



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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006  
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**NEWS RELEASE**

FOR RELEASE

April 27, 2022

Contact: Ernest Ruben  
515/281-5834

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

**FINANCIAL HIGHLIGHTS:**

The County's revenues totaled \$23,991,740 for the year ended June 30, 2021, a 54.4% increase over the prior year. Expenses for County operations for the year ended June 30, 2021 totaled \$16,946,458, a 13.8% increase over the prior year. The increase in revenue is due primarily to an increase in drainage assessment collections and contributions from the Iowa DOT. The significant increase in expenses is due primarily to costs related to drainage district and secondary road projects.

**AUDIT FINDINGS:**

Sand reported three findings related to the receipt and expenditure of taxpayer funds. They are found on pages 78 through 81 of this report. The findings address issues such as lack of segregation of duties, accounts receivable not properly recorded in the County's financial statements and lack of approval for capital asset deletions. Sand provided the County with recommendations to address each of these findings.

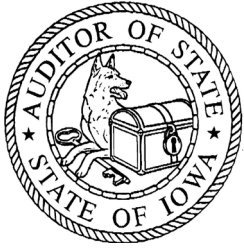
All of the findings discussed above are repeated from the prior year. The County Board of Supervisors and other County officials have a fiduciary responsibility to provide oversight of the County's operations and financial transactions. Oversight is typically defined as the "watchful and responsible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

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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**POCAHONTAS COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2021**

**Pocahontas County**



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**STATE OF IOWA**

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

Rob Sand  
Auditor of State

April 18, 2022

Officials of Pocahontas County  
Pocahontas, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Pocahontas County for the year ended June 30, 2021. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand  
Auditor of State

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**Pocahontas County  
Officials**

**(Before January 2021)**

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

**(After January 2021)**

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

**Pocahontas County**



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Independent Auditor's Report

To the Officials of Pocahontas County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pocahontas County, Iowa, as of and for the year ended June 30, 2021, 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, 2021, 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.



### Emphasis of a Matter

As discussed in Note 15 to the financial statements, Pocahontas County adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 8 through 14 and 54 through 63 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, 2020 (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 April 18, 2022 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.



Ernest H. Ruben, Jr., CPA  
Deputy Auditor of State

April 18, 2022

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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, 2021. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2021 FINANCIAL HIGHLIGHTS**

- The County implemented Governmental Accounting Standards Board Statement (GASBS) No. 84, Fiduciary Activities during fiscal year 2021. The beginning net position for fiduciary (custodial) funds was restated by \$1,647,395 to retroactively report in accordance with the GASBS.
- Revenues of the County's governmental activities increased 54.4%, or approximately 8,451,000, from fiscal year 2020 to fiscal year 2021. Charges for service increased approximately \$1,786,000, operating grants, contributions and restricted interest increased approximately \$1,719,000 and capital grants, contributions and restricted interest increased approximately \$4,792,000.
- The County's governmental activities' expenses increased 13.9%, or approximately \$2,060,000 from fiscal year 2020 to fiscal year 2021. Non-program expenses, which includes drainage districts, increased approximately \$2,245,000, while roads and transportation expenses decreased approximately \$278,000.
- The County's net position at June 30, 2021 increased 20.6%, or approximately \$7,046,000, over the June 30, 2020 balance.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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

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

### *Government-wide Financial Statements*

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

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

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

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, 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 custodial capacity for others which cannot be used to support the County’s own programs. These fiduciary funds include Custodial Funds that account for the 911 Service Board, the Emergency Management Commission and the County Assessor, to name a few.

The required financial statement for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2021	2020
Current and other assets	\$ 31,569	31,353
Capital assets	26,123	19,972
Total assets	57,692	51,325
Deferred outflows of resources	919	836
Long-term liabilities	8,834	9,796
Other liabilities	1,641	802
Total liabilities	10,475	10,598
Deferred inflows of resources	6,806	7,279
Net position:		
Net investment in capital assets	26,123	19,971
Restricted	12,780	12,330
Unrestricted	2,427	1,983
Total net position	\$ 41,330	34,284

Pocahontas County’s combined net position (which is the County’s bottom line) increased \$7,045,282, a 20.6% increase.

The largest portion of the County’s net position is net investment in capital assets (e.g., land, infrastructure, buildings and equipment). This net position category increased approximately \$6,152,000 or 30.8%, over the prior year.

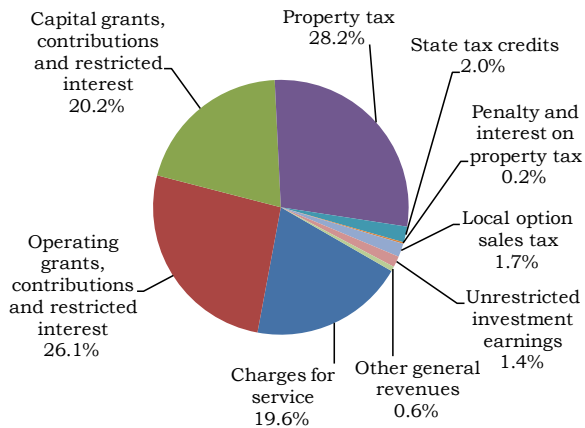
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position category increased approximately \$449,000, or 3.7%, over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$444,000 over the prior year from the balance in 2020 of approximately \$1,983,000. The increase in the unrestricted fund net position is primarily due to the increase in the General Fund. The General Fund ending unassigned fund balance increased approximately 627,000 over fiscal year 2020.

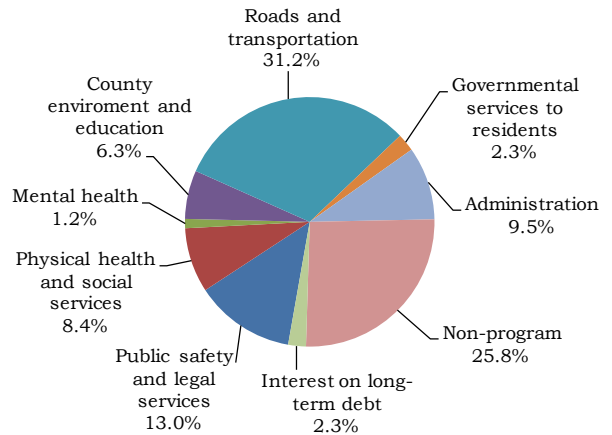
Changes in Net Position of Governmental Activities  
(Expressed in Thousands)

	Year ended June 30,	
	2021	2020
<b>Revenues:</b>		
Program revenues:		
Charges for service	\$ 4,714	2,928
Operating grants, contributions and restricted interest	6,268	4,549
Capital grants, contributions and restricted interest	4,839	47
General revenues:		
Property tax	6,779	6,679
Penalty and interest on property tax	44	21
State tax credits	471	481
Local option sales tax	402	320
Unrestricted investment earnings	337	365
Other general revenues	138	151
<b>Total revenues</b>	<b>23,991</b>	<b>15,541</b>
<b>Program expenses:</b>		
Public safety and legal services	2,202	2,226
Physical health and social services	1,427	1,374
Mental health	203	303
County environment and education	1,071	1,106
Roads and transportation	5,270	5,548
Governmental services to residents	387	398
Administration	1,618	1,609
Non-program	4,377	2,132
Interest on long-term debt	391	190
<b>Total expenses</b>	<b>16,946</b>	<b>14,886</b>
Change in net position	7,045	655
Net position beginning of year	34,284	33,629
Net position end of year	<b>\$ 41,329</b>	<b>34,284</b>

**Revenues by Source**



**Expenses by Function**



Pocahontas County's governmental activities net position increased approximately \$7,046,000 during the year. Revenues for governmental activities increased approximately \$8,451,000 over the prior year, including property tax revenue which increased over the prior year approximately \$100,000, or 1.5%.

The County's charges for service increased 61.0% over the fiscal year 2020 due to an increase in drainage assessments. Also, capital grants, contributions and restricted interest increased significantly over fiscal year 2020 due to an increase of \$4,839,000 in infrastructure assets contributed by the Iowa Department of Transportation.

The cost of all governmental activities this year was approximately \$16.9 million compared to approximately \$14.9 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was approximately \$1.1 million because some of the cost was paid by those who directly benefited from the programs (approximately \$4,714,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$11,108,000). Overall, the County's governmental program revenues, including intergovernmental aid and charges for services, increased in fiscal year 2021 from approximately \$7,524,000 to approximately \$15,821,000. As discussed above, the County received contributions of roads paid for by the Iowa Department of Transportation.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Pocahontas County completed the year, its governmental funds reported a combined fund balance of approximately \$17.2 million, an increase of approximately \$542,000 over last year's total of approximately \$16.6 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 \$700,000. The ending fund balance increased approximately \$585,000 from the prior year to approximately \$6,241,000. General Fund revenues increased approximately \$517,000, or 8.5%. Expenditures decreased approximately \$203,000 or 3.3%, due, in part, to decreases in public safety and the administrative costs.
- The Special Revenue, Mental Health Fund ending fund balance increased approximately \$7,000 from the prior year to a balance of approximately \$60,000. Mental Health Fund revenues decreased approximately \$105,000, or 33.4%. Expenditures decreased approximately \$105,000 or 34.1%, primarily due to a decrease in mental health services and a decrease in funds provided to the MHDS region.
- Special Revenue, Rural Services Fund revenues increased approximately \$188,000 or 7.0%. Expenditures were relatively stable increasing approximately \$32,000 or 2.8%. The Special Revenue, Rural Services Fund ending fund balance decreased approximately \$20,000 or less than 1.0%.
- Revenues in the Special Revenue, Secondary Roads Fund increased approximately \$891,000 over the previous year, due, in part, to an increase in miscellaneous revenues received from MidAmerican Energy for damages to County property. Expenditures increased approximately \$1,891,000, or 41.2%, over the prior year due to more roadway maintenance projects. The Secondary Roads Fund ending fund balance increased approximately \$407,000 to approximately \$8.4 million.
- The Special Revenue, Drainage Districts Fund ending fund balance decreased approximately \$436,000 from the prior year to approximately \$406,000. Revenues and proceeds from the issuance of drainage warrants increased approximately \$4,991,137 over the prior year. Revenues are dependent on the assessments on drainage projects performed during the year. Expenditures increased approximately \$5,984,000, due to an increase in drainage district warrants redeemed in fiscal year 2021 compared to fiscal year 2020.

## BUDGETARY HIGHLIGHT

Over the course of the year, Pocahontas County amended its budget two times. The amendments were made in September of 2020 and May of 2021 and resulted in an increase in budgeted receipts and disbursements by \$94,225 and \$213,258, respectively. The increase in receipts was related to FEMA, IDALS well closure and COVID-19 grants received that were not originally budgeted for and the increase in disbursements was related to these grants that were not anticipated.

The County's receipts were approximately \$1,567,000 more than budgeted, a variance of 11.4% above the final amended budget.

Total disbursements were \$2,566,715 less than the budget. Actual disbursements for capital projects, roads and transportation and administration functions were \$1,197,525, \$819,998 and \$185,957 respectively, less than budgeted. The disbursements less than budget for capital projects and roads and transportation functions were due to delays in projects as a result of COVID-19. The disbursements less than budget for administration function was due to reduced spending in multiple areas.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2021, Pocahontas County had approximately \$26.1 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$6,151,000, or 30.8%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2021	2020
Land	\$ 2,088	2,088
Construction in progress	7,109	89
Buildings and building improvements	1,524	1,479
Equipment and vehicles	2,847	2,772
Infrastructure, road network	12,555	13,544
Total	<u>\$ 26,123</u>	<u>19,972</u>

The County had depreciation expense of \$1,497,513 in fiscal year 2021 and total accumulated depreciation of \$18,445,113 at June 30, 2021. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.



## Long-Term Debt

At June 30, 2021, Pocahontas County had approximately \$5,392,000 of outstanding debt compared to approximately \$6,998,000 at June 30, 2020. 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,	
	2021	2020
Drainage warrants and improvement certificates	\$ 5,179	6,745
State Revolving Fund improvement certificates	213	253
Total	\$ 5,392	6,998

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 \$43 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 2022 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 3.1% compared to 5.1% at June 30, 2020. This compares with the State's unemployment rate of 4.1% and the national rate of 5.4%.

## 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, 2021

	Governmental Activities
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 17,975,397
Receivables:	
Property tax:	
Delinquent	8,753
Succeeding year	6,640,000
Interest and penalty on property tax	84,581
Accounts	221,791
Accrued interest	1,821
Drainage assessments	4,502,927
Due from other governments	891,092
Inventories	1,106,139
Prepaid insurance	136,288
Capital assets not being depreciated	9,197,020
Capital assets, net of accumulated depreciation	16,926,157
<b>Total assets</b>	57,691,966
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	919,248
<b>Liabilities</b>	
Accounts payable	771,907
Salaries and benefits payable	167,380
Due to other governments	58,796
Unearned revenues	642,832
Long-term liabilities:	
Portion due or payable within one year:	
Drainage warrants/drainage improvement certificates	3,762,674
State revolving fund improvement certificates	41,000
Compensated absences	266,847
OPEB Liability	23,553
Portion due or payable after one year:	
Drainage improvement certificates	1,416,528
State revolving fund improvement certificates	172,000
Net pension liability	2,981,271
OPEB Liability	170,492
<b>Total liabilities</b>	10,475,280
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	6,640,000
Pension related deferred inflows	166,427
<b>Total deferred inflows of resources</b>	6,806,427
<b>Net Position</b>	
Net investment in capital assets	26,123,177
Restricted for:	
Supplemental levy purposes	1,951,247
Conservation land acquisition	202,711
Mental health purposes	60,102
Rural services	2,088,444
Secondary roads purposes	8,446,328
Other purposes	30,506
Unrestricted	2,426,992
<b>Total net position</b>	\$ 41,329,507

See notes to financial statements.

Pocahontas County  
Statement of Activities  
Year ended June 30, 2021

	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	\$ 2,202,239	50,773	196,279	-	(1,955,187)
Physical health and social services	1,426,706	386,389	464,110	-	(576,207)
Mental health	203,067	-	828	-	(202,239)
County environment and education	1,071,392	90,628	9,018	-	(971,746)
Roads and transportation	5,269,828	231,811	4,474,576	4,839,359	4,275,918
Governmental services to residents	387,439	188,197	928	-	(198,314)
Administration	1,617,671	24,888	4,651	-	(1,588,132)
Non-program	4,376,850	3,741,748	1,118,299	-	483,197
Interest on long-term debt	391,266	-	-	-	(391,266)
<b>Total</b>	<b>\$ 16,946,458</b>	<b>4,714,434</b>	<b>6,268,689</b>	<b>4,839,359</b>	<b>(1,123,976)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					6,778,991
Penalty and interest on property tax					43,565
State tax credits					470,718
Local option sales tax					401,573
Unrestricted investment earnings					336,826
Gain on disposition of capital assets					35,443
Miscellaneous					102,142
<b>Total general revenues</b>					<b>8,169,258</b>
Change in net position					7,045,282
Net position beginning of year					34,284,225
Net position end of year					<b>\$ 41,329,507</b>

See notes to financial statements.

Pocahontas County

Balance Sheet

June 30, 2021

	Special		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 6,883,583	60,126	2,083,092
Receivables:			
Property tax:			
Delinquent	8,350	373	30
Succeeding year	4,289,000	132,000	2,219,000
Interest and penalty on property tax	84,581	-	-
Accounts	17,222	-	-
Accrued interest	1,821	-	-
Drainage assessments	-	-	-
Due from other governments	98,823	-	28,150
Inventories	-	-	-
Prepaid expenses	84,935	-	12,548
<b>Total assets</b>	<b>\$ 11,468,315</b>	<b>192,499</b>	<b>4,342,820</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 49,323	4	11,334
Salaries and benefits payable	95,065	369	12,380
Due to other governments	46,748	24	10,701
Unearned revenue	642,832	-	-
<b>Total liabilities</b>	<b>833,968</b>	<b>397</b>	<b>34,415</b>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	4,289,000	132,000	2,219,000
Other	104,680	373	30
<b>Total deferred inflows of resources</b>	<b>4,393,680</b>	<b>132,373</b>	<b>2,219,030</b>
Fund balances (deficit):			
Nonspendable:			
Inventories	-	-	-
Prepaid expenses	84,935	-	12,548
Restricted for:			
Supplemental levy purposes	1,880,348	-	-
Conservation land acquisition	202,711	-	-
Mental health purposes	-	59,729	-
Rural services	-	-	2,076,827
Secondary roads purposes	-	-	-
Drainage warrants/drainage improvement certificates	-	-	-
Other purposes	5,566	-	-
Unassigned	4,067,107	-	-
<b>Total fund balances</b>	<b>6,240,667</b>	<b>59,729</b>	<b>2,089,375</b>
<b>Total liabilities, deferred inflows of resources     and fund balances</b>	<b>\$ 11,468,315</b>	<b>192,499</b>	<b>4,342,820</b>

See notes to financial statements.

Revenue			
Secondary Roads	Drainage Districts	Nonmajor	Total
6,892,807	919,932	24,940	16,864,480
-	-	-	8,753
-	-	-	6,640,000
-	-	-	84,581
204,569	-	-	221,791
-	-	-	1,821
-	4,502,927	-	4,502,927
493,354	270,765	-	891,092
1,106,139	-	-	1,106,139
38,805	-	-	136,288
<u>8,735,674</u>	<u>5,693,624</u>	<u>24,940</u>	<u>30,457,872</u>
125,781	514,423	-	700,865
59,566	-	-	167,380
1,323	-	-	58,796
-	-	-	642,832
<u>186,670</u>	<u>514,423</u>	<u>-</u>	<u>1,569,873</u>
-	-	-	6,640,000
<u>181,612</u>	<u>4,773,692</u>	<u>-</u>	<u>5,060,387</u>
<u>181,612</u>	<u>4,773,692</u>	<u>-</u>	<u>11,700,387</u>
1,106,139	-	-	1,106,139
38,805	-	-	136,288
-	-	-	1,880,348
-	-	-	202,711
-	-	-	59,729
-	-	-	2,076,827
7,222,448	-	-	7,222,448
-	405,509	-	405,509
-	-	24,940	30,506
-	-	-	4,067,107
<u>8,367,392</u>	<u>405,509</u>	<u>24,940</u>	<u>17,187,612</u>
<u>8,735,674</u>	<u>5,693,624</u>	<u>24,940</u>	<u>30,457,872</u>

**Pocahontas County**

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

June 30, 2021

**Total governmental fund balances (page 19)** \$ 17,187,612

**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 \$44,568,290 and the accumulated depreciation is \$18,445,113. 26,123,177

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. 5,060,387

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. 1,039,875

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	\$ 919,248	
Deferred inflows of resources	<u>(166,427)</u>	752,821

Long-term liabilities, including drainage warrants/drainage improvement certificates payable, State Revolving Fund improvement certificates payable, compensated absences payable, net pension liability and total OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (8,834,365)

**Net position of governmental activities (page 16)** \$ 41,329,507

See notes to financial statements.



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

Year ended June 30, 2021

	Special		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 4,355,067	194,452	2,287,250
Local option sales tax	-	-	401,573
Interest and penalty on property tax	48,798	-	-
Intergovernmental	1,049,122	15,444	179,443
Licenses and permits	8,235	-	8,880
Charges for service	608,900	-	-
Use of money and property	417,595	-	-
Miscellaneous	99,971	-	5,023
Total revenues	<u>6,587,688</u>	<u>209,896</u>	<u>2,882,169</u>
Expenditures:			
Operating:			
Public safety and legal services	1,543,486	-	709,301
Physical health and social services	1,430,941	-	-
Mental health	-	203,034	-
County environment and education	600,655	-	444,523
Roads and transportation	-	-	-
Governmental services to residents	385,038	-	2,228
Administration	1,639,644	-	-
Non-program	212,015	-	-
Debt service	-	-	-
Capital projects	76,051	-	-
Total expenditures	<u>5,887,830</u>	<u>203,034</u>	<u>1,156,052</u>
Excess (deficiency) of revenues over (under) expenditures	<u>699,858</u>	<u>6,862</u>	<u>1,726,117</u>
Other financing sources (uses):			
Sale of capital assets	1,800	-	-
Transfers in	-	-	-
Transfers out	(116,268)	-	(1,746,063)
Drainage warrants/drainage improvement certificates issued	-	-	-
Total other financing sources (uses)	<u>(114,468)</u>	<u>-</u>	<u>(1,746,063)</u>
Change in fund balances	585,390	6,862	(19,946)
Fund balances beginning of year	<u>5,655,277</u>	<u>52,867</u>	<u>2,109,321</u>
Fund balances end of year	<u>\$ 6,240,667</u>	<u>59,729</u>	<u>2,089,375</u>

See notes to financial statements.

Revenue			
Secondary Roads	Drainage Districts	Nonmajor	Total
-	-	-	6,836,769
-	-	-	401,573
-	-	-	48,798
4,396,690	1,140,053	19,018	6,799,770
18,788	-	-	35,903
98,336	-	2,082	709,318
2,400	-	23	420,018
504,119	4,241,007	1,172	4,851,292
5,020,333	5,381,060	22,295	20,103,441
-	-	-	2,252,787
-	-	10,000	1,440,941
-	-	-	203,034
-	-	2,148	1,047,326
6,326,657	-	-	6,326,657
-	-	-	387,266
-	-	-	1,639,644
-	3,820,759	-	4,032,774
-	5,350,170	-	5,350,170
158,302	-	11,000	245,353
6,484,959	9,170,929	23,148	22,925,952
(1,464,626)	(3,789,869)	(853)	(2,822,511)
9,588	-	-	11,388
1,861,945	-	386	1,862,331
-	-	-	(1,862,331)
-	3,353,597	-	3,353,597
1,871,533	3,353,597	386	3,364,985
406,907	(436,272)	(467)	542,474
7,960,485	841,781	25,407	16,645,138
8,367,392	405,509	24,940	17,187,612

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, 2021

**Change in fund balances - Total governmental funds (page 23)** \$ 542,474

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

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

Expenditures for capital assets	\$ 2,774,227	
Capital assets contributed by the Iowa Department of Transportation	4,839,359	
Depreciation expense	<u>(1,497,513)</u>	6,116,073

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. 35,443

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	(57,778)	
Other	<u>(1,018,290)</u>	(1,076,068)

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	(3,353,597)	
Repaid	<u>4,958,904</u>	1,605,307

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. 430,349

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	(2,338)	
OPEB expense	(3,189)	
Pension expense	<u>(554,633)</u>	(560,160)

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. (48,136)

**Change in net position of governmental activities (page 17)** \$ 7,045,282

See notes to financial statements.

Pocahontas County  
Statement of Net Position  
Proprietary Fund

June 30, 2021

	<u>Internal Service</u>
	<u>Employee Group Health</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,110,917
<b>Liabilities</b>	
Accounts payable	<u>71,042</u>
<b>Net Position</b>	
Restricted for employee health	<u>\$ 1,039,875</u>

See notes to financial statements.

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

Year ended June 30, 2021

		<u>Internal Service</u>
		<u>Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 221,864
Reimbursements from employees and others		<u>72,027</u>
Total operating revenues		293,891
Operating expenses:		
Medical claims	\$ 298,279	
Premiums	38,220	
Administrative charges	<u>6,858</u>	<u>343,357</u>
Operating income		(49,466)
Non-operating revenues:		
Interest income		<u>1,330</u>
Net income		(48,136)
Net position beginning of year		<u>1,088,011</u>
Net position end of year		<u>\$ 1,039,875</u>

See notes to financial statements.

Pocahontas County  
 Statement of Cash Flows  
 Proprietary Fund  
 Year ended June 30, 2021

	Internal Service
	Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund contributions	\$ 221,864
Cash received from employees and others	72,027
Cash paid for medical claims, premiums and other	<u>(308,480)</u>
Net cash provided by operating activities	(14,589)
Cash flows from investing activities:	
Interest on investments	<u>1,330</u>
Net increase in cash and cash equivalents	(13,259)
Cash and cash equivalents beginning of year	<u>1,124,176</u>
Cash and cash equivalents end of year	<u>\$ 1,110,917</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ (49,466)
Adjustment to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	<u>34,877</u>
Net cash provided by operating activities	<u>\$ (14,589)</u>

See notes to financial statements.

Pocahontas County  
Statement of Fiduciary Net Position  
Custodial Funds

June 30, 2021

**Assets**

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 1,647,530
Other County officials	32,984

Receivables:

Property tax:

Delinquent	47,272
Succeeding year	14,135,000

Special assessments	92,819
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Due from other governments	84,315
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Prepays	<u>7,371</u>
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<b>Total assets</b>	<u>16,047,291</u>
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**Liabilities**

Salaries and benefits payable	11,573
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Due to other governments	435,516
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Trusts payable	4,221
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Compensated absences	<u>27,802</u>
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<b>Total liabilities</b>	<u>479,112</u>
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**Deferred Inflows of Resources**

Unavailable property tax revenue	<u>14,138,734</u>
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**Net Position**

Restricted for individuals, organizations and other governments	<u>\$ 1,429,445</u>
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See notes to financial statements.

Pocahontas County  
 Statement of Changes in Fiduciary Net Position  
 Custodial Funds

June 30, 2021

Additions:	
Property and other county tax	\$ 13,226,167
911 surcharge	201,720
State tax credits	1,245,437
Drivers license fees	34,437
Office fees and collections	290,395
Auto licenses, use tax and postage	3,536,847
Assessments	26,259
Trusts	269,514
Miscellaneous	<u>251,667</u>
Total additions	<u>19,082,443</u>
Deductions:	
Agency remittances:	
To other funds	205,646
To other governments	18,825,122
Trusts paid out	<u>269,625</u>
Total deductions	<u>19,300,393</u>
Change in net position	(217,950)
Net position beginning of year, as restated	<u>1,647,395</u>
Net position end of year	<u>\$ 1,429,445</u>

See notes to financial statements.



Pocahontas County

Notes to Financial Statements

June 30, 2021

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

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

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

A. Reporting Entity

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

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2020.

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

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

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

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

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

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

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

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, and infrastructure are depreciated/amortized using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings and building improvements	20 - 50
Infrastructure	30 - 50
Intangibles	5 - 20
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 assets 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, 2021. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

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

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied, 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. During the year ended June 30, 2021, disbursements did not exceed the budget for any function.

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

The County's deposits in banks at June 30, 2021 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, 2021, the County had investments in drainage warrants and improvement certificates of \$2,666,426 and \$1,900,536, respectively.



**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 115,882
	Special Revenue:	
	Rural Services	<u>1,746,063</u>
		<u>1,861,945</u>
Forfeiture Fund	General	<u>386</u>
Total		<u>\$ 1,862,331</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, 2021 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	\$ 2,087,976	-	-	2,087,976
Construction in process	89,391	7,092,457	(72,804)	7,109,044
Total capital assets not being depreciated	<u>2,177,367</u>	<u>7,092,457</u>	<u>(72,804)</u>	<u>9,197,020</u>
Capital assets being depreciated:				
Buildings and building improvements	3,536,380	139,092	-	3,675,472
Equipment and vehicles	8,762,445	574,281	(433,703)	8,903,023
Infrastructure, road network	<u>22,792,775</u>	-	-	<u>22,792,775</u>
Total capital assets being depreciated	<u>35,091,600</u>	<u>713,373</u>	<u>(433,703)</u>	<u>35,371,270</u>
Less accumulated depreciation for:				
Buildings and building improvements	2,057,634	94,058	-	2,151,692
Equipment and vehicles	5,990,912	414,674	(349,706)	6,055,880
Infrastructure, road network	<u>9,248,760</u>	<u>988,781</u>	-	<u>10,237,541</u>
Total accumulated depreciation	<u>17,297,306</u>	<u>1,497,513</u>	<u>(349,706)</u>	<u>18,445,113</u>
Total capital assets being depreciated, net	<u>17,794,294</u>	<u>(784,140)</u>	<u>(83,997)</u>	<u>16,926,157</u>
Governmental activities capital assets, net	<u>\$ 19,971,661</u>	<u>6,308,317</u>	<u>(156,801)</u>	<u>26,123,177</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 100,096
Physical health and social services		349
County environment and education		68,038
Roads and transportation		1,260,156
Governmental services to residents		7,614
Administration		<u>61,260</u>
Total depreciation expense - governmental activities		<u>\$ 1,497,513</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, 2021 is as follows:

Fund	Description	Amount
General	Services	<u>\$ 46,748</u>
Special Revenue:		
Mental Health	Services	24
Rural Services	Services	10,701
Secondary Roads	Services	<u>1,323</u>
		<u>12,024</u>
Total for governmental funds		<u>\$ 58,796</u>
Custodial:		
Agriculture Extension Education	Collections	\$ 1,111
Schools		65,693
Community Colleges		6,449
Corporations		36,162
Townships		1,970
Auto License and Use Tax		260,642
All other		<u>63,489</u>
Total for agency funds		<u>\$ 435,516</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2021 is as follows:

	State				Net Pension Liability	Total OPEB Liability	Total
	Drainage Warrants	Drainage Improvement Certificates	State Revolving Fund Improvement Certificates	Compensated Absences			
Balance beginning of year	\$ 4,359,963	2,384,546	253,000	264,509	2,342,801	190,856	9,795,675
Increases	3,353,597	-	-	186,760	638,470	26,742	4,205,569
Decreases	<u>4,434,895</u>	<u>484,009</u>	<u>40,000</u>	<u>184,422</u>	<u>-</u>	<u>23,553</u>	<u>5,166,879</u>
Balance end of year	<u>\$ 3,278,665</u>	<u>1,900,537</u>	<u>213,000</u>	<u>266,847</u>	<u>2,981,271</u>	<u>194,045</u>	<u>8,834,365</u>
Due within one year	<u>\$ 3,278,665</u>	<u>484,009</u>	<u>41,000</u>	<u>266,847</u>	<u>-</u>	<u>23,553</u>	<u>4,094,074</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 (SRF) Improvement Certificates – Direct Borrowing

On January 27, 2010, the County entered into a loan agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of \$1,096,000 of improvement certificates with interest at 3.00% per annum. As of June 1, 2020, the interest rate on the loan was reduced from 3.00% to 1.75%. The agreement also requires the County to annually pay a .25% servicing fee on the outstanding principal balance. The certificates were issued pursuant to the provisions of Chapter 468.70 of the Code of Iowa and the American Recovery and Reinvestment Act of 2009 (ARRA) for the purpose of providing funds to pay a portion of the costs of constructing improvements and repairs to Drainage District No. 65 of the County. The County drew down funds from the Trustee upon request to reimburse the County for costs as they are incurred. An initiation fee of 1%, or \$10,960, of the authorized borrowing for the improvement certificates was charged by the Iowa Finance Authority. At June 30, 2021, the County had drawn down the entire authorized amount. During the year ended June 30, 2021, the County paid \$40,000 of principal and \$4,428 of interest on these certificates.

The County's outstanding SRF Improvement Certificates from direct borrowings related to governmental activities of \$213,000 are secured by assessments against property in the Drainage District System. The agreement contains a provision that in an event of default, the Issuer shall have the right to take any action authorized to take whatever action law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement.

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

A summary of the County's June 30, 2021 State Revolving Fund Improvement Certificate indebtedness is as follows:

Year	Ending June 30,	Interest Rate*	Principal	Interest	Total
2022		1.75%	\$ 41,000	3,727	44,727
2023		1.75	43,000	3,010	46,010
2024		1.75	44,000	2,258	46,258
2025		1.75	45,000	1,488	46,488
2026		1.75	40,000	700	40,700
Total			<u>\$ 213,000</u>	<u>11,183</u>	<u>224,183</u>

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

**(7) Employee Group Health**

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

Monthly contributions to the Internal Service, Employee Group Health Fund are recorded as expenditures from the operating funds. These contributions represent the difference between premiums required for a higher deductible plan and those for a lower deductible plan. Payments from the Internal Service, Employee Group Health Fund are for insurance premiums, employee reimbursements of medical claims up to the individual's funded deductible and administrative costs. The County's contribution for the year ended June 30, 2021 was \$221,864.

The amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2021 for reported but not paid claims have been determined by the plan administrator. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 36,165
Incurred claims (including claims incurred but not reported at June 30, 2021)	298,279
Payment on claims during the year	<u>(263,402)</u>
Unpaid claims end of year	<u>\$ 71,042</u>

**(8) Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](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 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% for a total rate of 15.73%. The Sheriff, deputies and County each contributed 9.26% of covered payroll for a total rate of 18.52%. Protection occupation members contributed 6.41% of covered payroll and the County contributed 9.61% for a total rate of 16.02%.

The County’s contributions to IPERS for the year ended June 30, 2021 totaled \$430,349.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the County reported a liability of \$2,981,271 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 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, 2020, the County’s proportion was 0.042440%, which was an increase of 0.001982% over its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the County recognized pension expense of \$554,633. At June 30, 2021, 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	\$ 13,708	75,819
Changes of assumptions	195,656	47,029
Net difference between projected and actual earnings on IPERS’ investments	236,941	-
Changes in proportion and differences between County contributions and the County’s proportionate share of contributions	42,594	43,579
County contributions subsequent to the measurement date	430,349	-
<b>Total</b>	<b>\$ 919,248</b>	<b>166,427</b>

\$430,349 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, 2022. 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
2022	\$ 41,149
2023	75,504
2024	77,872
2025	131,275
2026	<u>(3,328)</u>
Total	<u>\$ 322,472</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement as follows:

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	<u>100.0%</u>	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$ 5,641,286	2,981,271	751,477

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, 2021.



**(9) Other Postemployment Benefits (OPEB)**

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

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

Retired participants must be age 55 or older at retirement. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>91</u>
Total	<u>92</u>

Total OPEB Liability – The County’s total OPEB liability of \$194,045 was measured as of June 30, 2021, and it was determined by an actuarial valuation as of June 30, 2020. The total OPEB liability was rolled forward from the June 30, 2020 valuation date to the June 30, 2021 measurement date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2020)	3.00% per annum.
Rates of salary increase (effective June 30, 2020)	3.00% per annum, including inflation.
Discount rate (effective June 30, 2020)	2.21% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2020)	7.00% initial rate decreasing by .5% annually to an ultimate rate of 5.00%.

Discount Rate – The discount rate used to measure the total OPEB liability was 2.21% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the 2016 United States Life tables. Annual retirement probabilities are based on historical average retirement age for the covered group, active members were assumed to retire after reaching age 62.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 190,856
Changes for the year:	
Service cost	22,292
Interest	4,450
Benefit payments	<u>(23,553)</u>
Net changes	<u>3,189</u>
Total OPEB liability end of year	<u>\$ 194,045</u>

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.21%) or 1% higher (3.21%) than the current discount rate.

	<u>1% Decrease (1.21%)</u>	<u>Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Total OPEB liability	\$ 201,352	194,045	185,633

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.50%) or 1% higher (7.50%) than the current healthcare cost trend rates.

	<u>1% Decrease (5.50%)</u>	<u>Healthcare Cost Trend Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Total OPEB liability	\$ 179,215	194,045	211,122

OPEB Expense – For the year ended June 30, 2021, the County recognized OPEB expense of \$26,742. The County utilized the alternative measurement method which results in all deferred outflows/inflows of resources related to OPEB being fully recognized in the current fiscal year.

**(10) Risk Management**

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

**(11) Tax Abatements**

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

**Tax Abatements of Other Entities**

Property tax revenues of the County were reduced by the following amount for the year ended June 30, 2021 under agreements entered into by the following entity:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Pocahontas	Urban renewal and economic development projects	\$ 3,792

**(12) Jointly Governed Organization**

Pocahontas County participates in the Pocahontas County Economic Development Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. In addition, some financial transactions are held by the organization apart from the County Agency Funds. The following financial data is for the year ended June 30, 2021:

Additions:		
Contributions from governmental units:		
Pocahontas County	\$	50,000
Iowa Central Community College		30,450
Cities of:		
Gilmore City		500
Havelock		250
Laurens		14,000
Palmer		300
Plover		100
Pocahontas		17,375
Rolfe		4,950
Varina		437
		<u>\$ 118,362</u>
Grants		24,457
Reimbursements		13,259
Donations		11,604
Economic development loan repayments		22,962
Interest		<u>270</u>
Total additions		190,914
Deductions:		
Salaries and benefits	191,452	
Office supplies	1,326	
Travel	2,833	
Telephone	3,260	
Building	4,800	
Shared program services	52,320	
Insurance	1,605	
Miscellaneous	30,638	
		<u>288,234</u>
Net		(97,320)
Balance beginning of year, as restated		<u>578,204</u>
Balance end of year		<u>\$ 480,884</u>

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

County Social Services (CSS), a jointly governed organization formed pursuant to the provisions of Chapter 28E and includes the following members: Allamakee, Black Hawk, Butler, Cerro Gordo, Chickasaw, Clayton, Emmet, Fayette, Floyd, Grundy, Hancock, Howard, Humboldt, Kossuth, Mitchell, Pocahontas, Tama, Webster, Winnebago, Winneshiek, Worth and Wright Counties. The financial activity of the County’s Special Revenue, Mental Health Fund is included in CSS for the year ended June 30, 2021 as follows:

Revenues:		
Property and other county tax		\$ 194,452
Intergovernmental revenues:		
State tax credits	\$ 9,495	
Payments from regional fiscal agent	828	
Other	5,121	15,444
Total revenues		<u>209,896</u>
Expenditures:		
Services to persons with:		
Mental illness		834
General administration:		
Distribution to regional fiscal agent		<u>202,200</u>
Total expenditures		<u>203,034</u>
Excess of revenues over expenditures		6,862
Fund balance beginning of the year		<u>52,867</u>
Fund balance end of the year		<u>\$ 59,729</u>

**(14) COVID-19**

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the Pocahontas County, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of Pocahontas County. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to Pocahontas County.

**(15) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities, was implemented during fiscal year 2021. The new requirements change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments which report fiduciary activity.

The restatement to retroactively report the change in net position, is as follows:

	<u>Fiduciary Activities</u>
Net position June 30, 2020, as previously reported	\$ -
Change to implement GASBS No. 84	<u>1,647,395</u>
Net position July 1, 2020, as restated	<u>\$ 1,647,395</u>

**(16) Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease assets and liabilities that are not currently reported.

**Pocahontas County**

**Required Supplementary Information**



Pocahontas County  
 Budgetary Comparison Schedule of  
 Receipts, Disbursements and Changes in Balances –  
 Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2021

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 7,237,446	-	7,237,446
Interest and penalty on property tax	48,798	-	48,798
Intergovernmental	7,479,920	1,227,981	6,251,939
Licenses and permits	37,767	-	37,767
Charges for service	721,694	-	721,694
Use of money and property	429,815	-	429,815
Miscellaneous	4,841,939	4,241,007	600,932
Total receipts	<u>20,797,379</u>	<u>5,468,988</u>	<u>15,328,391</u>
<b>Disbursements:</b>			
Public safety and legal services	2,340,796	-	2,340,796
Physical health and social services	1,446,449	-	1,446,449
Mental health	202,716	-	202,716
County environment and education	1,046,489	-	1,046,489
Roads and transportation	4,539,293	-	4,539,293
Governmental services to residents	386,601	-	386,601
Administration	1,683,952	-	1,683,952
Non-program	3,669,823	3,457,808	212,015
Debt service	5,350,170	5,350,170	-
Capital projects	219,176	-	219,176
Total disbursements	<u>20,885,465</u>	<u>8,807,978</u>	<u>12,077,487</u>
Excess (deficiency) of receipts over (under) disbursements	(88,086)	(3,338,990)	3,250,904
Other financing sources, net	<u>3,364,985</u>	<u>3,353,597</u>	<u>11,388</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,276,899	14,607	3,262,292
Balance beginning of year	<u>13,587,581</u>	<u>905,325</u>	<u>12,682,256</u>
Balance end of year	<u>\$ 16,864,480</u>	<u>919,932</u>	<u>15,944,548</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
7,033,451	7,033,451	203,995
11,025	11,025	37,773
5,878,879	5,965,204	286,735
22,700	23,600	14,167
508,780	515,780	205,914
157,005	157,005	272,810
55,150	55,150	545,782
<u>13,666,990</u>	<u>13,761,215</u>	<u>1,567,176</u>
2,457,860	2,468,327	127,531
1,603,883	1,603,883	157,434
203,700	203,700	984
1,079,761	1,078,348	31,859
5,359,291	5,359,291	819,998
429,440	429,440	42,839
1,819,423	1,869,909	185,957
60,885	214,603	2,588
-	-	-
<u>1,416,701</u>	<u>1,416,701</u>	<u>1,197,525</u>
<u>14,430,944</u>	<u>14,644,202</u>	<u>2,566,715</u>
(763,954)	(882,987)	4,133,891
<u>15,000</u>	<u>15,000</u>	<u>(3,612)</u>
(748,954)	(867,987)	4,130,279
<u>10,644,032</u>	<u>10,644,032</u>	<u>2,038,224</u>
<u>9,895,078</u>	<u>9,776,045</u>	<u>6,168,503</u>

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Pocahontas County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
Required Supplementary Information

Year ended June 30, 2021

	<u>Governmental Funds</u>		
	Cash	Accrual	Modified
	<u>Basis</u>	<u>Adjustments</u>	<u>Accrual</u>
			<u>Basis</u>
Revenues	\$ 20,797,379	(693,938)	20,103,441
Expenditures	<u>20,885,465</u>	<u>2,040,487</u>	<u>22,925,952</u>
Net	(88,086)	(2,734,425)	(2,822,511)
Other financing sources, net	3,364,985	-	3,364,985
Beginning fund balances	<u>13,587,581</u>	<u>3,057,557</u>	<u>16,645,138</u>
Ending fund balances	<u>\$ 16,864,480</u>	<u>323,132</u>	<u>17,187,612</u>

See accompanying independent auditor's report.

Pocahontas County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2021

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$213,258. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2021, disbursements did not exceed the amount budgeted for any function.

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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 Seven Years\*  
(In Thousands)

Required Supplementary Information

	2021	2020	2019	2018
County's proportion of the net pension liability	0.042440%	0.040458%	0.041905%	0.042538%
County's proportionate share of the net pension liability	\$ 2,981	2,342	2,652	2,834
County's covered payroll	\$ 4,324	4,242	3,995	3,905
County's proportionate share of the net pension liability as a percentage of its covered payroll	68.94%	55.21%	66.38%	72.57%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%

\* 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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2017	2016	2015
0.043237%	0.040860%	0.040386%
2,721	2,019	1,602
3,877	3,775	3,790
70.18%	53.48%	42.27%
81.82%	85.19%	87.61%

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Pocahontas County

Schedule of County Contributions

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

Required Supplementary Information

	2021	2020	2019	2018
Statutorily required contribution	\$ 430	411	406	378
Contributions in relation to the statutorily required contribution	(430)	(411)	(406)	(378)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered payroll	\$ 4,377	4,324	4,242	3,995
Contributions as a percentage of covered payroll	9.82%	9.51%	9.57%	9.46%

See accompanying independent auditor's report.

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2017	2016	2015	2014	2013	2012
356	355	347	349	324	304
(356)	(355)	(347)	(349)	(324)	(304)
-	-	-	-	-	-
3,905	3,877	3,775	3,790	3,588	3,572
9.12%	9.16%	9.19%	9.21%	9.03%	8.51%



Pocahontas County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

Pocahontas County

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

For the Last Four Years  
Required Supplementary Information

	2021	2020	2019	2018
Service cost	\$ 22,292	22,506	22,065	19,294
Interest cost	4,450	9,366	8,841	8,519
Difference between expected and actual experiences	-	(71,639)	-	(4,081)
Changes in assumptions	-	17,628	-	27,610
Benefit payments	(23,553)	(13,025)	(22,572)	(7,373)
Net change in total OPEB liability	3,189	(35,164)	8,334	43,969
Total OPEB liability beginning of year	190,856	226,020	217,686	173,717
Total OPEB liability end of year	\$ 194,045	190,856	226,020	217,686
Covered-employee payroll	\$ 4,197,373	4,115,072	4,161,495	4,079,897
Total OPEB liability as a percentage of covered-employee payroll	4.6%	4.6%	5.4%	5.3%

See accompanying independent auditor's report.

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

*Changes in benefit terms:*

There were no significant changes in benefit terms.

*Changes in assumptions:*

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

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

**Pocahontas County**

**Supplementary Information**

Pocahontas County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2021

		Special
<b>Assets</b>	County Recorder's Records Management	Courthouse Security
Cash, cash equivalents and pooled investments	\$ 18,114	1,900
<b>Liabilities and Fund Balances</b>		
Liabilities:		
None	\$ -	-
Fund balances:		
Restricted for other purposes	18,114	1,900
<b>Total liabilities and fund balances</b>	<b>\$ 18,114</b>	<b>1,900</b>

See accompanying independent auditor's report.

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Revenue

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REAP	Environmental Education Trust	Total
2,123	2,803	24,940
-	-	-
2,123	2,803	24,940
2,123	2,803	24,940

Pocahontas County

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

Year ended June 30, 2021

	Special		
	County Recorder's Records Management	Forfeiture	Courthouse Security
Revenues:			
Intergovernmental	\$ -	-	-
Charges for service	2,082	-	-
Use of money and property	18	-	-
Miscellaneous	-	-	-
Total revenues	<u>2,100</u>	<u>-</u>	<u>-</u>
Expenditures:			
Operating:			
Physical health and social services	-	-	-
County environment and education	-	-	-
Capital projects	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	2,100	-	-
Other financing sources:			
Transfers In	-	386	-
Change in fund balances	2,100	386	-
Fund balances (deficit) beginning of year	<u>16,014</u>	<u>(386)</u>	<u>1,900</u>
Fund balances end of year	<u>\$ 18,114</u>	<u>-</u>	<u>1,900</u>

See accompanying independent auditor's report.

Revenue			
Veterans Grants	REAP	Environmental Education Trust	Total
10,000	9,018	-	19,018
-	-	-	2,082
-	4	1	23
-	-	1,172	1,172
10,000	9,022	1,173	22,295
10,000	-	-	10,000
-	-	2,148	2,148
-	11,000	-	11,000
10,000	11,000	2,148	23,148
-	(1,978)	(975)	(853)
-	-	-	386
-	(1,978)	(975)	(467)
-	4,101	3,778	25,407
-	2,123	2,803	24,940



Pocahontas County  
 Combining Schedule of Fiduciary Net Position  
 Custodial Funds

June 30, 2021

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	1,111	399,974	65,693	6,449
Other County officials	29,800	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	301	553	18,061	1,745
Succeeding year	-	203,000	311,000	10,018,000	899,000
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepays	-	-	3,314	-	-
<b>Total assets</b>	<b>29,800</b>	<b>204,412</b>	<b>714,841</b>	<b>10,101,754</b>	<b>907,194</b>
<b>Liabilities</b>					
Salaries and benefits payable	-	-	5,138	-	-
Due to other governments	25,579	1,111	-	65,693	6,449
Trusts payable	4,221	-	-	-	-
Compensated absences	-	-	13,933	-	-
<b>Total liabilities</b>	<b>29,800</b>	<b>1,111</b>	<b>19,071</b>	<b>65,693</b>	<b>6,449</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenues	-	203,000	314,734	10,018,000	899,000
<b>Net Position</b>					
Restricted for individuals, organizations and other governments	\$ -	301	381,036	18,061	1,745

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	911 Services Board	Pocahontas County Economic Development	Other	Total
36,162	1,970	260,642	498,617	270,268	106,644	1,647,530
-	-	-	-	-	3,184	32,984
26,601	7	-	-	-	4	47,272
2,374,000	328,000	-	-	-	2,000	14,135,000
-	-	-	-	-	92,819	92,819
-	-	-	64,924	19,391	-	84,315
-	-	-	-	2,400	1,657	7,371
2,436,763	329,977	260,642	563,541	292,059	206,308	16,047,291
-	-	-	-	4,933	1,502	11,573
36,162	1,970	260,642	-	-	37,910	435,516
-	-	-	-	-	-	4,221
-	-	-	-	10,154	3,715	27,802
36,162	1,970	260,642	-	15,087	43,127	479,112
2,374,000	328,000	-	-	-	2,000	14,138,734
26,601	7	-	563,541	276,972	161,181	1,429,445

Pocahontas County  
Combining Schedule of Changes in Fiduciary Net Position  
Custodial Funds

Year ended June 30, 2021

<b>Assets and Liabilities</b>	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Additions:</b>					
Property and other county tax	\$ -	155,096	285,331	9,423,322	904,290
911 surcharge	-	-	-	-	-
State tax credits	-	11,783	21,686	715,529	68,755
Drivers license fees	-	-	-	-	-
Office fees and collections	288,311	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	18,094	-	-	-	-
Miscellaneous	-	-	890	-	-
Total additions	<u>306,405</u>	<u>166,879</u>	<u>307,907</u>	<u>10,138,851</u>	<u>973,045</u>
<b>Deductions:</b>					
Agency remittances:					
To other funds	88,306	-	-	-	-
To other governments	199,894	168,544	290,135	10,223,085	980,581
Trusts paid out	18,205	-	-	-	-
Total deductions	<u>306,405</u>	<u>168,544</u>	<u>290,135</u>	<u>10,223,085</u>	<u>980,581</u>
Changes in net position	-	(1,665)	17,772	(84,234)	(7,536)
Net position beginning of year, as restated	-	1,966	363,264	102,295	9,281
Net position end of year	<u>\$ -</u>	<u>301</u>	<u>381,036</u>	<u>18,061</u>	<u>1,745</u>

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	911 Service Board	Pocahontas County Economic Development	Other	Total
2,125,944	329,997	-	-	-	2,187	13,226,167
-	-	-	201,720	-	-	201,720
411,099	16,420	-	-	-	165	1,245,437
-	-	-	-	-	34,437	34,437
-	-	-	-	-	2,084	290,395
-	-	3,536,847	-	-	-	3,536,847
-	-	-	-	-	26,259	26,259
-	-	-	-	-	251,420	269,514
-	-	-	194	168,578	82,005	251,667
2,537,043	346,417	3,536,847	201,914	168,578	398,557	19,082,443
-	-	105,222	-	-	12,118	205,646
2,585,832	348,997	3,431,625	154,605	288,234	153,590	18,825,122
-	-	-	-	-	251,420	269,625
2,585,832	348,997	3,536,847	154,605	288,234	417,128	19,300,393
(48,789)	(2,580)	-	47,309	(119,656)	(18,571)	(217,950)
75,390	2,587	-	516,232	396,628	179,752	1,647,395
26,601	7	-	563,541	276,972	161,181	1,429,445

Pocahontas County

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

For the Last Ten Years

	2021	2020	2019	2018
<b>Revenues:</b>				
Property and other county tax	\$ 6,836,769	6,623,023	6,655,916	6,644,117
Local option sales tax	401,573	319,700	314,924	263,770
Interest and penalty on property tax	48,798	9,526	24,053	20,270
Intergovernmental	6,799,770	5,155,337	4,994,753	4,766,189
Licenses and permits	35,903	26,810	56,122	92,746
Charges for service	709,318	600,501	501,364	572,342
Use of money and property	420,018	449,322	542,958	368,678
Miscellaneous	4,851,292	1,567,870	2,859,988	5,371,634
<b>Total</b>	<b>\$ 20,103,441</b>	<b>14,752,089</b>	<b>15,950,078</b>	<b>18,099,746</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 2,252,787	2,341,408	2,123,096	1,990,241
Physical health and social services	1,440,941	1,455,269	1,431,656	1,434,321
Mental health	203,034	308,127	332,736	360,605
County environment and education	1,047,326	1,107,263	1,039,642	965,594
Roads and transportation	6,326,657	4,571,947	2,766,395	4,528,494
Governmental services to residents	387,266	417,590	413,542	356,672
Administration	1,639,644	1,711,089	1,450,591	1,370,728
Non-program	4,032,774	1,803,732	4,424,585	2,671,246
Debt service	5,350,170	1,393,368	1,831,682	5,824,291
Capital projects	245,353	257,120	2,833,727	1,981,839
<b>Total</b>	<b>\$ 22,925,952</b>	<b>15,366,913</b>	<b>18,647,652</b>	<b>21,484,031</b>

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
6,418,998	6,247,099	6,395,139	6,103,438	5,686,967	4,767,911
280,803	236,586	244,992	280,429	303,416	360,080
25,128	24,279	20,895	20,768	17,380	19,995
5,042,328	4,919,919	4,886,612	4,844,847	5,557,043	4,389,514
26,024	19,455	17,012	21,786	36,408	43,901
529,758	451,448	414,165	442,924	486,763	535,335
299,366	259,921	187,765	118,442	134,056	132,441
2,189,299	1,625,091	1,406,551	565,420	486,119	689,652
<b>14,811,704</b>	<b>13,783,798</b>	<b>13,573,131</b>	<b>12,398,054</b>	<b>12,708,152</b>	<b>10,938,829</b>
1,893,245	1,955,195	1,937,652	1,802,404	1,660,751	1,618,096
1,252,129	1,217,944	1,272,890	1,224,807	1,201,990	1,287,291
472,266	408,653	405,694	503,374	400,135	983,756
1,058,913	1,040,380	1,007,036	957,860	1,003,841	930,825
4,200,127	3,135,376	4,056,586	3,603,926	3,264,071	3,672,750
294,753	320,317	320,455	335,864	275,606	313,726
1,480,274	1,215,270	1,293,906	1,256,842	1,180,837	1,260,080
2,774,361	2,406,054	1,905,216	1,063,295	3,508,980	909,061
2,586,718	2,318,902	2,250,676	1,319,192	1,482,030	1,251,433
2,301	171,818	412,588	185,429	209,021	190,738
<b>16,015,087</b>	<b>14,189,909</b>	<b>14,862,699</b>	<b>12,252,993</b>	<b>14,187,262</b>	<b>12,417,756</b>



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

To the Officials of Pocahontas County:

We have audited 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, 2021, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 18, 2022.

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 as a basis for designing the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pocahontas County's internal control. Accordingly, we do not express an opinion on the effectiveness of Pocahontas County's internal control.

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

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

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

### 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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, 2021 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.

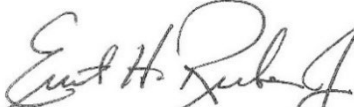
### Pocahontas County's Responses to the Findings

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.

  
Ernest H. Ruben, Jr., CPA  
Deputy Auditor of State

April 18, 2022



Pocahontas County

Schedule of Findings

Year ended June 30, 2021

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

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

Pocahontas County

Schedule of Findings

Year ended June 30, 2021

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

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

Responses –

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

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

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

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

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

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

(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 – Material amounts of receivables were not properly recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

Pocahontas County

Schedule of Findings

Year ended June 30, 2021

Effect – The lack of policies and procedures resulting in County employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the County’s financial statements were necessary.

Recommendation – The County should establish procedures to ensure all accounts receivables are identified and properly reported in the County’s financial statements.

Response – We will continue to implement procedures to ensure all departments accurately identify receivables.

Conclusion – Response accepted.

(C) Capital Assets

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

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

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

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

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

Response – We are in the process of developing a new policy and already started implementing a new process for tracking additions and deletions.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Pocahontas County  
 Schedule of Findings  
 Year ended June 30, 2021

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2021 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Restricted Donor Activity – No transactions were noted between the County, County officials, County employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (5) Business Transactions – The following business transactions between the County and County officials or employees were noted:

Transaction Business Connection	Transaction Description	Amount
Ed Dewey, Board Member, employee of Martin Marietta	Road rock	\$ 464,587
Kristi Seiler, Deputy Auditor - Claims and Drainage Clerk, brother in-law of owner of Seiler Appliance	Appliances/repairs	22,152

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

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

- (6) 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.
- (7) Board Minutes – No transactions we believe should have been approved in the Board minutes but were not noted.
- (8) 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.
- (9) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

Pocahontas County

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy  
Ryan J. Pithan, CPA, Manager  
Nichole D. Tucker, Senior Auditor  
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