum local effort required by Chapter 312.2(5) of the Code of Iowa.

Pocahontas County

Schedule of Findings

Year ended June 30, 2017

Recommendation – The County should ensure the transfers to the Secondary Roads Fund are in compliance with the minimum local effort provisions contained in Chapter 312.2(5) of the Code of Iowa.

Response – The previous Auditor had done the transfer. I am unaware of why the full amount was not transferred.

Conclusion – Response accepted.

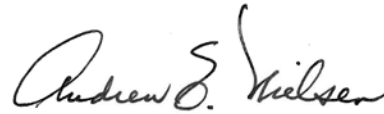


Pocahontas County

Staff

This audit was performed by:

Tammy A. Hollingsworth, CIA, Manager  
Dorothy O. Stover, Senior Auditor II  
Eileen D. Loomis, Staff Auditor  
Alex N. Kawamura, CPA, Staff Auditor  
Sarah K. Nissen, Staff Auditor  
Alexia M. Blank, Assistant Auditor  
Taryn Plunkett, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State