



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006
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Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

June 2, 2025

Contact: Brian Brustkern
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$19,256,293 for the year ended June 30, 2024, a 3.1% increase. Expenses for County operations for the year ended June 30, 2024 totaled \$16,143,884, a less than one percent decrease.

AUDIT FINDINGS:

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

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

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

#

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

JUNE 30, 2024

Pocahontas County



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STATE OF IOWA

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Telephone (515) 281-5834

Rob Sand
Auditor of State

April 30, 2025

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, 2024. 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", written in a cursive style.

Rob Sand
Auditor of State

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Pocahontas County

Officials

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

Pocahontas County



OFFICE OF AUDITOR OF STATE STATE OF IOWA

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Rob Sand
Auditor of State

Independent Auditor's Report

To the Officials of Pocahontas County:

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2024, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2024 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pocahontas County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pocahontas County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability (Asset), the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 8 through 14 and 56 through 68 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pocahontas County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2023 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information in Schedules 1 through 5 is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 30, 2025 on our consideration of Pocahontas County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Pocahontas County's internal control over financial reporting and compliance.



Brian R. Brustkern, CPA
Deputy Auditor of State

April 30, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pocahontas County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2024. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2024 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 3.1%, or approximately \$579,000, during fiscal year 2024. The County received \$366,000 of federal grants for the American Rescue Plan Act (ARPA). Property tax revenues increased approximately \$944,000, charges for service decreased approximately \$1,544,000, operating grants, contributions and restricted interest decreased approximately \$394,000, capital grants, contributions and restricted interest increased approximately \$823,000 and unrestricted investment earnings increased approximately \$365,000.
- Program expenses of the County's governmental activities decreased less than one percent, or approximately \$29,000 less in fiscal year 2024 than in fiscal year 2023. Non-program expenses, which included drainage districts, decreased approximately \$1,036,000 and public safety and legal services and administration expenses increased approximately \$492,000 and \$526,000, respectively.
- The County's net position at June 30, 2024 increased 6.8%, or approximately \$3,113,000, over the June 30, 2023 balance.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) the Special Revenue Funds, such as Rural Services, Secondary Roads and Drainage Districts, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position of governmental activities.

| Net Position of Governmental Activities (Expressed in Thousands) | | |
|---|-----------|--------|
| | June 30, | |
| | 2024 | 2023 |
| Current and other assets | \$ 34,523 | 33,153 |
| Capital assets | 29,048 | 27,463 |
| Total assets | 63,571 | 60,616 |
| Deferred outflows of resources | 1,178 | 664 |
| Long-term liabilities | 5,775 | 5,111 |
| Other liabilities | 1,412 | 2,939 |
| Total liabilities | 7,187 | 8,050 |
| Deferred inflows of resources | 8,956 | 7,737 |
| Net position: | | |
| Net investment in capital assets | 29,048 | 27,458 |
| Restricted | 13,988 | 13,573 |
| Unrestricted | 5,570 | 4,462 |
| Total net position | \$ 48,606 | 45,493 |

Pocahontas County's combined net position of governmental activities increased 6.8% (approximately \$48.6 million compared to approximately \$45.5 million).

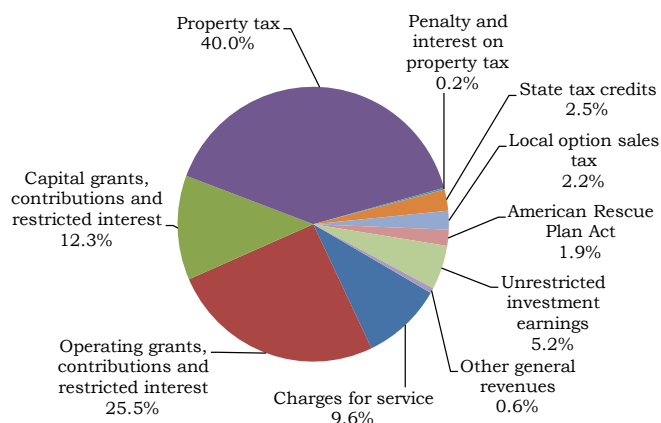
The largest portion of the County's net position is net investment in capital assets (e.g., land, infrastructure, buildings and equipment). This net position category increased 5.8%, or approximately \$1,590,000.

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 \$415,000, or 3.1%.

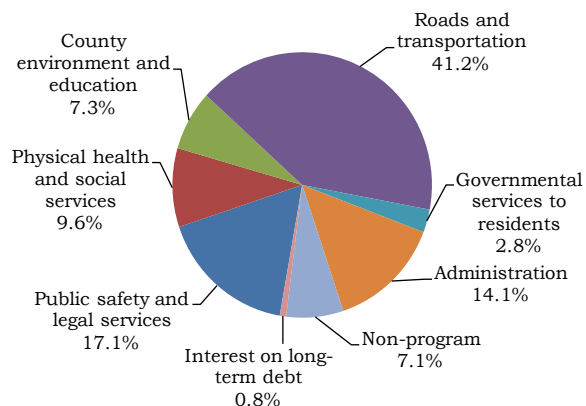
Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from approximately \$4,462,000 at June 30, 2023 to approximately \$5,570,000 at the end of this year, an increase of 24.8%. This increase is due to a decrease in pension related deferred inflows and an increase in pension related deferred outflows.

| Changes in Net Position of Governmental Activities (Expressed in Thousands) | | |
|--|---------------------|--------|
| | Year ended June 30, | |
| | 2024 | 2023 |
| Revenues: | | |
| Program revenues: | | |
| Charges for service | \$ 1,851 | 3,395 |
| Operating grants, contributions and restricted interest | 4,910 | 5,304 |
| Capital grants, contributions and restricted interest | 2,372 | 1,549 |
| General revenues: | | |
| Property tax | 7,692 | 6,748 |
| Penalty and interest on property tax | 46 | 21 |
| State tax credits | 485 | 456 |
| Local option sales tax | 425 | 398 |
| American Rescue Plan Act | 366 | - |
| Unrestricted investment earnings | 1,002 | 637 |
| Other general revenues | 108 | 170 |
| Total revenues | 19,257 | 18,678 |
| Program expenses: | | |
| Public safety and legal services | 2,754 | 2,262 |
| Physical health and social services | 1,542 | 1,515 |
| County environment and education | 1,180 | 1,117 |
| Roads and transportation | 6,654 | 6,782 |
| Governmental services to residents | 455 | 372 |
| Administration | 2,276 | 1,750 |
| Non-program | 1,149 | 2,185 |
| Interest on long-term debt | 134 | 190 |
| Total expenses | 16,144 | 16,173 |
| Change in net position | 3,113 | 2,504 |
| Net position beginning of year | 45,493 | 42,989 |
| Net position end of year | \$ 48,606 | 45,493 |

Revenues by Source



Expenses by Function



Pocahontas County's governmental activities net position increased approximately \$3,113,000 during the year. Revenues for governmental activities increased approximately \$579,000. \$366,000 of this increase was the result of federal grants for the American Rescue Plan Act (ARPA). Property tax revenues increased approximately \$944,000 due to an increase in total assessed valuation. Charges for service decreased approximately \$1,544,000, due to a decrease in drainage assessment collections in fiscal year 2024. Capital grants, contributions and restricted interest increased approximately \$823,000 due to an increase in grants received from and infrastructure assets contributed by the Iowa Department of Transportation.

The cost of all governmental activities this year was approximately \$16.1 million compared to approximately \$16.2 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$7.0 million because some of the cost was paid by those who directly benefited from the programs (approximately \$1,851,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$7,282,000). Overall, the County's governmental program revenues, including intergovernmental aid and charges for services, decreased in fiscal year 2024 from approximately \$10,248,000 to approximately \$9,133,000. As discussed above, the County received more contributions of roads paid for by the Iowa Department of Transportation in fiscal year 2024 compared to fiscal year 2023, and less drainage assessment collections.

INDIVIDUAL MAJOR FUND ANALYSIS

As Pocahontas County completed the year, its governmental funds reported a combined fund balance of approximately \$20.7 million, an increase of approximately \$1,865,000 over last year's total of approximately \$18.9 million. The following are reasons for the changes in fund balances of the major funds from the prior year:

- General Fund ending fund balance increased approximately \$979,000 over the prior year to approximately \$7,910,000. General Fund revenues increased approximately \$1,252,000, or 18.0% over the prior year due to receipts of federal grants for ARPA and an increase in interest rates on investments. Expenditures increased approximately \$653,000 or 9.9% over the prior year due to an increase in salaries and benefits and the County using the ARPA funds for maintenance projects for the courthouse.
- Special Revenue, Rural Services Fund revenues increased approximately \$187,000, or 6.4% due to an increase in property and other county tax revenue. Expenditures increased approximately \$242,000, or 21.5% due to increases in the public safety and legal services and county environment and education functions as a result of filling vacant positions. The Special Revenue, Rural Services Fund ending fund balance increased approximately \$78,000 or 3.2%.
- Revenues in the Special Revenue, Secondary Roads Fund increased approximately \$373,000 over the previous year, due, in part, to an increase in federal grants for road projects. Expenditures decreased approximately \$667,000, or 9.8%, from the prior year due to less roadway maintenance projects. The Secondary Roads Fund ending fund balance increased approximately \$619,000 to approximately \$9.3 million.
- The Special Revenue, Drainage Districts Fund ending fund balance increased approximately \$523,000 over the prior year to approximately \$1,232,000. Revenues and proceeds from the issuance of drainage warrants decreased approximately \$871,000 from the prior year. Revenues are dependent on the assessments on drainage projects performed during the year. Expenditures decreased approximately \$1,599,000, due to a decrease in drainage projects performed during the year.
- The Debt Service Fund was created in fiscal year 2024 to account for levied taxes which will be collected in fiscal year 2025. There were no revenues or expenditures in fiscal year 2024.

- During the year ended June 30, 2024, the County created the Capital Projects Fund and the General Fund loaned \$650,000 to the Capital Projects Fund to help finance the planning and engineering costs for the new law enforcement center. Expenditures for the year were \$531,826.

BUDGETARY HIGHLIGHT

Over the course of the year, Pocahontas County amended its budget one time. The amendment was made in April of 2024 and resulted in an increase in budgeted receipts and disbursements by \$15,027 and \$741,767, respectively. The increase in receipts and disbursements was related to increases in worker's compensation insurance, expenditures for the new law enforcement center and mailings required from HF 718.

The County's receipts were approximately \$1,508,000 more than budgeted, a variance of 10.5% above the final amended budget.

Total disbursements were \$3,568,955 less than the budget. Actual disbursements for capital projects, administration and roads and transportation functions were \$1,895,865, \$988,211 and \$358,463, respectively, less than budgeted. The variance for capital projects and roads and transportation functions was due to delays in projects. The variance for administration functions was due to reduced spending in multiple areas.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2024, Pocahontas County had approximately \$29.0 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1.6 million, or 5.8%, over last year.

| Capital Assets of Governmental Activities at Year End (Expressed in Thousands) | | |
|---|-----------|--------|
| | June 30, | |
| | 2024 | 2023 |
| Land | \$ 2,212 | 2,212 |
| Construction in progress | 1,779 | 1,550 |
| Buildings and building improvements | 1,697 | 1,731 |
| Equipment and vehicles | 4,490 | 4,552 |
| Right-to-use leased assets | 1 | 4 |
| Infrastructure, road network | 18,869 | 17,414 |
| Total | \$ 29,048 | 27,463 |

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

| | |
|--|--------------|
| Capital assets contributed by the Iowa | |
| Department of Transportation | \$ 1,780,313 |
| Law Enforcement Center | 531,826 |
| County Sheriff and Secondary Roads | |
| vehicles and equipment | 489,518 |
| Total | \$ 2,801,657 |

The County had depreciation/amortization expense of \$1,898,505 in fiscal year 2024 and total accumulated depreciation of \$23,381,849 at June 30, 2024. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2024, Pocahontas County had approximately \$3,543,000 of outstanding debt compared to approximately \$3,379,000 at June 30, 2023.

| Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands) | | |
|---|----------|-------|
| | June 30, | |
| | 2024 | 2023 |
| Drainage warrants and improvement certificates | \$ 3,457 | 3,246 |
| State Revolving Fund improvement certificates | 85 | 129 |
| Lease agreements | - | 4 |
| Total | \$ 3,542 | 3,379 |

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 \$59 million. Additional information about the County’s long-term debt is presented in Note 8 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 2025 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 3.3% versus 1.8% a year ago. This compares with the State’s unemployment rate of 3.1% and the national rate of 4.1%.

CONTACTING THE COUNTY’S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Exhibit A

Pocahontas County
Statement of Net Position
June 30, 2024

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Cash, cash equivalents and pooled investments | \$ 20,193,793 |
| Receivables: | |
| Property tax: | |
| Delinquent | 9,634 |
| Succeeding year | 8,479,000 |
| Penalty and interest on property tax | 30,375 |
| Accounts | 204,616 |
| Opioid settlement | 121,630 |
| Accrued interest | 217,194 |
| Drainage assessments | 2,311,882 |
| Due from other governments | 1,096,056 |
| Lease receivable | 327,462 |
| Inventories | 1,369,283 |
| Prepaid insurance | 161,654 |
| Capital assets not being depreciated/amortized | 3,990,434 |
| Capital assets, net of accumulated depreciation/amortization | <u>25,057,304</u> |
| Total assets | <u>63,570,317</u> |
| Deferred Outflows of Resources | |
| Pension related deferred outflows | <u>1,178,244</u> |

Pocahontas County
Statement of Net Position
June 30, 2024

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Liabilities | |
| Accounts payable | 374,377 |
| Salaries and benefits payable | 252,842 |
| Due to other governments | 54,202 |
| Unearned revenues | 730,498 |
| Long-term liabilities: | |
| Portion due or payable within one year: | |
| Drainage warrants/improvement certificates | 2,598,784 |
| State revolving fund improvement certificates | 45,000 |
| Compensated absences | 258,119 |
| OPEB Liability | 64,667 |
| Portion due or payable after one year: | |
| Drainage warrants/improvement certificates | 857,993 |
| State revolving fund improvement certificates | 40,000 |
| Compensated absences | 118,777 |
| Net pension liability | 1,625,599 |
| OPEB Liability | 166,165 |
| Total liabilities | <u>7,187,023</u> |
| Deferred Inflows of Resources | |
| Lease related | 327,462 |
| Unavailable property tax revenue | 8,479,000 |
| Pension related deferred inflows | 149,185 |
| Total deferred inflows of resources | <u>8,955,647</u> |
| Net Position | |
| Net investment in capital assets | 29,047,738 |
| Restricted for: | |
| Supplemental levy purposes | 1,220,997 |
| Rural services purposes | 2,468,388 |
| Secondary roads purposes | 9,619,136 |
| Debt Service | 1,016 |
| Drainage districts | 2,186 |
| Conservation land acquisition | 178,495 |
| Opioid abatement | 164,471 |
| Other purposes | 333,755 |
| Unrestricted | 4,919,709 |
| Total net position | <u>\$ 47,955,891</u> |

See notes to financial statements.

Pocahontas County

Pocahontas County
Statement of Activities
Year ended June 30, 2024

| | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|---|----------------------|---------------------------|--|---|--|
| | | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants Contributions and Restricted Interest | |
| | | | | | |
| Functions/Programs: | | | | | |
| Governmental activities: | | | | | |
| Public safety and legal services | \$ 2,753,771 | 28,531 | 184,620 | - | (2,540,620) |
| Physical health and social services | 1,541,683 | 343,477 | 441,484 | - | (756,722) |
| County environment and education | 1,180,011 | 85,529 | 9,987 | - | (1,084,495) |
| Roads and transportation | 6,653,590 | 476,111 | 4,152,768 | 2,371,806 | 347,095 |
| Governmental services to residents | 454,918 | 188,944 | 11,716 | - | (254,258) |
| Administration | 2,276,351 | 33,289 | 109,733 | - | (2,133,329) |
| Non-program | 1,149,361 | 695,327 | - | - | (454,034) |
| Interest on long-term debt | 134,199 | - | - | - | (134,199) |
| Total | <u>\$ 16,143,884</u> | <u>1,851,208</u> | <u>4,910,308</u> | <u>2,371,806</u> | <u>(7,010,562)</u> |
| General Revenues: | | | | | |
| Property and other county tax levied for general purposes | | | | | 7,692,396 |
| Penalty and interest on property tax | | | | | 46,226 |
| State tax credits and replacements | | | | | 484,448 |
| Local option sales tax | | | | | 424,722 |
| American Rescue Plan Act | | | | | 366,110 |
| Unrestricted investment earnings | | | | | 1,001,574 |
| Miscellaneous | | | | | <u>107,495</u> |
| Total general revenues | | | | | <u>10,122,971</u> |
| Change in net position | | | | | 3,112,409 |
| Net position beginning of year | | | | | <u>45,493,482</u> |
| Net position end of year | | | | | <u>\$ 48,605,891</u> |
| See notes to financial statements. | | | | | |

Pocahontas County

Balance Sheet
Governmental Funds

June 30, 2024

| | Special | | |
|---|----------------------|-------------------|--------------------|
| | General | Rural Services | Secondary Roads |
| Assets | | | |
| Cash, cash equivalents and pooled investments | \$ 7,856,146 | 2,511,373 | 7,394,891 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 8,234 | 72 | - |
| Succeeding year | 5,140,000 | 2,513,000 | - |
| Penalty and interest on property tax | 30,375 | - | - |
| Accounts | 9,872 | - | 194,744 |
| Opioid settlement receivable | - | - | - |
| Accrued interest | 217,194 | - | - |
| Drainage assessments | - | - | - |
| Advance to other funds | 650,000 | - | - |
| Due from other governments | 108,579 | 35,971 | 951,506 |
| Lease receivable | 327,462 | - | - |
| Inventories | - | - | 1,369,283 |
| Prepaid expenses | 99,548 | 12,443 | 49,663 |
| Total assets | \$ 14,447,410 | 5,072,859 | 9,960,087 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ 114,232 | 8,636 | 123,803 |
| Salaries and benefits payable | 150,389 | 23,662 | 78,791 |
| Advance from other funds | - | - | - |
| Due to other governments | 33,925 | 11,369 | 8,908 |
| Unearned revenue | 730,498 | - | - |
| Total liabilities | 1,029,044 | 43,667 | 211,502 |
| Deferred inflows of resources: | | | |
| Unavailable revenues: | | | |
| Succeeding year property tax | 5,140,000 | 2,513,000 | - |
| Other | 40,993 | 72 | 397,668 |
| Lease related | 327,462 | - | - |
| Total deferred inflows of resources | 5,508,455 | 2,513,072 | 397,668 |
| Fund balances (deficit): | | | |
| Nonspendable: | | | |
| Inventories | - | - | 1,369,283 |
| Prepaid expenses | 99,548 | 12,443 | 49,663 |
| Advance to other funds | 650,000 | - | - |
| Restricted for: | | | |
| Supplemental levy purposes | 1,156,059 | - | - |
| Rural services purposes | - | 2,503,677 | - |
| Secondary roads purposes | - | - | 7,931,971 |
| Drainage warrants/drainage improvement certificates | - | - | - |
| Conservation land acquisition | 178,495 | - | - |
| Opioid abatement | - | - | - |
| Other purposes | 120,898 | - | - |
| Committed for equipment purchase | 70,000 | - | - |
| Unassigned | 5,634,911 | - | - |
| Total fund balances | 7,909,911 | 2,516,120 | 9,350,917 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 14,447,410 | 5,072,859 | 9,960,087 |

See notes to financial statements.

| Revenue | | | | |
|-----------------------|-----------------|---------------------|----------|------------|
| Drainage Districts | Debt Service | Capital Projects | Nonmajor | Total |
| 1,285,240 | - | 142,532 | 256,419 | 19,446,601 |
| - | 1,016 | - | 312 | 9,634 |
| - | 631,000 | - | 195,000 | 8,479,000 |
| - | - | - | - | 30,375 |
| - | - | - | - | 204,616 |
| - | - | - | 121,630 | 121,630 |
| - | - | - | - | 217,194 |
| 2,311,882 | - | - | - | 2,311,882 |
| - | - | - | - | 650,000 |
| - | - | - | - | 1,096,056 |
| - | - | - | - | 327,462 |
| - | - | - | - | 1,369,283 |
| - | - | - | - | 161,654 |
| 3,597,122 | 632,016 | 142,532 | 573,361 | 34,425,387 |
| 53,159 | - | 24,358 | 3,150 | 327,338 |
| - | - | - | - | 252,842 |
| - | - | 650,000 | - | 650,000 |
| - | - | - | - | 54,202 |
| - | - | - | - | 730,498 |
| 53,159 | - | 674,358 | 3,150 | 2,014,880 |
| - | 631,000 | - | 195,000 | 8,479,000 |
| 2,311,882 | 1,016 | - | 114,541 | 2,866,172 |
| - | - | - | - | 327,462 |
| 2,311,882 | 632,016 | - | 309,541 | 11,672,634 |
| - | - | - | - | 1,369,283 |
| - | - | - | - | 161,654 |
| - | - | - | - | 650,000 |
| - | - | - | - | 1,156,059 |
| - | - | - | - | 2,503,677 |
| - | - | - | - | 7,931,971 |
| 1,232,081 | - | - | - | 1,232,081 |
| - | - | - | - | 178,495 |
| - | - | - | 50,242 | 50,242 |
| - | - | - | 210,428 | 331,326 |
| - | - | - | - | 70,000 |
| - | - | (531,826) | - | 5,103,085 |
| 1,232,081 | - | (531,826) | 260,670 | 20,737,873 |
| 3,597,122 | 632,016 | 142,532 | 573,361 | 34,425,387 |

Pocahontas County

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

June 30, 2024

Total governmental fund balances (page 21) \$ 20,737,873

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 \$52,429,587 and the accumulated depreciation/amortization is \$23,381,849.

29,047,738

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.

2,866,172

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.

700,153

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

Deferred outflows of resources

\$ 1,178,244

Deferred inflows of resources

(149,185)

1,029,059

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.

(5,775,104)

Net position of governmental activities (page 17)

\$ 48,605,891

See notes to financial statements.

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

Year ended June 30, 2024

| | | Special | |
|---|--------------|-------------------|--------------------|
| | General | Rural Services | Secondary Roads |
| Revenues: | | | |
| Property and other county tax | \$ 5,051,594 | 2,454,882 | - |
| Local option sales tax | - | 424,722 | - |
| Penalty and interest on property tax | 44,146 | - | - |
| Intergovernmental | 1,333,214 | 235,709 | 4,876,212 |
| Licenses and permits | 8,330 | 460 | 37,496 |
| Charges for service | 581,081 | - | 139,150 |
| Use of money and property | 1,112,751 | - | 4,621 |
| Miscellaneous | 66,243 | - | 34,169 |
| Total revenues | 8,197,359 | 3,115,773 | 5,091,648 |
| Expenditures: | | | |
| Operating: | | | |
| Public safety and legal services | 2,044,836 | 810,136 | - |
| Physical health and social services | 1,654,161 | - | - |
| County environment and education | 640,040 | 556,013 | - |
| Roads and transportation | - | - | 5,542,303 |
| Governmental services to residents | 474,598 | 2,880 | - |
| Administration | 2,325,829 | - | - |
| Non-program | 10,746 | - | - |
| Debt service | - | - | - |
| Capital projects | 68,239 | - | 599,604 |
| Total expenditures | 7,218,449 | 1,369,029 | 6,141,907 |
| Excess (deficiency) of revenues over (under) expenditures | 978,910 | 1,746,744 | (1,050,259) |
| Other financing sources (uses): | | | |
| Transfers in | - | - | 1,669,119 |
| Transfers out | - | (1,669,119) | - |
| Drainage warrants/drainage improvement certificates issued | - | - | - |
| Total other financing sources (uses) | - | (1,669,119) | 1,669,119 |
| Change in fund balances | 978,910 | 77,625 | 618,860 |
| Fund balances beginning of year | 6,931,001 | 2,438,495 | 8,732,057 |
| Fund balances end of year | \$ 7,909,911 | 2,516,120 | 9,350,917 |

See notes to financial statements.

| Revenue | | | | |
|-----------------------|---------------------|----------|-------------|--|
| Drainage Districts | Capital Projects | Nonmajor | Total | |
| - | - | 187,388 | 7,693,864 | |
| - | - | - | 424,722 | |
| - | - | - | 44,146 | |
| - | - | 40,901 | 6,486,036 | |
| - | - | - | 46,286 | |
| - | - | 1,766 | 721,997 | |
| - | - | 1,665 | 1,119,037 | |
| 1,268,091 | - | 32,638 | 1,401,141 | |
| 1,268,091 | - | 264,358 | 17,937,229 | |
| - | - | 45,368 | 2,900,340 | |
| - | - | 10,453 | 1,664,614 | |
| - | - | 690 | 1,196,743 | |
| - | - | - | 5,542,303 | |
| - | - | - | 477,478 | |
| - | - | - | 2,325,829 | |
| 777,645 | - | - | 788,391 | |
| 1,281,567 | - | - | 1,281,567 | |
| - | 531,826 | 10,000 | 1,209,669 | |
| 2,059,212 | 531,826 | 66,511 | 17,386,934 | |
| (791,121) | (531,826) | 197,847 | 550,295 | |
| - | - | - | 1,669,119 | |
| - | - | - | (1,669,119) | |
| 1,314,278 | - | - | 1,314,278 | |
| 1,314,278 | - | - | 1,314,278 | |
| 523,157 | (531,826) | 197,847 | 1,864,573 | |
| 708,924 | - | 62,823 | 18,873,300 | |
| 1,232,081 | (531,826) | 260,670 | 20,737,873 | |

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, 2024

Change in fund balances - Total governmental funds (page 25) \$ 1,864,573

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

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

| | | |
|---|--------------------|-----------|
| Expenditures for capital assets | \$ 1,707,458 | |
| Capital assets contributed by the Iowa Department of Transportation | 1,780,313 | |
| Depreciation/amortization expense | <u>(1,898,505)</u> | 1,589,266 |

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. -

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

| | | |
|--------------|------------------|-----------|
| Property tax | (1,468) | |
| Other | <u>(527,714)</u> | (529,182) |

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 | (1,314,278) | |
| Repaid | <u>1,151,626</u> | (162,652) |

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. 510,235

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 | (63,206) | |
| OPEB reduction | 63,008 | |
| Pension expense | <u>(197,890)</u> | (198,088) |

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. 42,642

Change in net position of governmental activities (page 19) \$ 3,116,794

See notes to financial statements.

Pocahontas County
Statement of Net Position
Proprietary Fund
June 30, 2024

| | | |
|--------------------------------|----|-----------------------------|
| | | Internal Service |
| | | Employee Group Health |
| Assets | | |
| Cash and cash equivalents | \$ | 747,192 |
| Liabilities | | |
| Accounts payable | | 47,039 |
| Net Position | | |
| Restricted for employee health | \$ | <u>700,153</u> |

See notes to financial statements.

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

Year ended June 30, 2024

| | | <u>Internal Service</u> |
|--|--------------|--------------------------------------|
| | | <u>Employee Group Health</u> |
| Operating revenues: | | |
| Reimbursements from operating funds | \$ | 353,182 |
| Reimbursements from employees and others | | <u>37,715</u> |
| Total operating revenues | | 390,897 |
| Operating expenses: | | |
| Medical claims | \$ 296,471 | |
| Premiums | 56,581 | |
| Administrative charges | <u>7,432</u> | <u>360,484</u> |
| Operating income | | 30,413 |
| Non-operating revenues: | | |
| Interest income | | <u>12,229</u> |
| Net income | | 42,642 |
| Net position beginning of year | | <u>657,511</u> |
| Net position end of year | | <u>\$ 700,153</u> |

See notes to financial statements.

Pocahontas County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2024

| | Internal Service |
|---|-----------------------------|
| | Employee Group Health |
| Cash flows from operating activities: | |
| Cash received from operating fund contributions | \$ 353,182 |
| Cash received from employees and others | 37,715 |
| Cash paid for medical claims, premiums and other | (358,474) |
| Net cash provided by operating activities | 32,423 |
| Cash flows from investing activities: | |
| Interest on investments | 12,229 |
| Net increase in cash and cash equivalents | 44,652 |
| Cash and cash equivalents beginning of year | 702,540 |
| Cash and cash equivalents end of year | \$ 747,192 |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 30,413 |
| Adjustment to reconcile operating income to net cash provided by operating activities: | |
| Increase in accounts payable | 2,010 |
| Net cash provided by operating activities | \$ 32,423 |

See notes to financial statements.

Pocahontas County
Statement of Fiduciary Net Position
Custodial Funds

June 30, 2024

Assets

Cash, cash equivalents and pooled investments:

County Treasurer \$ 1,461,565

Other County officials 13,160

Receivables:

Property tax:

Delinquent 52,413

Succeeding year 14,422,000

Special assessments 58,085

Due from other governments 44,119

Prepays 8,468

Total assets

16,059,810

Liabilities

Salaries and benefits payable 14,286

Due to other governments 448,574

Trusts payable 5,846

Compensated absences 19,900

Total liabilities

488,606

Deferred Inflows of Resources

Unavailable property tax revenue 14,422,000

Net Position

Restricted for individuals, organizations and
other governments

\$ 1,149,204

See notes to financial statements.

Pocahontas County
Statement of Changes in Fiduciary Net Position
Custodial Funds

Year ended June 30, 2024

| | |
|------------------------------------|---------------------|
| Additions: | |
| Property and other county tax | \$ 13,371,803 |
| 911 surcharge | 180,451 |
| State tax credits | 989,370 |
| Drivers license fees | 32,058 |
| Office fees and collections | 480,645 |
| Auto licenses, use tax and postage | 3,752,412 |
| Assessments | 5,507 |
| Trusts | 255,956 |
| Miscellaneous | <u>263,694</u> |
| Total additions | <u>19,331,896</u> |
| Deductions: | |
| Agency remittances: | |
| To other funds | 376,787 |
| To other governments | 18,916,286 |
| Trusts paid out | <u>259,600</u> |
| Total deductions | <u>19,552,673</u> |
| Change in net position | (220,777) |
| Net position beginning of year | <u>1,369,981</u> |
| Net position end of year | <u>\$ 1,149,204</u> |

See notes to financial statements.

Pocahontas County
Notes to Financial Statements
June 30, 2024

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

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

B. Basis of Presentation

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

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for debt attributable to the acquisition, construction or improvement of those assets.

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust and non-negotiable certificates of deposit which are stated at amortized cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in April 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, 2022 assessed property valuations; is for the tax accrual period July 1, 2023 through June 30, 2024 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in April 2023.

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

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

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

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

Advances to/from Other Funds – Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a nonspendable fund balance which indicates they do not constitute expendable available financial resources and, therefore, are not available to liquidate current obligations.

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 are tangible and intangible assets, which include property, furniture and equipment and infrastructure assets are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed under “Leases” below) if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class | Amount |
|----------------------------------|-----------|
| Infrastructure | \$ 65,000 |
| Land, buildings and improvements | 25,000 |
| Intangibles | 75,000 |
| Right-to-use leased assets | 5,000 |
| Right-to-use subscription assets | 50,000 |
| Equipment and vehicles | 5,000 |

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

| <u>Asset Class</u> | <u>Estimated Useful lives (In Years)</u> |
|-------------------------------------|--|
| Buildings and building improvements | 20 - 50 |
| Infrastructure | 30 - 50 |
| Intangibles | 5 - 20 |
| Right-to-use-lease assets | 3 - 20 |
| Right-to-use subscription assets | 2 - 20 |
| Equipment | 3 - 20 |
| Vehicles | 5 - 15 |

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2024. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Rural Services and Secondary Roads Funds.

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

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

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

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

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

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2024, disbursements did not exceed the amounts budgeted.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2024 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, 2024, the County had investments in drainage warrants and improvement certificates of \$3,234,844 and \$1,090,494, respectively.

In addition, the County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$7,067,049. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT is unrated.

(3) Advances To and From Other Funds

The detail of advances to and from other funds for the year ended June 30, 2024 is as follows:

| Receivable Fund | Payable Fund | Amount |
|-----------------|------------------|-------------------|
| General | Capital Projects | <u>\$ 650,000</u> |

The General Fund loaned funds to the Capital Projects Fund to pay preliminary costs for the new Law Enforcement Center. The amount will be repaid with proceeds from general obligation capital loan notes to be issued to fund the construction of a new law enforcement center.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2024 is as follows:

| Transfer to | Transfer from | Amount |
|-------------------------------------|------------------------------------|---------------------|
| Special Revenue: Secondary Roads | Special Revenue: Rural Services | <u>\$ 1,669,119</u> |

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2024 was as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---------------------------------|------------------|--------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated/amortized: | | | | |
| Land | \$ 2,211,672 | - | - | 2,211,672 |
| Construction in process | 1,549,878 | 2,987,016 | (2,758,132) | 1,778,762 |
| Total capital assets not being depreciated/amortized | 3,761,550 | 2,987,016 | (2,758,132) | 3,990,434 |
| Capital assets being depreciated/amortized: | | | | |
| Buildings and building improvements | 4,083,367 | 72,237 | - | 4,155,604 |
| Equipment and vehicles | 11,332,099 | 489,518 | (205,563) | 11,616,054 |
| Right-to-use leased buildings | 9,757 | - | - | 9,757 |
| Infrastructure, road network | 29,899,606 | 2,758,132 | - | 32,657,738 |
| Total capital assets being depreciated/amortized | 45,324,829 | 3,319,887 | (205,563) | 48,439,153 |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings and building improvements | 2,352,244 | 106,198 | - | 2,458,442 |
| Equipment and vehicles | 6,780,269 | 486,575 | (140,178) | 7,126,666 |
| Right-to-use leased assets | 5,576 | 2,787 | - | 8,363 |
| Infrastructure, road network | 12,485,433 | 1,302,945 | - | 13,788,378 |
| Total accumulated depreciation/amortization | 21,623,522 | 1,898,505 | (140,178) | 23,381,849 |
| Total capital assets being depreciated/amortized, net | 23,701,307 | 1,421,382 | (65,385) | 25,057,304 |
| Governmental activities capital assets, net | <u>\$ 27,462,857</u> | <u>4,408,398</u> | <u>(2,823,517)</u> | <u>29,047,738</u> |

Depreciation expense was charged to the following functions:

| | |
|--|---------------------|
| Governmental activities: | |
| Public safety and legal services | \$ 62,106 |
| Physical health and social services | 349 |
| County environment and education | 55,369 |
| Roads and transportation | 1,694,638 |
| Governmental services to residents | 7,613 |
| Administration | 78,430 |
| Total depreciation expense - governmental activities | <u>\$ 1,898,505</u> |

(6) County Farm Lease Receivable

The County owns the Pocahontas County, Iowa Farm (Farm). Effective March 1, 2020, the County entered into a four-year lease agreement with Steve Hoffman (Operator) whereby Steve Hoffman operates the Farm. The County is to receive \$72,220 in land rent annually (\$36,110 due March 1st and \$36,110 due November 1st) with an implicit rate of 2.0%. The lease ended on February 28, 2024.

The County owns the Pocahontas County, Iowa Farm (Farm). Effective March 1, 2024, the County entered into a four-year lease agreement with Michael Ryherd (Operator) whereby Michael Ryherd operates the Farm. The County is to receive \$97,340 in land rent annually (\$48,670 due March 1st and \$48,670 due November 1st) with an implicit rate of 2.0%. The lease will end on February 29, 2028.

| Year Ending June 30, | Principal | Interest | Total |
|----------------------------|-------------------|---------------|----------------|
| 2025 | \$ 91,245 | 6,095 | 97,340 |
| 2026 | 93,079 | 4,261 | 97,340 |
| 2027 | 94,950 | 2,390 | 97,340 |
| 2028 | 48,188 | 482 | 48,670 |
| Total | <u>\$ 327,462</u> | <u>13,228</u> | <u>340,690</u> |

(7) 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, 2024 is as follows:

| Fund | Description | Amount |
|---------------------------------|-------------|-------------------|
| General | Services | \$ 33,925 |
| Special Revenue: | | |
| Rural Services | Services | 11,369 |
| Secondary Roads | Services | 8,908 |
| Total for governmental funds | | <u>\$ 54,202</u> |
| Custodial: | | |
| Agriculture Extension Education | Collections | \$ 2,465 |
| Schools | | 78,260 |
| Community Colleges | | 10,933 |
| Corporations | | 30,645 |
| Townships | | 3,389 |
| Auto License and Use Tax | | 237,119 |
| All other | | 85,763 |
| Total for Custodial funds | | <u>\$ 448,574</u> |

(8) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2024 is as follows:

| | Direct Borrowing Drainage Warrants | Direct Borrowing Drainage Improvement Certificates | Direct Borrowing State Revolving Fund Improvement Certificates | Lease Agreements | Compensated Absences | Net Pension Liability | Total OPEB Liability | Total |
|---------------------------|---|--|--|---------------------|-------------------------|-----------------------------|----------------------------|------------------|
| Balance beginning of year | \$ 1,922,872 | 1,322,995 | 129,000 | 4,258 | 313,690 | 1,124,553 | 293,840 | 5,111,208 |
| Increases | 1,314,278 | - | - | - | 275,152 | 501,046 | 42,364 | 2,132,840 |
| Decreases | 870,867 | 232,501 | 44,000 | 4,258 | 211,946 | - | 105,372 | 1,468,944 |
| Balance end of year | <u>\$ 2,366,283</u> | <u>1,090,494</u> | <u>85,000</u> | <u>-</u> | <u>376,896</u> | <u>1,625,599</u> | <u>230,832</u> | <u>5,775,104</u> |
| Due within one year | <u>\$ 2,366,283</u> | <u>232,501</u> | <u>45,000</u> | <u>-</u> | <u>258,119</u> | <u>-</u> | <u>64,667</u> | <u>2,966,570</u> |

Drainage Warrants/Drainage Improvement Certificates Payable – Direct Borrowing

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

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

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

State Revolving Fund (SRF) Improvement Certificates – Direct Borrowing

On January 27, 2010, the County entered into a loan agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of \$1,096,000 of improvement certificates with interest at 3.00% per annum. As of June 1, 2020, the interest rate on the loan was reduced from 3.00% to 1.75%. The agreement also requires the County to annually pay a .25% servicing fee on the outstanding principal balance. The certificates were issued pursuant to the provisions of Chapter 468.70 of the Code of Iowa and the American Recovery and Reinvestment Act of 2009 (ARRA) for the purpose of providing funds to pay a portion of the costs of constructing improvements and repairs to Drainage District No. 65 of the County. The County drew down funds from the Trustee upon request to reimburse the County for costs as they are incurred. An initiation fee of 1%, or \$10,960, of the authorized borrowing for the improvement certificates was charged by the Iowa Finance Authority. At June 30, 2024, the County had drawn down the entire authorized amount. During the year ended June 30, 2024, the County paid \$44,000 of principal and \$2,258 of interest on these certificates.

The County's outstanding SRF Improvement Certificates from direct borrowings related to governmental activities of \$85,000 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 2025.

A summary of the County's June 30, 2024 State Revolving Fund Improvement Certificate indebtedness is as follows:

| Year Ending June 30, | Interest Rate* | Principal | Interest | Total |
|----------------------------|-------------------|-----------|----------|--------|
| 2025 | 1.75% | \$ 45,000 | 1,488 | 46,488 |
| 2026 | 1.75 | 40,000 | 700 | 40,700 |
| Total | | \$ 85,000 | 2,188 | 87,188 |

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

Lease Agreements

On January 1, 2020, the County entered into a lease agreement for two parcels of land with a Quonset Hut structure for secondary roads with an initial lease liability of \$14,420. The agreement requires annual payments of \$2,884 over 5 years, with an implicit interest rate of 2.0%. The final payment was made in January 2024, and the lease ends on December 31, 2024.

(9) 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 AssuredPartners Great Plains, LLC d/b/a Midwest Group Benefits. The agreement is subject to automatic renewal provisions.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2024 was \$353,182.

Amounts payable from the Employee Group Health Fund at June 30, 2024 total \$47,039, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$700,153 at June 30, 2024 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. 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 | \$ 45,029 |
| Incurred claims (including claims incurred but not reported at June 30, 2024) | 296,471 |
| Payment on claims during the year | <u>(294,461)</u> |
| Unpaid claims end of year | <u>\$ 47,039</u> |

(10) Deferred Compensation Plan

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

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

(11) Pension Plan

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

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

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

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

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

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

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years 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 2024, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% for a total rate of 15.73%. The Sheriff, deputies and County each contributed 8.51% of covered payroll for a total rate of 17.02%. Protection occupation members contributed 6.21% of covered payroll and the County contributed 9.31% for a total rate of 15.52%.

The County's contributions to IPERS for the year ended June 30, 2024 totaled \$510,235.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2024, the County reported a liability of \$1,625,599 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2023, the County's proportion was 0.036015%, which was an increase of 0.006250% over its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the County recognized pension expense of \$197,890. At June 30, 2024, 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 | \$ 353,640 | 7,657 |
| Changes of assumptions | - | 55,807 |
| Net difference between projected and actual earnings on IPERS' investments | 263,142 | - |
| Changes in proportion and differences between County contributions and the County's proportionate share of contributions | 51,227 | 85,721 |
| County contributions subsequent to the measurement date | 510,235 | - |
| Total | <u>\$ 1,178,244</u> | <u>149,185</u> |

\$510,235 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, 2025. 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 |
|----------------------------|-------------------|
| 2025 | \$ (50,711) |
| 2026 | (181,266) |
| 2027 | 609,703 |
| 2028 | 117,660 |
| 2029 | 23,438 |
| Total | <u>\$ 518,824</u> |

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

| | |
|--|---|
| 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, 2023 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2023 valuation were based on the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.

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

| Asset Class | Asset Allocation | Long-Term Expected Real Rate of Return |
|--------------------------|------------------|--|
| Domestic equity | 21.0% | 4.56% |
| International equity | 16.5 | 6.22 |
| Global smart beta equity | 5.0 | 5.22 |
| Core plus fixed income | 23.0 | 2.69 |
| Public credit | 3.0 | 4.38 |
| Cash | 1.0 | 1.59 |
| Private equity | 17.0 | 10.44 |
| Private real assets | 9.0 | 3.88 |
| Private credit | 4.5 | 4.60 |
| Total | 100.0% | |

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

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

| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|--|---------------------------|-----------------------------|---------------------------|
| County's proportionate share of the net pension liability (asset) | \$ 4,547,882 | 1,625,599 | (824,038) |

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

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2024.

(12) 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, 2024, the following employees were covered by the benefit terms:

| | |
|--|----|
| Inactive employees or beneficiaries currently receiving benefit payments | 2 |
| Active employees | 92 |
| Total | 94 |

Total OPEB Liability – The County's total OPEB liability of \$230,832 was measured as of June 30, 2024, and it was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2024 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, 2024) | 3.00% per annum. |
| Rates of salary increase | 2.00% per annum, including |
| (effective June 30, 2024) | inflation. |
| Discount rate | 3.93% compounded annually, |
| (effective June 30, 2024) | including inflation. |
| Healthcare cost trend rate | |
| (effective June 30, 2024) | 5.00% per annum. |

Discount Rate – The discount rate used to measure the total OPEB liability was 3.93% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the 2019 United States Life Tables. Annual retirement probabilities are based on historical average retirement age for the covered group, active plan members were assumed to retire after reaching age 62.

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|--|-------------------------|
| Total OPEB liability beginning of year | \$ 293,840 |
| Changes for the year: | |
| Service cost | 26,526 |
| Interest | 10,196 |
| Differences between expected and actual experiences | (40,705) |
| Changes in assumptions | 5,642 |
| Benefit payments | (64,667) |
| Net changes | (63,008) |
| Total OPEB liability end of year | \$ 230,832 |

Changes of assumptions reflect a change in the discount rate from 3.54% in fiscal year 2023 to 3.93% in fiscal year 2024.

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.93%) or 1% higher (4.93%) than the current discount rate.

| | 1% Decrease (2.93%) | Discount Rate (3.93%) | 1% Increase (4.93%) |
|----------------------|---------------------------|-----------------------------|---------------------------|
| Total OPEB liability | \$ 243,438 | 230,832 | 218,219 |

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

| | 1% Decrease (4.00%) | Healthcare Cost Trend Rate (5.00%) | 1% Increase (6.00%) |
|----------------------|---------------------------|---|---------------------------|
| Total OPEB liability | \$ 211,584 | 230,832 | 253,276 |

OPEB Expense (Reduction) – For the year ended June 30, 2024, the County recognized OPEB expense (reduction) of \$(63,008). 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.

(13) 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.

(14) Deficit Fund Balance

The Capital Projects Fund reported a deficit fund balance of \$531,826 at June 30, 2024. The deficit was the result of planning costs for the new law enforcement center. The County plans to address the deficit with debt proceeds.

(15) Construction Commitment

The County has entered into contracts totaling \$816,589 for road projects. As of June 30, 2024, cost of \$573,748 on the project have been incurred. The \$242,841 balance remaining on the project at June 30, 2024 will be paid as work on the project progresses.

The County has entered into contracts totaling \$7,630,667 for a new law enforcement center. As of June 30, 2024, no costs related to the construction contracts have been incurred. The \$7,630,667 balance remaining on the project at June 30, 2024 will be paid as work on the project progresses.

(16) Subsequent Event

On September 25, 2024, the County issued general obligation capital loan notes, series 2024 in the amount of \$8,500,000 for a new law enforcement center.

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, 2024

| | Actual | Less Funds not Required to be Budgeted | Net |
|---|---------------|---|------------|
| Receipts: | | | |
| Property and other county tax | \$ 8,112,509 | - | 8,112,509 |
| Penalty and interest on property tax | 44,146 | - | 44,146 |
| Intergovernmental | 5,991,148 | 112,236 | 5,878,912 |
| Licenses and permits | 48,826 | - | 48,826 |
| Charges for service | 705,546 | - | 705,546 |
| Use of money and property | 984,014 | - | 984,014 |
| Miscellaneous | 1,299,824 | 1,185,135 | 114,689 |
| Total receipts | 17,186,013 | 1,297,371 | 15,888,642 |
| Disbursements: | | | |
| Public safety and legal services | 2,859,038 | - | 2,859,038 |
| Physical health and social services | 1,657,207 | - | 1,657,207 |
| County environment and education | 1,198,994 | - | 1,198,994 |
| Roads and transportation | 6,272,723 | - | 6,272,723 |
| Governmental services to residents | 475,345 | - | 475,345 |
| Administration | 2,261,438 | - | 2,261,438 |
| Non-program | 1,328,359 | 1,317,613 | 10,746 |
| Debt service | 1,281,567 | 1,281,567 | - |
| Capital projects | 1,173,515 | - | 1,173,515 |
| Total disbursements | 18,508,186 | 2,599,180 | 15,909,006 |
| Deficiency of receipts under disbursements | (1,322,173) | (1,301,809) | (20,364) |
| Other financing sources, net | 1,314,278 | 1,314,278 | - |
| Change in balances | (7,895) | 12,469 | (20,364) |
| Balance beginning of year | 19,454,496 | 1,272,771 | 18,181,725 |
| Balance end of year | \$ 19,446,601 | 1,285,240 | 18,161,361 |

See accompanying independent auditor's report.

| Budgeted Amounts | | Final to |
|------------------|-------------|-----------|
| Original | Final | Net |
| | | Variance |
| 8,004,530 | 8,004,530 | 107,979 |
| 11,025 | 11,025 | 33,121 |
| 5,393,667 | 5,400,694 | 478,218 |
| 34,580 | 34,580 | 14,246 |
| 601,676 | 609,676 | 95,870 |
| 208,831 | 208,831 | 775,183 |
| 111,215 | 111,215 | 3,474 |
| 14,365,524 | 14,380,551 | 1,508,091 |
| 2,991,110 | 2,991,110 | 132,072 |
| 1,717,328 | 1,717,328 | 60,121 |
| 1,256,404 | 1,277,844 | 78,850 |
| 6,631,186 | 6,631,186 | 358,463 |
| 520,579 | 529,079 | 53,734 |
| 3,207,822 | 3,249,649 | 988,211 |
| 12,385 | 12,385 | 1,639 |
| - | - | - |
| 2,399,380 | 3,069,380 | 1,895,865 |
| 18,736,194 | 19,477,961 | 3,568,955 |
| (4,370,670) | (5,097,410) | 5,077,046 |
| 1,000 | 1,000 | (1,000) |
| (4,369,670) | (5,096,410) | 5,076,046 |
| 16,645,111 | 16,645,111 | 1,536,614 |
| 12,275,441 | 11,548,701 | 6,612,660 |

Pocahontas County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2024

| | Governmental Funds | | |
|------------------------------|--------------------|------------------------|------------------------------|
| | Cash Basis | Accrual Adjustments | Modified Accrual Basis |
| Revenues | \$ 17,186,013 | 751,216 | 17,937,229 |
| Expenditures | 18,508,186 | (1,121,252) | 17,386,934 |
| Net | (1,322,173) | 1,872,468 | 550,295 |
| Other financing sources, net | 1,314,278 | - | 1,314,278 |
| Beginning fund balances | 19,454,496 | (581,196) | 18,873,300 |
| Ending fund balances | \$ 19,446,601 | 1,291,272 | 20,737,873 |

See accompanying independent auditor's report.

Pocahontas County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2024

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

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

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund. These nine functions are: public safety and legal services, physical health and social services, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$741,767. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2024, disbursements did not exceed the amounts budgeted.

Pocahontas County

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

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

Required Supplementary Information

| | 2024 | 2023 | 2022 | 2021 |
|--|-----------|-----------|--------------|-----------|
| County's proportion of the net pension liability (asset) | 0.036015% | 0.029765% | 0.314201% ** | 0.042440% |
| County's proportionate share of the net pension liability (asset) | \$ 1,626 | 1,125 | (1,084) | 2,981 |
| County's covered payroll | \$ 4,838 | 4,353 | 4,377 | 4,324 |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 33.61% | 25.84% | (24.77)% | 68.94% |
| IPERS' net position as a percentage of the total pension liability (asset) | 90.13% | 91.40% | 100.81% | 82.90% |

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

** Overall plan net pension asset.

See accompanying independent auditor's report.

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

Required Supplementary Information

| | 2024 | 2023 | 2022 | 2021 |
|---|----------|-------|-------|-------|
| Statutorily required contribution | \$ 510 | 452 | 426 | 430 |
| Contributions in relation to the statutorily required contribution | (510) | (452) | (426) | (430) |
| Contribution deficiency (excess) | \$ - | - | - | - |
| County's covered payroll | \$ 5,481 | 4,838 | 4,353 | 4,377 |
| Contributions as a percentage of covered payroll | 9.30% | 9.34% | 9.79% | 9.82% |
| See accompanying independent auditor's report. | | | | |

Pocahontas County

Pocahontas County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2024

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

Pocahontas County

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

For the Last Seven Years
Required Supplementary Information

| | 2024 | 2023 | 2022 | 2021 |
|--|--------------|-----------|-----------|-----------|
| Service cost | \$ 26,526 | 26,006 | 22,738 | 22,292 |
| Interest cost | 10,196 | 11,300 | 4,486 | 4,450 |
| Difference between expected and actual experiences | (40,705) | - | 151,574 | - |
| Changes in assumptions | 5,642 | - | (15,398) | - |
| Benefit payments | (64,667) | (73,330) | (27,581) | (23,553) |
| Net change in total OPEB liability | (63,008) | (36,024) | 135,819 | 3,189 |
| Total OPEB liability beginning of year | 293,840 | 329,864 | 194,045 | 190,856 |
| Total OPEB liability end of year | \$ 230,832 | 293,840 | 329,864 | 194,045 |
| Covered-employee payroll | \$ 5,326,346 | 4,234,914 | 4,151,876 | 4,197,373 |
| Total OPEB liability as a percentage of covered-employee payroll | 4.3% | 6.9% | 7.9% | 4.6% |

See accompanying independent auditor's report.

| 2020 | 2019 | 2018 |
|-----------|-----------|-----------|
| 22,506 | 22,065 | 19,294 |
| 9,366 | 8,841 | 8,519 |
| (71,639) | - | (4,081) |
| 17,628 | - | 27,610 |
| (13,025) | (22,572) | (7,373) |
| (35,164) | 8,334 | 43,969 |
| 226,020 | 217,686 | 173,717 |
| 190,856 | 226,020 | 217,686 |
| 4,115,072 | 4,161,495 | 4,079,897 |
| 4.6% | 5.4% | 5.3% |

Pocahontas County

Notes to Required Supplementary Information – OPEB Liability

Year ended June 30, 2024

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

The 2024 valuation implemented the following refinements as a result of a new actuarial opinion dated June 30, 2024:

- The initial spouse participation rate was changed from 15% to 20%.

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, 2024 | 3.93% |
| Year ended June 30, 2023 | 3.54% |
| Year ended June 30, 2022 | 3.54% |
| Year ended June 30, 2021 | 2.21% |
| Year ended June 30, 2020 | 2.21% |
| Year ended June 30, 2019 | 3.87% |
| Year ended June 30, 2018 | 3.87% |
| Year ended June 30, 2017 | 4.50% |

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

Supplementary Information

Pocahontas County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2024

| | Special | | |
|---|---|------------------------|--|
| | County Recorder's Records Management | Courthouse Security | Local Government Opioid Abatement |
| Assets | | | |
| Cash, cash equivalents and pooled investments | \$ 23,644 | 1,900 | 42,841 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | - | - | - |
| Succeeding year | - | - | - |
| Opioid settlement | - | - | 121,630 |
| Total assets | 23,644 | 1,900 | 164,471 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | - | - | - |
| Deferred inflows of resources: | | | |
| Unavailable revenues: | | | |
| Succeeding year property tax | - | - | - |
| Other | - | - | 114,229 |
| Total deferred inflows of resources | - | - | 114,229 |
| Fund balances: | | | |
| Restricted for: | | | |
| Opioid abatement | - | - | 50,242 |
| Other puposes | 23,644 | 1,900 | - |
| Total fund balances | 23,644 | 1,900 | 50,242 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 23,644 | 1,900 | 164,471 |

See accompanying independent auditor's report.

| Revenue | | | |
|---------|-------------------------------------|--|---------|
| REAP | Environmental Education Trust | Emergency Medical Service Trust | Total |
| 19,341 | 8,029 | 160,664 | 256,419 |
| - | - | 312 | 312 |
| - | - | 195,000 | 195,000 |
| - | - | - | 121,630 |
| 19,341 | 8,029 | 355,976 | 573,361 |
| - | - | 3,150 | 3,150 |
| - | - | 195,000 | 195,000 |
| - | - | 312 | 114,541 |
| - | - | 195,312 | 309,541 |
| - | - | - | 50,242 |
| 19,341 | 8,029 | 157,514 | 210,428 |
| 19,341 | 8,029 | 157,514 | 260,670 |
| 19,341 | 8,029 | 355,976 | 573,361 |

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

Year ended June 30, 2024

| | Special | | |
|--|---|------------------------|---------------------|
| | County Recorder's Records Management | Courthouse Security | Opioid Abatement |
| Revenues: | | | |
| Property tax | \$ - | - | - |
| Intergovernmental | - | - | - |
| Charges for service | 1,766 | - | - |
| Use of money and property | 124 | - | 1,295 |
| Miscellaneous | - | - | 29,778 |
| Total revenues | 1,890 | - | 31,073 |
| Expenditures: | | | |
| Operating: | | | |
| Public safety and legal services | - | - | - |
| Physical health and social services | - | - | 453 |
| County environment and education | - | - | - |
| Capital projects | - | - | - |
| Total expenditures | - | - | 453 |
| Excess (deficiency) of revenues over (under) expenditures | 1,890 | - | 30,620 |
| Fund balances beginning of year | 21,754 | 1,900 | 19,622 |
| Fund balances end of year | \$ 23,644 | 1,900 | 50,242 |

See accompanying independent auditor's report.

Revenue

| Veterans Grants | REAP | Environmental Education Trust | Emergency Medical Service Trust | Total |
|--------------------|--------|-------------------------------------|--|---------|
| - | - | - | 187,388 | 187,388 |
| 10,000 | 18,267 | - | 12,634 | 40,901 |
| - | - | - | - | 1,766 |
| - | 233 | 13 | - | 1,665 |
| - | - | - | 2,860 | 32,638 |
| 10,000 | 18,500 | 13 | 202,882 | 264,358 |
| - | - | - | 45,368 | 45,368 |
| 10,000 | - | - | - | 10,453 |
| - | - | 690 | - | 690 |
| - | 10,000 | - | - | 10,000 |
| 10,000 | 10,000 | 690 | 45,368 | 66,511 |
| - | 8,500 | (677) | 157,514 | 197,847 |
| - | 10,841 | 8,706 | - | 62,823 |
| - | 19,341 | 8,029 | 157,514 | 260,670 |

Pocahontas County

Combining Schedule of Fiduciary Net Position
Custodial Funds

June 30, 2024

| | County Offices | Agricultural Extension Education | County Assessor | Schools |
|---|-------------------|--|--------------------|-----------|
| Assets | | | | |
| Cash, cash equivalents and pooled investments: | | | | |
| County Treasurer | \$ - | 2,465 | 185,991 | 78,260 |
| Other County officials | 6,844 | - | - | - |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | 442 | 562 | 15,505 |
| Succeeding year | - | 276,000 | 351,000 | 9,340,000 |
| Special assessments | - | - | - | - |
| Due from other governments | - | - | - | - |
| Prepays | - | - | 4,234 | - |
| Total assets | 6,844 | 278,907 | 541,787 | 9,433,765 |
| Liabilities | | | | |
| Salaries and benefits payable | - | - | 7,881 | - |
| Due to other governments | 998 | 2,465 | - | 78,260 |
| Trusts payable | 5,846 | - | - | - |
| Compensated absences | - | - | 8,133 | - |
| Total liabilities | 6,844 | 2,465 | 16,014 | 78,260 |
| Deferred Inflows of Resources | | | | |
| Unavailable revenues | - | 276,000 | 351,000 | 9,340,000 |
| Net Position | | | | |
| Restricted for individuals, organizations and other governments | \$ - | 442 | 174,773 | 15,505 |

See accompanying independent auditor's report.

| Community Colleges | Corporations | Townships | Auto License and Use Tax | 911 Services Board | Pocahontas County Economic Development | Other | Total |
|-----------------------|--------------|-----------|-----------------------------------|--------------------------|---|---------|------------|
| 10,933 | 30,645 | 3,389 | 237,119 | 638,452 | 99,370 | 174,941 | 1,461,565 |
| - | - | - | - | - | - | 6,316 | 13,160 |
| 2,125 | 33,765 | 11 | - | - | - | 3 | 52,413 |
| 1,323,000 | 2,739,000 | 391,000 | - | - | - | 2,000 | 14,422,000 |
| - | - | - | - | - | - | 58,085 | 58,085 |
| - | - | - | - | 44,119 | - | - | 44,119 |
| - | - | - | - | - | 2,117 | 2,117 | 8,468 |
| 1,336,058 | 2,803,410 | 394,400 | 237,119 | 682,571 | 101,487 | 243,462 | 16,059,810 |
| - | - | - | - | - | 3,763 | 2,642 | 14,286 |
| 10,933 | 30,645 | 3,389 | 237,119 | - | - | 84,765 | 448,574 |
| - | - | - | - | - | - | - | 5,846 |
| - | - | - | - | - | 3,736 | 8,031 | 19,900 |
| 10,933 | 30,645 | 3,389 | 237,119 | - | 7,499 | 95,438 | 488,606 |
| 1,323,000 | 2,739,000 | 391,000 | - | - | - | 2,000 | 14,422,000 |
| 2,125 | 33,765 | 11 | - | 682,571 | 93,988 | 146,024 | 1,149,204 |

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

Year ended June 30, 2024

| | County Offices | Agricultural Extension Education | County Assessor | Schools |
|------------------------------------|-------------------|--|--------------------|-----------|
| Additions: | | | | |
| Property and other county tax | \$ - | 271,951 | 216,251 | 8,695,539 |
| 911 surcharge | - | - | - | - |
| State tax credits | - | 18,744 | 17,737 | 474,384 |
| Drivers license fees | - | - | - | - |
| Office fees and collections | 478,872 | - | - | - |
| Auto licenses, use tax and postage | - | - | - | - |
| Assessments | - | - | - | - |
| Trusts | 48,231 | - | - | - |
| Miscellaneous | - | - | 450 | - |
| Total additions | 527,103 | 290,695 | 234,438 | 9,169,923 |
| Deductions: | | | | |
| Agency remittances: | | | | |
| To other funds | 261,378 | - | - | - |
| To other governments | 213,850 | 290,846 | 335,026 | 9,178,413 |
| Trusts paid out | 51,875 | - | - | - |
| Total deductions | 527,103 | 290,846 | 335,026 | 9,178,413 |
| Changes in net position | - | (151) | (100,588) | (8,490) |
| Net position beginning of year | - | 593 | 275,361 | 23,995 |
| Net position end of year | \$ - | 442 | 174,773 | 15,505 |

See accompanying independent auditor's report.

| Community Colleges | Corporations | Townships | Auto License and Use Tax | 911 Service Board | Pocahontas County Economic Development | Other | Total |
|-----------------------|--------------|-----------|-----------------------------------|-------------------------|---|----------|------------|
| 1,207,641 | 2,626,436 | 352,387 | - | - | - | 1,598 | 13,371,803 |
| - | - | - | - | 180,451 | - | - | 180,451 |
| 66,130 | 392,941 | 19,304 | - | - | - | 130 | 989,370 |
| - | - | - | - | - | - | 32,058 | 32,058 |
| - | - | - | - | - | - | 1,773 | 480,645 |
| - | - | - | 3,752,412 | - | - | - | 3,752,412 |
| - | - | - | - | - | - | 5,507 | 5,507 |
| - | - | - | - | - | - | 207,725 | 255,956 |
| - | - | - | - | 930 | 136,910 | 125,404 | 263,694 |
| 1,273,771 | 3,019,377 | 371,691 | 3,752,412 | 181,381 | 136,910 | 374,195 | 19,331,896 |
| - | - | - | 102,630 | - | - | 12,779 | 376,787 |
| 1,274,362 | 3,031,493 | 371,681 | 3,649,782 | 148,869 | 202,513 | 219,451 | 18,916,286 |
| - | - | - | - | - | - | 207,725 | 259,600 |
| 1,274,362 | 3,031,493 | 371,681 | 3,752,412 | 148,869 | 202,513 | 439,955 | 19,552,673 |
| (591) | (12,116) | 10 | - | 32,512 | (65,603) | (65,760) | (220,777) |
| 2,716 | 45,881 | 1 | - | 650,059 | 159,591 | 211,784 | 1,369,981 |
| 2,125 | 33,765 | 11 | - | 682,571 | 93,988 | 146,024 | 1,149,204 |

Pocahontas County

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

For the Last Ten Years

| | 2024 | 2023 | 2022 | 2021 |
|--------------------------------------|----------------------|-------------------|-------------------|-------------------|
| Revenues: | | | | |
| Property and other county tax | \$ 7,693,864 | 6,744,269 | 6,727,704 | 6,836,769 |
| Local option sales tax | 424,722 | 398,192 | 425,860 | 401,573 |
| Penalty and interest on property tax | 44,146 | 26,950 | 32,909 | 48,798 |
| Intergovernmental | 6,486,036 | 6,021,032 | 6,192,735 | 6,799,770 |
| Licenses and permits | 46,286 | 49,151 | 32,315 | 35,903 |
| Charges for service | 721,997 | 642,695 | 678,967 | 709,318 |
| Use of money and property | 1,119,037 | 773,436 | 306,005 | 420,018 |
| Miscellaneous | 1,401,141 | 2,099,598 | 2,574,573 | 4,851,292 |
| Total | <u>\$ 17,937,229</u> | <u>16,755,323</u> | <u>16,971,068</u> | <u>20,103,441</u> |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | \$ 2,900,340 | 2,424,460 | 2,276,658 | 2,252,787 |
| Physical health and social services | 1,664,614 | 1,605,622 | 1,444,520 | 1,440,941 |
| Mental health | - | - | 429,015 | 203,034 |
| County environment and education | 1,196,743 | 1,130,528 | 1,101,495 | 1,047,326 |
| Roads and transportation | 5,542,303 | 6,790,048 | 5,265,983 | 6,326,657 |
| Governmental services to residents | 477,478 | 402,992 | 393,511 | 387,266 |
| Administration | 2,325,829 | 2,047,859 | 1,889,466 | 1,639,644 |
| Non-program | 788,391 | 1,823,813 | 444,647 | 4,032,774 |
| Debt service | 1,281,567 | 1,845,412 | 2,725,448 | 5,350,170 |
| Capital projects | 1,209,669 | 98,421 | 45,671 | 245,353 |
| Total | <u>\$ 17,386,934</u> | <u>18,169,155</u> | <u>16,016,414</u> | <u>22,925,952</u> |

See accompanying independent auditor's report.

| 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|------------|------------|------------|------------|------------|------------|
| 6,623,023 | 6,655,916 | 6,644,117 | 6,418,998 | 6,247,099 | 6,395,139 |
| 319,700 | 314,924 | 263,770 | 280,803 | 236,586 | 244,992 |
| 9,526 | 24,053 | 20,270 | 25,128 | 24,279 | 20,895 |
| 5,155,337 | 4,994,753 | 4,766,189 | 5,042,328 | 4,919,919 | 4,886,612 |
| 26,810 | 56,122 | 92,746 | 26,024 | 19,455 | 17,012 |
| 600,501 | 501,364 | 572,342 | 529,758 | 451,448 | 414,165 |
| 449,322 | 542,958 | 368,678 | 299,366 | 259,921 | 187,765 |
| 1,567,870 | 2,859,988 | 5,371,634 | 2,189,299 | 1,625,091 | 1,406,551 |
| 14,752,089 | 15,950,078 | 18,099,746 | 14,811,704 | 13,783,798 | 13,573,131 |
| 2,341,408 | 2,123,096 | 1,990,241 | 1,893,245 | 1,955,195 | 1,937,652 |
| 1,455,269 | 1,431,656 | 1,434,321 | 1,252,129 | 1,217,944 | 1,272,890 |
| 308,127 | 332,736 | 360,605 | 472,266 | 408,653 | 405,694 |
| 1,107,263 | 1,039,642 | 965,594 | 1,058,913 | 1,040,380 | 1,007,036 |
| 4,571,947 | 2,766,395 | 4,528,494 | 4,200,127 | 3,135,376 | 4,056,586 |
| 417,590 | 413,542 | 356,672 | 294,753 | 320,317 | 320,455 |
| 1,711,089 | 1,450,591 | 1,370,728 | 1,480,274 | 1,215,270 | 1,293,906 |
| 1,803,732 | 4,424,585 | 2,671,246 | 2,774,361 | 2,406,054 | 1,905,216 |
| 1,393,368 | 1,831,682 | 5,824,291 | 2,586,718 | 2,318,902 | 2,250,676 |
| 257,120 | 2,833,727 | 1,981,839 | 2,301 | 171,818 | 412,588 |
| 15,366,913 | 18,647,652 | 21,484,031 | 16,015,087 | 14,189,909 | 14,862,699 |



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Rob Sand
Auditor of State

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

To the Officials of Pocahontas County:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pocahontas County, Iowa, as of and for the year ended June 30, 2024, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 30, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pocahontas County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pocahontas County's internal control. Accordingly, we do not express an opinion on the effectiveness of Pocahontas County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2024-001 and 2024-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Pocahontas County's operations for the year ended June 30, 2024 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Pocahontas County's Responses to Findings

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

Purpose of this Report

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

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



Brian R. Brustkern, CPA
Deputy Auditor of State

April 30, 2025

Pocahontas County

Schedule of Findings

Year ended June 30, 2024

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES

2024-001 Segregation of Duties

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

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, 2024

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 is a small office.

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

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

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

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

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

2024-002 Financial Reporting

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

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

Pocahontas County

Schedule of Findings

Year ended June 30, 2024

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

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 receivables and capital asset additions are identified and properly reported in the County’s financial statements.

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

Conclusion – Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2024

Other Findings Related to Required Statutory Reporting:

2024-A Certified Budget – Disbursements during the year ended June 30, 2024 did not exceed the amounts budgeted.

2024-B Questionable Expenditures – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General's opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain expenditures were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General's opinion since the public benefits to be derived have not been clearly documented. During the year ended June 30, 2024, the County spent \$8,966 on personal vehicle mileage reimbursement to the EMS/E911/Safety Director who has also been provided with a County owned vehicle. During the year ended June 30, 2024, the County spent \$1,019 on personal phone reimbursement to the EMS/E911/Safety Director. The County does not have a cell phone policy which includes details of who may be reimbursed for County use of a personal cell phone, proper usage, and the amount to be reimbursed.

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

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

Response – EMA provides a ¾ ton dually truck and response trailer which are equipped for response to emergency events. The dually pickup is not practical for day-to-day operations. The Commission believes that the \$8,000 budgeted for mileage is less expensive than providing an additional vehicle. The Commission approves reimbursement to be paid to the Director for the use of his cell phone as the Director may be called and have to make calls at all hours of the day or night and from wherever he may be. The Commission will consider any changes that Pocahontas County may make for cell phone policy.

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

2024-C Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

2024-D Restricted Donor Activity – No transactions were noted between the County, County officials, County employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

Pocahontas County

Schedule of Findings

Year ended June 30, 2024

2024-E Business Transactions – The following business transactions between the County and County officials or employees were noted:

| Transaction Business Connection | Transaction Description | Amount |
|--|----------------------------|-----------|
| Kristi Seiler, Deputy Auditor - Claims and Drainage Clerk, sister in-law of owner of Seiler Appliance | Appliances/repairs | \$ 12,544 |
| Russ Jergens, EMA/911 Coordinator, father of owner of NAPA Auto Parts of Pocahontas | Parts/supplies | 3,972 |
| Melissia Zuetlau, Custodian, wife of owner of Zuetlau Seeding | Courthouse seeds | 936 |
| Kyle Smith, Board of Supervisors member, father of owner of Webbink Insurance | Insurance | 173,547 |

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

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

In accordance with Chapter 331.342(2)(c) of the Code of Iowa, the transactions with Webbink Insurance may represent a conflict of interest since the total transactions exceeded \$6,000 during the fiscal year and the services were not competitively bid.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – The County will obtain competitive bids for the County's Insurance for the upcoming fiscal year.

Conclusion – Response accepted.

2024-F Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

2024-G Board Minutes – No transactions we believe should have been approved in the Board minutes but were not noted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2024

2024-H Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

2024-I Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

2024-J Financial Condition – At June 30, 2024, the County had a deficit balance of \$531,826 in the Capital Projects Fund.

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

Response – The deficit was eliminated with the receipt of debt proceeds in September 2024.

Conclusion – Response accepted.

2024-K Advance From Other Funds– During the year ended June 30, 2024, the County advanced funds from the general fund to the capital project fund for costs associated with the new law enforcement center to be repaid with debt proceeds received in the following fiscal year. However, a public hearing was not held prior to the authorization of the advance from other funds as required by Chapters 331.478 and 331.479 of the Code of Iowa.

Chapter 331.478 of the Code of Iowa allows a County to authorize by resolution noncurrent debt, including advances from other funds and other formal debt instruments or obligation other than bonds, payable from resources accruing after the end of the fiscal year in which the debt is incurred, in accordance with Chapter 331.479 of the Code of Iowa. Chapter 331.479 of the Code of Iowa requires a notice of public hearing to be published and a public hearing to be held before the Board may institute proceedings for the incurrence of noncurrent debt.

Recommendation – The County should consult legal counsel to determine the disposition of this matter. In the future, the County should hold a public hearing prior to the authorization of any noncurrent debt in accordance with Chapters 331.478 and 331.479 of the Code of Iowa.

Response – In the future, the County will make sure and hold a hearing prior to the authorization of an advance from other funds.

Conclusion – Response accepted.

Pocahontas County

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Deputy
Ryan J. Pithan, CPA, Manager
Tristan J. Swiggum, Senior Auditor
Therese A. Berning, Staff Auditor
Kerillos M. Hana, Staff Auditor
Kari L. Middleton, Staff Auditor
Zoey M. Brockway, Assistant Auditor