



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

June 30, 2017

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

The County had local tax revenue of \$19,468,335 for the year ended June 30, 2016, which included \$1,584,955 in tax credits from the state. The County forwarded \$12,747,612 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$6,720,723 of the local tax revenue to finance County operations, a less than 1% increase over the prior year. Other revenues included charges for service of \$3,423,898, operating grants, contributions and restricted interest of \$4,324,343, capital grants, contributions and restricted interest of \$241,217, local option sales tax of \$236,586, unrestricted investment earnings of \$158,598 and other general revenues of \$253,320.

Expenses for County operations for the year ended June 30, 2016 totaled \$13,092,443, a decrease of 1.7% from the prior year. Expenses included \$4,231,262 for roads and transportation, \$2,670,696 for non-program services and \$1,911,033 for public safety and legal services.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1610-0076-B00F>.

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POCAHONTAS COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2016

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**Pocahontas County
Officials**

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

Pocahontas County



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Independent Auditor's Report

To the Officials of Pocahontas County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pocahontas County, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Pocahontas County as of June 30, 2016, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pocahontas County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 27, 2017 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Pocahontas County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

June 27, 2017

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, 2016. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 7%, or approximately \$1,156,000, from fiscal year 2015 to fiscal year 2016. Charges for service increased approximately \$444,000, operating grants, contributions and restricted interest increased approximately \$469,000 and capital grants, contributions and restricted interest decreased approximately \$2,142,000.
- The County's governmental activities' expenses decreased 1.7%, or approximately \$231,000, from fiscal year 2015 to fiscal year 2016. Non-program expenses increased approximately \$503,000, roads and transportation expenses decreased approximately \$558,000 and administration expenses decreased approximately \$215,000.
- The County's net position at June 30, 2016 increased 9.4%, or approximately \$2,267,000, over the June 30, 2015 balance.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2016	2015
Current and other assets	\$ 24,357	20,397
Capital assets	16,637	17,323
Total assets	40,994	37,720
Deferred outflows of resources	488	502
Long-term liabilities	7,887	6,213
Other liabilities	624	901
Total liabilities	8,511	7,114
Deferred inflows of resources	6,686	7,090
Net position:		
Net investment in capital assets	16,637	17,323
Restricted	10,294	7,892
Unrestricted	(646)	(1,197)
Total net position	\$ 26,285	24,018

The largest portion of the County's net position is net investment in capital assets (e.g., land, infrastructure, buildings and equipment). This net position category decreased approximately \$686,000, or 4%, from the prior year.

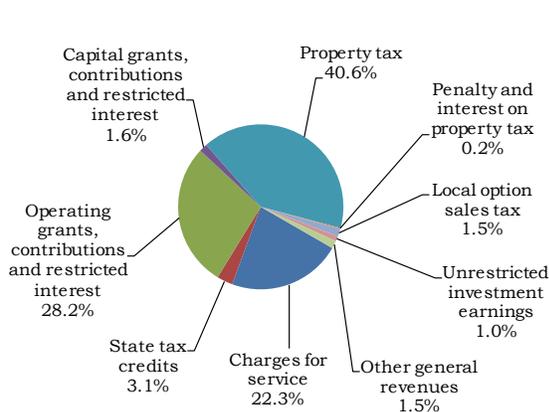
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position category increased approximately \$2,402,000, or 30.4%, over the prior year. This increase is primarily due to an increase in the amount restricted for supplemental levy and rural services purposes.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$551,000 over the prior year to a deficit of approximately \$646,000.

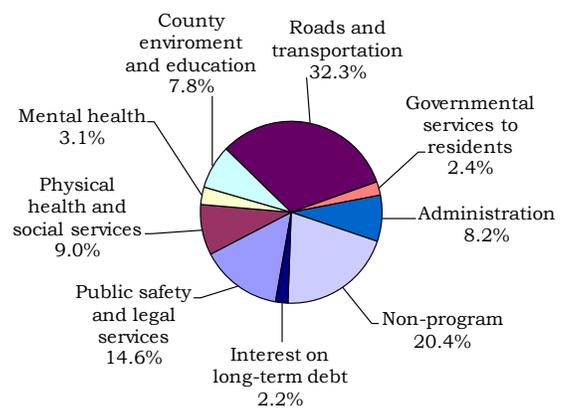
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2016	2015
Revenues:		
Program revenues:		
Charges for service	\$ 3,424	2,980
Operating grants, contributions and restricted interest	4,324	3,855
Capital grants, contributions and restricted interest	241	2,383
General revenues:		
Property tax	6,247	6,395
State tax credits	473	320
Penalty and interest on property tax	26	20
Local option sales tax	237	245
Unrestricted investment earnings	159	78
Other general revenues	228	239
Total revenues	15,359	16,515
Program expenses:		
Public safety and legal services	1,911	1,885
Physical health and social services	1,181	1,226
Mental health	402	400
County environment and education	1,024	1,052
Roads and transportation	4,231	4,789
Governmental services to residents	316	330
Administration	1,070	1,285
Non-program	2,671	2,168
Interest on long-term debt	286	188
Total expenses	13,092	13,323
Change in net position	2,267	3,192
Net position beginning of year	24,018	20,826
Net position end of year	\$ 26,285	24,018

Revenues by Source



Expenses by Function



Charges for services increased approximately \$444,000 due to an increase in drainage district assessments. Capital grants, contributions and restricted interest decreased approximately \$2,142,000, or 89.9%, primarily due to capital assets contributed by the Iowa Department of Transportation in fiscal year 2015.

Expenses in fiscal year 2016 decreased approximately \$231,000, or 1.7%, from the prior year. Non-program expenses increased approximately \$503,000 due to increased costs related to drainage system improvements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Pocahontas County completed the year, its governmental funds reported a combined fund balance of approximately \$12.5 million, an increase of approximately \$2,878,000 over last year's total of approximately \$9.67 million. The following are reasons for the changes in fund balances of the major funds from the prior year:

General Fund revenues exceeded expenditures by approximately \$964,000. The ending fund balance increased approximately \$878,000 over the prior year to approximately \$3,511,000. General Fund revenues increased approximately \$322,000, or 6.0%, primarily due to an increase in property tax and intergovernmental revenues. Expenditures decreased approximately \$113,000, or 2.3%.

The Special Revenue, Mental Health Fund ending fund balance decreased approximately \$29,000 from the prior year to a balance of approximately \$218,000. Mental Health Fund revenues decreased approximately \$127,000, or 25.0%, from the prior year while expenditures increased approximately \$3,000, or 0.7%. The decrease in revenues is due primarily to a decrease in the property taxes levied and a reduction in intergovernmental revenues.

Special Revenue, Rural Services Fund revenues decreased approximately \$90,000, or 3.6%, while expenditures increased approximately \$21,000, or 2.2%. The Rural Services Fund fund balance at year end increased approximately \$267,000.

Revenues in the Special Revenue, Secondary Roads Fund increased approximately \$315,000 over the previous year, primarily due to an increase in bridge replacement revenue during fiscal year 2016. Expenditures decreased approximately \$1,154,000, or 25.9%, from the prior year due to a decrease in bridge construction projects. The Secondary Roads Fund ending fund balance increased approximately \$1,633,000 to approximately \$6.87 million.

The Special Revenue, Drainage Districts Fund ending fund balance increased approximately \$117,000 over the prior year to approximately \$504,000. Revenues and proceeds from issuance of drainage warrants increased approximately \$1,200,000 over the prior year and expenditures increased approximately \$580,000, due to an increase in drainage district projects.

BUDGETARY HIGHLIGHTS

During fiscal year 2016, Pocahontas County did not amend its budget.

The County's receipts were \$1,258,538 more than budgeted, a variance of 11.5%.

Total disbursements were \$2,511,134 less than the budget. Actual disbursements for roads and transportation, administration and physical health and social services were \$1,281,471, \$383,565 and \$287,847, respectively, less than budgeted, while the other functions were also less than budgeted, except for the non-program function which exceeded the budget. This was primarily due to reduced roads and bridge maintenance projects, equipment purchases and stockpile supply purchases than anticipated. The remaining decrease was accomplished by reduced spending in all areas.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, Pocahontas County had approximately \$16.6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$686,000, or 4.0%, from last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2016	2015
Land	\$ 1,961	1,961
Construction in progress	1,499	1,304
Buildings and building improvements	1,340	1,414
Equipment and vehicles	2,227	2,310
Infrastructure, road network	9,610	10,334
Total	<u>\$ 16,637</u>	<u>17,323</u>

The County had depreciation expense of \$1,345,354 in fiscal year 2016 and total accumulated depreciation of \$13,178,517 at June 30, 2016. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2016, Pocahontas County had approximately \$5,601,000 of outstanding debt compared to approximately \$4,369,000 at June 30, 2015. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

Outstanding Debt of Governmental Activities at Year-End		
(Expressed in Thousands)		
	June 30,	
	2016	2015
Drainage warrants and improvement certificates	\$ 5,100	3,804
State Revolving Fund improvement certificates	501	565
Total	<u>\$ 5,601</u>	<u>4,369</u>

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 2017 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 2.8%, a decrease from a year ago. This compares with the State's unemployment rate of 4.0% and the national rate of 4.9%.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Pocahontas County
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 11,754,377
Receivables:	
Property tax:	
Delinquent	8,440
Succeeding year	6,318,000
Interest and penalty on property tax	67,639
Accounts	212,299
Accrued interest	8,974
Drainage assessments	4,578,749
Due from other governments	383,940
Inventories	917,603
Prepaid insurance	106,638
Capital assets, net of accumulated depreciation	16,637,064
Total assets	40,993,723
Deferred Outflows of Resources	
Pension related deferred outflows	488,317
Liabilities	
Accounts payable	398,011
Salaries and benefits payable	185,147
Advances from grantors	11,017
Due to other governments	29,392
Long-term liabilities:	
Portion due or payable within one year:	
Drainage warrants/drainage improvement certificates	4,162,366
State Revolving Fund improvement certificates	35,000
Compensated absences	207,546
Portion due or payable after one year:	
Drainage improvement certificates	937,688
State Revolving Fund improvement certificates	466,000
Net pension liability	2,018,685
Net OPEB Liability	60,226
Total liabilities	8,511,078
Deferred Inflows of Resources	
Unavailable property tax revenue	6,318,000
Pension related deferred inflows	368,255
Total deferred inflows of resources	6,686,255
Net Position	
Net investment in capital assets	16,637,064
Restricted for:	
Supplemental levy purposes	1,363,546
Conservation land acquisition	376,204
Mental health purposes	216,210
Rural services	1,247,365
Secondary roads purposes	6,912,931
Other purposes	177,809
Unrestricted	(646,422)
Total net position	\$ 26,284,707

See notes to financial statements.

Pocahontas County

Statement of Activities

Year ended June 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,911,033	40,180	229,539	-	(1,641,314)
Physical health and social services	1,180,634	199,079	330,084	-	(651,471)
Mental health	402,569	-	106,516	-	(296,053)
County environment and education	1,023,998	45,067	12,274	7,056	(959,601)
Roads and transportation	4,231,262	70,070	3,549,640	234,161	(377,391)
Governmental services to residents	316,384	163,976	31	-	(152,377)
Administration	1,070,017	35,378	60,297	-	(974,342)
Non-program	2,670,696	2,870,148	35,962	-	235,414
Interest on long-term debt	285,850	-	-	-	(285,850)
Total	\$ 13,092,443	3,423,898	4,324,343	241,217	(5,102,985)
General Revenues:					
Property and other county tax levied for general purposes					6,247,452
Penalty and interest on property tax					26,097
State tax credits					473,271
Local option sales tax					236,586
Unrestricted investment earnings					158,598
Gain on disposition of capital assets					80,189
Miscellaneous					147,034
Total general revenues					7,369,227
Change in net position					2,266,242
Net position beginning of year					24,018,465
Net position end of year					\$ 26,284,707

See notes to financial statements.

Pocahontas County

Balance Sheet

June 30, 2016

	General	Mental Health	Special Rural Services
Assets			
Cash, cash equivalents and pooled investments	\$ 3,362,576	218,685	1,419,003
Receivables:			
Property tax:			
Delinquent	7,722	493	225
Succeeding year	4,008,000	235,000	2,075,000
Interest and penalty on property tax	67,639	-	-
Accounts	68,834	-	25,725
Accrued interest	8,974	-	-
Drainage assessments	-	-	-
Advance to other funds	175,000	-	-
Due from other governments	51,490	-	17,338
Inventories	-	-	-
Prepaid insurance	59,338	3,166	9,498
Total assets	\$ 7,809,573	457,344	3,546,789
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 57,246	203	3,323
Salaries and benefits payable	106,716	3,763	20,695
Advance from other funds	-	-	175,000
Advances from grantors	11,017	-	-
Due to other governments	28,415	36	-
Total liabilities	203,394	4,002	199,018
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	4,008,000	235,000	2,075,000
Other	87,275	493	225
Total deferred inflows of resources	4,095,275	235,493	2,075,225
Fund balances:			
Nonspendable:			
Advance to other funds	175,000	-	-
Inventories	-	-	-
Prepaid insurance	59,338	3,166	9,498
Restricted for:			
Supplemental levy purposes	1,374,151	-	-
Conservation land acquisition	374,650	-	-
Mental health purposes	-	214,683	-
Rural services	-	-	1,263,048
Secondary roads purposes	-	-	-
Drainage warrants/drainage improvement certificates	-	-	-
Other purposes	11,092	-	-
Unassigned	1,516,673	-	-
Total fund balances	3,510,904	217,849	1,272,546
Total liabilities, deferred inflows of resources and fund balances	\$ 7,809,573	457,344	3,546,789

See notes to financial statements.

Revenue			
Secondary Roads	Drainage Districts	Nonmajor	Total
5,754,143	780,834	168,941	11,704,182
-	-	-	8,440
-	-	-	6,318,000
-	-	-	67,639
117,740	-	-	212,299
-	-	-	8,974
-	4,578,749	-	4,578,749
-	-	-	175,000
280,063	35,049	-	383,940
917,603	-	-	917,603
34,636	-	-	106,638
<u>7,104,185</u>	<u>5,394,632</u>	<u>168,941</u>	<u>24,481,464</u>
53,396	276,942	2,224	393,334
53,973	-	-	185,147
-	-	-	175,000
-	-	-	11,017
941	-	-	29,392
<u>108,310</u>	<u>276,942</u>	<u>2,224</u>	<u>793,890</u>
-	-	-	6,318,000
122,665	4,613,798	-	4,824,456
<u>122,665</u>	<u>4,613,798</u>	<u>-</u>	<u>11,142,456</u>
-	-	-	175,000
917,603	-	-	917,603
34,636	-	-	106,638
-	-	-	1,374,151
-	-	-	374,650
-	-	-	214,683
-	-	-	1,263,048
5,920,971	-	-	5,920,971
-	503,892	-	503,892
-	-	166,717	177,809
-	-	-	1,516,673
<u>6,873,210</u>	<u>503,892</u>	<u>166,717</u>	<u>12,545,118</u>
<u>7,104,185</u>	<u>5,394,632</u>	<u>168,941</u>	<u>24,481,464</u>

Pocahontas County

Pocahontas County

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

June 30, 2016

Total governmental fund balances (page 19) \$ 12,545,118

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 \$29,815,581 and the accumulated depreciation is \$13,178,517. 16,637,064

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. 4,824,456

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. 45,518

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	\$ 488,317	
Deferred inflows of resources	<u>(368,255)</u>	120,062

Long-term liabilities, including drainage warrants/drainage improvement certificates payable, State Revolving Fund improvement certificates payable, compensated absences payable, net pension liability and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (7,887,511)

Net position of governmental activities (page 16) \$ 26,284,707

See notes to financial statements.

Pocahontas County

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

Year ended June 30, 2016

	General	Special	
		Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 3,954,589	252,546	2,039,964
Local option sales tax	-	-	236,586
Interest and penalty on property tax	24,279	-	-
Intergovernmental	1,034,493	127,290	129,193
Licenses and permits	6,375	-	100
Charges for service	411,070	-	-
Use of money and property	256,448	-	-
Miscellaneous	17,087	-	25,725
Total revenues	5,704,341	379,836	2,431,568
Expenditures:			
Operating:			
Public safety and legal services	1,369,596	-	583,399
Physical health and social services	1,207,981	-	-
Mental health	-	408,653	-
County environment and education	619,737	-	420,267
Roads and transportation	-	-	-
Governmental services to residents	316,138	-	1,955
Administration	1,212,061	-	-
Non-program	10,129	-	-
Debt service	-	-	-
Capital projects	4,557	-	-
Total expenditures	4,740,199	408,653	1,005,621
Excess (deficiency) of revenues over (under) expenditures	964,142	(28,817)	1,425,947
Other financing sources (uses):			
Sale of capital assets	3,932	-	-
Transfers in	-	-	-
Transfers out	(90,000)	-	(1,158,901)
Drainage warrants/drainage improvement certificates issued	-	-	-
Total other financing sources (uses)	(86,068)	-	(1,158,901)
Change in fund balances	878,074	(28,817)	267,046
Fund balances beginning of year	2,632,830	246,666	1,005,500
Fund balances end of year	\$ 3,510,904	217,849	1,272,546

See notes to financial statements.

Revenue				
Secondary	Drainage			Total
Roads	Districts	Nonmajor		
-	-	-		6,247,099
-	-	-		236,586
-	-	-		24,279
3,607,009	-	21,934		4,919,919
12,980	-	-		19,455
38,329	-	2,049		451,448
3,100	-	373		259,921
10,884	1,566,160	5,235		1,625,091
3,672,302	1,566,160	29,591		13,783,798
-	-	2,200		1,955,195
-	-	9,963		1,217,944
-	-	-		408,653
-	-	376		1,040,380
3,135,376	-	-		3,135,376
-	-	2,224		320,317
-	-	3,209		1,215,270
-	2,395,925	-		2,406,054
-	2,318,902	-		2,318,902
167,261	-	-		171,818
3,302,637	4,714,827	17,972		14,189,909
369,665	(3,148,667)	11,619		(406,111)
14,415	-	-		18,347
1,248,901	-	-		1,248,901
-	-	-		(1,248,901)
-	3,265,473	-		3,265,473
1,263,316	3,265,473	-		3,283,820
1,632,981	116,806	11,619		2,877,709
5,240,229	387,086	155,098		9,667,409
6,873,210	503,892	166,717		12,545,118

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, 2016

Change in fund balances - Total governmental funds (page 23) \$ 2,877,709

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

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

Expenditures for capital assets	\$ 402,508	
Capital assets contributed by the Iowa Department of Transportation	195,573	
Depreciation expense	<u>(1,345,354)</u>	(747,273)

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 61,618

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	353	
Other	<u>1,136,255</u>	1,136,608

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

Issued	(3,265,473)	
Repaid	<u>2,033,052</u>	(1,232,421)

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. 355,395

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	(1,200)	
Other postemployment benefits	(23,426)	
Pension expense	<u>(180,211)</u>	(204,837)

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. 19,443

Change in net position of governmental activities (page 17) \$ 2,266,242

See notes to financial statements.

Pocahontas County
Statement of Net Position
Proprietary Fund
June 30, 2016

	<u>Internal Service Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 50,195
Liabilities	
Accounts payable	<u>4,677</u>
Net Position	
Unrestricted	<u>\$ 45,518</u>

See notes to financial statements.

Exhibit H

Pocahontas County

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

Year ended June 30, 2016

		<u>Internal Service Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 128,267
Reimbursements from employees and others		154,330
Total operating revenues		<u>282,597</u>
Operating expenses:		
Medical claims	\$ 161,297	
Premiums	93,739	
Administrative charges	<u>8,140</u>	<u>263,176</u>
Operating income		19,421
Non-operating revenues:		
Interest income		<u>22</u>
Net income		19,443
Net position beginning of year		<u>26,075</u>
Net position end of year		<u><u>\$ 45,518</u></u>

See notes to financial statements.

Pocahontas County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2016

	Internal Service Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund contributions	\$ 128,267
Cash received from employees and others	154,330
Cash paid for medical claims, premiums and other	(271,986)
Net cash provided by operating activities	10,611
Cash flows from investing activities:	
Interest on investments	22
Net increase in cash and cash equivalents	10,633
Cash and cash equivalents beginning of year	39,562
Cash and cash equivalents end of year	\$ 50,195
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 19,421
Adjustment to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts payable	(8,810)
Net cash provided by operating activities	\$ 10,611

See notes to financial statements.

Pocahontas County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2016

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 1,609,192
Other County officials	5,810

Receivables:

Property tax:

Delinquent	41,918
Succeeding year	11,760,000

Accounts receivable	9,511
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Special assessments	148,377
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Due from other governments	45,697
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Total assets	<u>13,620,505</u>
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Liabilities

Accounts payable	3,900
------------------	-------

Salaries and benefits payable	19,373
-------------------------------	--------

Due to other governments	13,576,552
--------------------------	------------

Trusts payable	3,334
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Compensated absences	17,346
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Total liabilities	<u>13,620,505</u>
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Net position	<u><u>\$ -</u></u>
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See notes to financial statements.

Pocahontas County

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Pocahontas County Assessor’s Conference Board, Pocahontas County Emergency Management Commission, Pocahontas County Joint E911 Service Board and Pocahontas County Economic Development Commission. Financial transactions of these organizations are included in the County’s financial statements only to the extent of the County’s fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2015.

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

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

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

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on IPERS' investments.

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements during the year ended June 30, 2016 exceeded the amount budgeted in the non-program function and disbursements in certain departments exceeded the amounts appropriated.

(2) Cash, Cash Equivalents and Pooled Investments

The County’s deposits in banks at June 30, 2016 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, 2016, the County had investments in drainage warrants and improvement certificates of \$1,058,677 and \$1,010,661, respectively.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 90,000
	Special Revenue:	
	Rural Services	1,158,901
Total		<u>\$ 1,248,901</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,960,976	-	-	1,960,976
Construction in process	1,303,825	195,573	-	1,499,398
Total capital assets not being depreciated	3,264,801	195,573	-	3,460,374
Capital assets being depreciated:				
Buildings and building improvements	3,156,789	-	-	3,156,789
Equipment and vehicles	7,618,918	471,147	(192,601)	7,897,464
Infrastructure, road network	15,300,954	-	-	15,300,954
Total capital assets being depreciated	26,076,661	471,147	(192,601)	26,355,207
Less accumulated depreciation for:				
Buildings and building improvements	1,742,622	74,748	-	1,817,370
Equipment and vehicles	5,309,201	546,491	(185,579)	5,670,113
Infrastructure, road network	4,966,919	724,115	-	5,691,034
Total accumulated depreciation	12,018,742	1,345,354	(185,579)	13,178,517
Total capital assets being depreciated, net	14,057,919	(874,207)	(7,022)	13,176,690
Governmental activities capital assets, net	\$17,322,720	(678,634)	(7,022)	16,637,064

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 71,869
Physical health and social services	1,314
County environment and education	211,883
Roads and transportation	981,238
Governmental services to residents	9,561
Administration	69,489
Total depreciation expense - governmental activities	<u>\$ 1,345,354</u>

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2016 is as follows:

Fund	Description	Amount
General	Services	\$ 28,415
Special Revenue:		
Mental Health	Services	36
Secondary Roads	Services	941
		977
Total for governmental funds		\$ 29,392
Agency:		
Agriculture Extension Education	Collections	\$ 198,438
County Assessor		483,025
Schools		8,142,402
Community Colleges		785,470
Corporations		2,194,820
Townships		305,201
Auto License and Use Tax		188,856
E911 Services Board		303,158
Pocahontas County Economic Development		786,355
All other		188,827
Total for agency funds		\$ 13,576,552

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	State						Total
	Drainage Warrants	Drainage Improvement Certificates	State Revolving Fund Improvement Certificates	Compensated Absences	Net Pension Liability	Net OPEB Liability	
Balance beginning	\$ 3,337,163	466,470	565,000	206,346	1,601,676	36,800	6,213,455
Increases	2,594,988	670,485	-	96,673	417,009	29,466	3,808,621
Decreases	1,842,758	126,294	64,000	95,473	-	6,040	2,134,565
Balance end of year	\$ 4,089,393	1,010,661	501,000	207,546	2,018,685	60,226	7,887,511
Due within one year	\$ 4,089,393	72,973	35,000	207,546	-	-	4,404,912

Drainage Warrants/Drainage Improvement Certificates Payable

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

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

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

State Revolving Fund Improvement Certificates

On January 27, 2010, the County entered into a loan agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of \$1,096,000 of improvement certificates with interest at 3.0% per annum. The agreement also requires the County to annually pay a .25% servicing fee on the outstanding principal balance. The certificates were issued pursuant to the provisions of Chapter 468.70 of the Code of Iowa and the American Recovery and Reinvestment Act of 2009 (ARRA) for the purpose of providing funds to pay a portion of the costs of constructing improvements and repairs to Drainage District No. 65 of the County. The County drew down funds from the Trustee upon request to reimburse the County for costs as they are incurred. An initiation fee of 1%, or \$10,960, of the authorized borrowing for the improvement certificates was charged by the Iowa Finance Authority. At June 30, 2016, the County had drawn down the entire authorized amount. During the year ended June 30, 2016, the County paid \$64,000 of principal and \$16,950 of interest on these certificates.

The County has pledged assessments against property in Drainage District No. 65 to repay the improvement certificates. The certificates are payable solely from drainage assessments against property in Drainage District No. 65 and are payable through December 2029.

A summary of the County's June 30, 2016 State Revolving Fund Improvement Certificate indebtedness is as follows:

Year	Interest	Principal	Interest	Total
Ending	Rate*			
June 30,				
2017	3.00%	\$ 35,000	15,030	50,030
2018	3.00	36,000	13,980	49,980
2019	3.00	38,000	12,900	50,900
2020	3.00	39,000	11,760	50,760
2021	3.00	40,000	10,590	50,590
2022-2026	3.00	220,000	34,170	254,170
2027-2029	3.00	93,000	4,140	97,140
Total		\$ 501,000	102,570	603,570

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

(7) Advances to/from Other Funds

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

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

The advances to/from other funds resulted from the General Fund extending a loan for \$350,000 to the Special Revenue, Rural Services Fund. The loan will be repaid in the future as property tax collections become available.

(8) Employee Group Health

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

Monthly contributions to the Internal Service, Employee Group Health Fund are recorded as expenditures from the operating funds. These contributions represent the difference between premiums required for a higher deductible plan and those for a lower deductible plan. Payments from the Internal Service, Employee Group Health Fund are for insurance premiums, employee reimbursements of medical claims up to the individual's funded deductible and administrative costs. The County's contribution for the year ended June 30, 2016 was \$128,267.

The amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2016 for reported but not paid claims have been determined by the plan administrator since the County has not obtained an actuarial opinion as required by Chapter 509A.15 of the Code of Iowa.

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

Unpaid claims beginning of year	\$ 13,487
Incurred claims (including claims incurred but not reported at June 30, 2016)	161,297
Payment on claims during the year	<u>(170,107)</u>
Unpaid claims end of year	<u>\$ 4,677</u>

(9) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

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

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

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

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

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

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

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

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% for a total rate of 14.88%. The Sheriff, deputies and County each contributed 9.88% of covered payroll for a total rate of 19.76%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% for a total rate of 16.40%.

The County’s contributions to IPERS for the year ended June 30, 2016 were \$355,395.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the County reported a liability of \$2,018,685 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 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, 2015, the County’s proportion was 0.040860%, which was an increase of 0.000474% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$180,211. At June 30, 2016, 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	\$ 30,674	26,084
Changes of assumptions	55,898	15,632
Net difference between projected and actual earnings on IPERS' investments	-	236,221
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	46,350	90,318
County contributions subsequent to the measurement date	355,395	-
Total	<u>\$ 488,317</u>	<u>368,255</u>

\$355,395 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2017	\$ (109,193)
2018	(109,193)
2019	(109,193)
2020	97,030
2021	(4,784)
Total	<u>\$ (235,333)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement as follows:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	\$ 4,138,887	2,018,685	230,953

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

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County IPERS by June 30, 2016.

(10) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 86 active and 1 retired member in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 30,069
Interest on net OPEB obligation	1,656
Adjustment to annual required contribution	<u>(2,259)</u>
Annual OPEB cost	29,466
Contributions made	<u>(6,040)</u>
Increase in net OPEB obligation	23,426
Net OPEB obligation beginning of year	<u>36,800</u>
Net OPEB obligation end of year	<u>\$ 60,226</u>

For the year ended June 30, 2016, the County contributed \$6,040 to the medical plan and there were no contributions from plan members eligible for benefits.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 13,700	106.6%	\$ 30,003
2015	13,997	51.4	36,800
2016	29,466	20.5	60,226

Funded Status and Funding Progress – As of June 30, 2016, the actuarial accrued liability was approximately \$141,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$141,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,759,000 and the ratio of the UAAL to covered payroll was 3.8%. As of June 30, 2016, there were no trust fund assets.

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

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

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

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

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

(11) Risk Management

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

(12) Related Party Transactions

The County purchased \$322,541 of road rock from Martin Marietta, a business which employs Board Member Ed Dewey.

(13) Jointly Governed Organization

Pocahontas County participates in the Pocahontas County Economic Development Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. In addition, some financial transactions are held by the organization apart from the County Agency Funds. The following financial data is for the year ended June 30, 2016:

Additions:

Contributions from governmental units:

Pocahontas County	\$	197,500	
Cities of:			
Fonda		1,500	
Gilmore City		250	
Havelock		250	
Laurens		12,000	
Palmer		300	
Plover		100	
Pocahontas		17,375	
Rolfe		4,950	
Varina		50	\$ 234,275

Donations			16,865
Economic development loan repayments			15,969
Interest			445
Total additions			<u>267,554</u>

Deductions:

Salaries and benefits	101,857	
Office supplies	1,239	
Travel	6,116	
Telephone	1,713	
Building	2,400	
Training	65	
Shared program services	31,920	
Insurance	3,577	
Economic development loans	7,200	
Miscellaneous	6,945	163,032

Net		104,522
Balance beginning of year		<u>855,829</u>
Balance end of year		<u><u>\$ 960,351</u></u>

(14) County Financial Information Included in County Social Services

County Social Services (CSS), a jointly governed organization formed pursuant to the provisions of Chapter 28E and Chapter 331.390 of the Code of Iowa which became effective April 1, 2013, includes the following members: Allamakee, Black Hawk, Butler, Cerro Gordo, Chickasaw, Clayton, Fayette, Floyd, Grundy, Hancock, Howard, Humboldt, Kossuth, Mitchell, Pocahontas, Tama, Webster, Winnebago, Winneshiek, Worth and Wright Counties. The agreement was amended April 1, 2014 to include Emmet County. The financial activity of the County's Special Revenue, Mental Health Fund is included in CSS for the year ended June 30, 2016 as follows:

Revenues:		
Property and other county tax		\$ 252,546
Intergovernmental revenues:		
State tax credits	\$ 20,698	
Payments from regional fiscal agent	106,516	
Other	76	127,290
Total revenues		<u>379,836</u>
Expenditures:		
Services to persons with:		
Mental illness	77,080	
Intellectual disabilities	6,024	83,104
General administration:		
Direct administration	59,563	
Distribution to regional fiscal agent	265,986	325,549
Total expenditures		<u>408,653</u>
Deficiency of revenues under expenditures		(28,817)
Fund balance beginning of the year		<u>246,666</u>
Fund balance end of the year		<u>\$ 217,849</u>

(15) New Accounting Pronouncement

The County adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

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, 2016

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 6,484,385	-	6,484,385
Interest and penalty on property tax	24,279	-	24,279
Intergovernmental	4,934,895	-	4,934,895
Licenses and permits	19,353	-	19,353
Charges for service	423,470	-	423,470
Use of money and property	256,287	-	256,287
Miscellaneous	1,624,122	1,566,160	57,962
Total receipts	<u>13,766,791</u>	<u>1,566,160</u>	<u>12,200,631</u>
Disbursements:			
Public safety and legal services	2,003,836	-	2,003,836
Physical health and social services	1,235,739	-	1,235,739
Mental health	407,600	-	407,600
County environment and education	1,035,170	-	1,035,170
Roads and transportation	3,055,295	-	3,055,295
Governmental services to residents	314,076	-	314,076
Administration	1,210,442	-	1,210,442
Non-program	2,632,008	2,621,503	10,505
Debt service	2,318,902	2,318,902	-
Capital projects	175,152	-	175,152
Total disbursements	<u>14,388,220</u>	<u>4,940,405</u>	<u>9,447,815</u>
Excess (deficiency) of receipts over (under) disbursements	(621,429)	(3,374,245)	2,752,816
Other financing sources, net	<u>3,284,044</u>	<u>3,265,473</u>	<u>18,571</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,662,615	(108,772)	2,771,387
Balance beginning of year	<u>9,041,567</u>	<u>889,606</u>	<u>8,151,961</u>
Balance end of year	<u>\$ 11,704,182</u>	<u>780,834</u>	<u>10,923,348</u>

See accompanying independent auditor's report.

Budgeted Amounts	Final to Net
Original and Final	Variance
6,629,063	(144,678)
15,750	8,529
3,564,425	1,370,470
11,500	7,853
390,075	33,395
134,130	122,157
197,150	(139,188)
<u>10,942,093</u>	<u>1,258,538</u>
2,080,710	76,874
1,523,586	287,847
490,090	82,490
1,115,077	79,907
4,336,766	1,281,471
375,975	61,899
1,594,007	383,565
10,385	(120)
14,000	14,000
418,353	243,201
<u>11,958,949</u>	<u>2,511,134</u>
(1,016,856)	3,769,672
<u>8,000</u>	<u>10,571</u>
(1,008,856)	3,780,243
<u>10,829,406</u>	<u>(2,677,445)</u>
<u><u>9,820,550</u></u>	<u><u>1,102,798</u></u>

Pocahontas County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2016

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 13,766,791	17,007	13,783,798
Expenditures	14,388,220	(198,311)	14,189,909
Net	(621,429)	215,318	(406,111)
Other financing sources, net	3,284,044	(224)	3,283,820
Beginning fund balances	9,041,567	625,842	9,667,409
Ending fund balances	\$ 11,704,182	840,936	12,545,118

See accompanying independent auditor's report.

Pocahontas County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2016

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, there were no budget amendments.

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

During the year ended June 30, 2016, disbursements exceeded the amount budgeted in the non-program function and disbursements in certain departments exceeded the amounts appropriated.

Pocahontas County

Pocahontas County

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

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

Required Supplementary Information

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

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

See accompanying independent auditor's report.

Pocahontas County

Schedule of County Contributions

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

Required Supplementary Information

	2016	2015	2014	2013
Statutorily required contribution	\$ 355	347	349	324
Contributions in relation to the statutorily required contribution	(355)	(347)	(349)	(324)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered-employee payroll	\$ 3,877	3,775	3,790	3,588
Contributions as a percentage of covered-employee payroll	9.16%	9.19%	9.21%	9.03%

See accompanying independent auditor's report.

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

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

Pocahontas County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

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

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

Changes of assumptions:

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

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

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

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

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

Pocahontas County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 124	124	0.0%	\$ 3,335	3.7%
2011	Jul 1, 2009	-	124	124	0.0	3,753	3.3
2012	Jul 1, 2009	-	124	124	0.0	3,676	3.4
2013	Jul 1, 2012	-	108	108	0.0	3,671	2.9
2014	Jul 1, 2012	-	108	108	0.0	3,864	2.8
2015	Jul 1, 2012	-	108	108	0.0	3,843	2.8
2016	Jul 1, 2015	-	141	141	0.0	3,759	3.8

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

See accompanying independent auditor's report.

Pocahontas County

Supplementary Information

Pocahontas County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2016

	County		
	Recorder's Records Management	Forfeiture	Courthouse Security
Assets			
Cash, cash equivalents and pooled investments	\$ 21,576	674	1,900
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,224	-	-
Fund balances:			
Restricted for other purposes	19,352	674	1,900
Total liabilities and fund balances	\$ 21,576	674	1,900

See accompanying independent auditor's report.

Special Revenue				
County				
Recorder's		Environmental		
Electronic		Education		
Transaction Fee	REAP	Trust		Total
393	141,205	3,193		168,941
-	-	-		2,224
393	141,205	3,193		166,717
393	141,205	3,193		168,941

Pocahontas County

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

Year ended June 30, 2016

	County		
	Recorder's Records Management	Forfeiture	Courthouse Security
Revenues:			
Intergovernmental	\$ -	-	-
Charges for service	1,619	-	-
Use of money and property	31	-	-
Miscellaneous	-	2,794	-
Total revenues	1,650	2,794	-
Expenditures:			
Operating:			
Public safety and legal services	-	2,200	-
Physical health and social services	-	-	-
County environment and education	-	-	-
Governmental services to residents	2,224	-	-
Administration	-	-	3,209
Total expenditures	2,224	2,200	3,209
Excess (deficiency) of revenues over (under) expenditures	(574)	594	(3,209)
Fund balances beginning of year	19,926	80	5,109
Fund balances end of year	\$ 19,352	674	1,900

See accompanying independent auditor's report.

Special Revenue					
Veterans Grants	County Recorder's Electronic Transaction Fee	REAP	Environmental Education Trust		Total
10,000	-	11,934	-		21,934
-	-	-	430		2,049
-	-	340	2		373
-	-	-	2,441		5,235
10,000	-	12,274	2,873		29,591
-	-	-	-		2,200
9,963	-	-	-		9,963
-	-	-	376		376
-	-	-	-		2,224
-	-	-	-		3,209
9,963	-	-	376		17,972
37	-	12,274	2,497		11,619
(37)	393	128,931	696		155,098
-	393	141,205	3,193		166,717

Pocahontas County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2016

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	1,197	211,290	79,646	5,387
Other County officials	3,457	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	241	535	16,756	1,083
Succeeding year	-	197,000	291,000	8,046,000	779,000
Accounts	140	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 3,597	198,438	502,825	8,142,402	785,470
Liabilities					
Accounts payable	\$ -	-	16	-	-
Salaries and benefits payable	-	-	11,152	-	-
Due to other governments	263	198,438	483,025	8,142,402	785,470
Trusts payable	3,334	-	-	-	-
Compensated absences	-	-	8,632	-	-
Total liabilities	\$ 3,597	198,438	502,825	8,142,402	785,470

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	E911 Services Board	Pocahontas County Economic Development	Other	Total
28,565	3,157	188,856	273,290	791,112	26,692	1,609,192
-	-	-	-	-	2,353	5,810
23,255	44	-	-	-	4	41,918
2,143,000	302,000	-	-	-	2,000	11,760,000
-	-	-	9,371	-	-	9,511
-	-	-	-	-	148,377	148,377
-	-	-	23,979	-	21,718	45,697
<u>2,194,820</u>	<u>305,201</u>	<u>188,856</u>	<u>306,640</u>	<u>791,112</u>	<u>201,144</u>	<u>13,620,505</u>
-	-	-	3,482	78	324	3,900
-	-	-	-	4,679	3,542	19,373
2,194,820	305,201	188,856	303,158	786,355	188,564	13,576,552
-	-	-	-	-	-	3,334
-	-	-	-	-	8,714	17,346
<u>2,194,820</u>	<u>305,201</u>	<u>188,856</u>	<u>306,640</u>	<u>791,112</u>	<u>201,144</u>	<u>13,620,505</u>

Pocahontas County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2016

Assets and Liabilities	Agricultural		County Assessor	Schools	Community Colleges
	County Offices	Extension Education			
Balances beginning of year	\$ 6,790	122,200	443,807	7,939,983	551,351
Additions:					
Property and other county tax	-	199,433	295,983	8,188,074	789,036
E911 surcharge	-	-	-	-	-
State tax credits	-	10,116	22,454	645,331	45,612
Drivers license fees	-	-	-	-	-
Office fees and collections	247,291	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	46,570	-	-	-	-
Miscellaneous	-	38	457	2,584	169
Total additions	293,861	209,587	318,894	8,835,989	834,817
Deductions:					
Agency remittances:					
To other funds	72,467	-	-	-	-
To other governments	174,401	133,349	259,876	8,633,570	600,698
Trusts paid out	50,186	-	-	-	-
Total deductions	297,054	133,349	259,876	8,633,570	600,698
Balances end of year	\$ 3,597	198,438	502,825	8,142,402	785,470

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	E911 Service Board	Pocahontas County Economic Development	Other	Total
2,135,820	309,290	177,983	278,343	699,934	223,247	12,888,748
1,851,837	309,355	-	-	-	2,210	11,635,928
-	-	-	141,777	-	-	141,777
370,978	17,011	-	-	-	182	1,111,684
-	-	-	-	-	31,336	31,336
-	-	-	-	-	1,620	248,911
-	-	2,703,765	-	-	-	2,703,765
-	-	-	-	-	4,582	4,582
-	-	-	-	-	141,489	188,059
-	165	-	72,628	241,775	87,795	405,611
2,222,815	326,531	2,703,765	214,405	241,775	269,214	16,471,653
-	-	80,193	-	-	11,424	164,084
2,163,815	330,620	2,612,699	186,108	150,597	140,475	15,386,208
-	-	-	-	-	139,418	189,604
2,163,815	330,620	2,692,892	186,108	150,597	291,317	15,739,896
2,194,820	305,201	188,856	306,640	791,112	201,144	13,620,505

Pocahontas County

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

For the Last Ten Years

	2016	2015	2014	2013
Revenues:				
Property and other county tax	\$ 6,247,099	6,395,139	6,103,438	5,686,967
Local option sales tax	236,586	244,992	280,429	303,416
Interest and penalty on property tax	24,279	20,895	20,768	17,380
Intergovernmental	4,919,919	4,886,612	4,844,847	5,557,043
Licenses and permits	19,455	17,012	21,786	36,408
Charges for service	451,448	414,165	442,924	486,763
Use of money and property	259,921	187,765	118,442	134,056
Miscellaneous	1,625,091	1,406,551	565,420	486,119
Total	\$ 13,783,798	13,573,131	12,398,054	12,708,152
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,955,195	1,937,652	1,802,404	1,660,751
Physical health and social services	1,217,944	1,272,890	1,224,807	1,201,990
Mental health	408,653	405,694	503,374	400,135
County environment and education	1,040,380	1,007,036	957,860	1,003,841
Roads and transportation	3,135,376	4,056,586	3,603,926	3,264,071
Governmental services to residents	320,317	320,455	335,864	275,606
Administration	1,215,270	1,293,906	1,256,842	1,180,837
Non-program	2,406,054	1,905,216	1,063,295	3,508,980
Debt service	2,318,902	2,250,676	1,319,192	1,482,030
Capital projects	171,818	412,588	185,429	209,021
Total	\$ 14,189,909	14,862,699	12,252,993	14,187,262

See accompanying independent auditor's report.

Modified Accrual Basis					
2012	2011	2010	2009	2008	2007
4,767,911	4,258,656	4,254,131	4,005,332	3,803,263	3,789,868
360,080	274,851	260,424	334,590	253,327	271,106
19,995	24,833	28,515	22,915	15,548	17,232
4,389,514	4,788,780	4,077,843	4,160,900	4,392,022	4,044,917
43,901	66,025	43,759	42,326	154,215	70,049
535,335	496,136	487,811	466,799	458,511	488,566
132,441	181,153	150,090	285,578	420,871	286,712
689,652	1,110,658	471,260	304,007	1,090,291	242,089
<u>10,938,829</u>	<u>11,201,092</u>	<u>9,773,833</u>	<u>9,622,447</u>	<u>10,588,048</u>	<u>9,210,539</u>
1,618,096	1,654,138	1,528,951	1,324,684	1,289,443	1,143,838
1,287,291	1,366,444	1,341,200	1,342,135	1,295,630	1,197,529
983,756	823,218	860,327	896,475	938,376	852,551
930,825	933,688	880,862	817,339	772,033	707,212
3,672,750	3,559,990	4,073,896	3,463,907	3,713,055	3,061,030
313,726	324,948	303,558	305,130	282,882	323,048
1,260,080	1,430,837	1,326,687	1,177,814	1,138,003	940,180
909,061	1,619,701	1,601,325	554,673	263,954	265,868
1,251,433	1,978,053	593,733	339,138	1,013,686	146,113
190,738	276,989	108,903	370,687	459,265	503,498
<u>12,417,756</u>	<u>13,968,006</u>	<u>12,619,442</u>	<u>10,591,982</u>	<u>11,166,327</u>	<u>9,140,867</u>

Pocahontas County



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

To the Officials of Pocahontas County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pocahontas County, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 27, 2017.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Pocahontas County's Responses to the Findings

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

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State

June 27, 2017

Pocahontas County
 Schedule of Findings
 Year ended June 30, 2016

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES

(A) Segregation of Duties

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

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

	Applicable Offices
(1) Receipts – collecting, depositing, posting and daily reconciling. Mail is opened by a person who also has access to accounting records.	Treasurer, Recorder, Sheriff, Agricultural Extension and Conservation
(2) Bank reconciliations are not prepared by someone who doesn't sign checks, handle or record cash.	Treasurer, Recorder, Sheriff and Agricultural Extension
(3) Bank reconciliations are not reviewed in a timely manner by an independent person for propriety.	Recorder and Agricultural Extension
(4) Responsibility for the change fund is not assigned to only one person.	Treasurer
(5) One individual has custody of receipts and performs all investment record keeping and reconciling functions.	Treasurer
(6) Disbursements – processing of vouchers, check writing, signing, posting, reconciling and final approval.	Recorder and Sheriff
(7) An initial listing of receipts is not prepared and an independent reconciliation of the receipts to the initial listing is not performed.	Treasurer
(8) Reconciliations of financial activity from the separate nursing services accounting system to the County general ledger are not reviewed by an independent person for propriety.	Public Health Nurse
(9) The duties and responsibilities of an absent employee are not performed by other individuals.	Sheriff

Pocahontas County

Schedule of Findings

Year ended June 30, 2016

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

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

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

Responses –

Treasurer – Limited staff makes this impossible to segregate. One person counts the money, another person processes the deposit and another person posts the deposit. Due to the limited staff, we have a couple of “receipt” internal control procedures in place. All voided transactions for both property tax and motor vehicle are reviewed by the Pocahontas County Treasurer and a sample list of the checks received is compared to the checks deposited the next day. All bank statements are reconciled by the County Treasurer and reviewed by the Tax Deputy every month. The Pocahontas County Recorder also reviews all bank reconciliations.

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

Sheriff – We are a small office and only have two or three personnel that can perform these duties.

Agricultural Extension – With only two full time people in the office, it is difficult, but we will try the best we can. As of April 2016, the Extension Council Secretary is preparing bank reconciliations along with the Office Manager. She then initials and dates them. In the future, the Extension Council Secretary will initial the adding machine tape in the receipt book, verifying the total matches the total deposit on the bank statement.

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

Public Health Nurse – Due to the lack of administrative personnel in the department, there are only two people available to check the financials.

Pocahontas County

Schedule of Findings

Year ended June 30, 2016

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

(B) Financial Reporting

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

Condition - During the audit, we identified material amounts of receivables and payables not recorded in the County's financial statements. In addition, capital asset additions were overstated. Adjustments were subsequently made by the County to properly include those amounts in the financial statements.

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

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

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

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

Conclusion – Response accepted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2016

(C) Drainage Assessments

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

Condition – Eighty-two drainage districts have deficit cash balances totaling \$3,980,101 at June 30, 2016 to be paid by benefited land owners via drainage assessments. The County levied drainage assessments of \$1,691,893 during fiscal year 2016 to recover a portion of these deficit balances. During fiscal year 2017, the County levied \$302,311 of drainage assessments. However, no additional assessments were made to cover the deficit balances.

In addition, as of June 30, 2016, \$33,331 of needed corrections accumulating since 2009 have not been processed by the County. The corrections, while not material, pertain to amounts owed between drainage districts or to other funds and refunds owed to contractors for preliminary bonds.

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

Effect – Untimely and inadequate drainage assessments has resulted in eighty-two drainage districts with negative balances.

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

Response – The large projects that have been \$1 million plus are assessed. The landowner can sign a waiver that allows them to make annual payments. Thus the balance will be reduced as the landowners pay the balance and interest.

Conclusion – Response acknowledged. The Board of Supervisors and the Drainage District Board should establish procedures to ensure all drainage district improvement costs are assessed timely to benefited land owners to return the drainage districts to a sound financial condition.

Pocahontas County

Schedule of Findings

Year ended June 30, 2016

(D) Computer Systems

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

Condition – The County does not have written policies for:

- password privacy and confidentiality.
- security, including procedures upon termination of employment, minimum password length and maintaining password confidentiality.
- requiring password changes because software does not require the user to change log-ins/passwords periodically.
- ensuring only software licensed to the County is installed on computers.
- usage of the internet, including downloading files.
- requiring user profiles to help limit access to programs to those who have a legitimate need.
- personal use of computer equipment and software.
- requiring personnel to scan media to upgrade computer programs before loading them onto the County’s computer systems.

Also, the County does not have a written disaster recovery plan.

Cause – Management has not required written policies for the above computer based controls.

Effect – Lack of written policies for the computer based system could result in a loss of data or compromised data and unreliable financial information. The failure to have a formal disaster recovery plan could result in the County’s inability to function in the event of a disaster or continue County business without interruption.

Recommendation – The County should develop written policies addressing the above items in order to improve the County’s control over its computer system. A written disaster recovery plan should be developed.

Response – The Board has developed and approved a computer policy covering these issues.

Conclusion – Response accepted.

(E) Capital Assets

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

Pocahontas County

Schedule of Findings

Year ended June 30, 2016

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

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

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

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

Response – The Board will consider developing policies.

Conclusion – Response accepted.

(F) Vacation Accruals/Payouts

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

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

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

Condition – For the year ended June 30, 2016, 7 employees had accrued vacation over 210 hours, or 30 days.

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

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

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

Response – With a new personnel policy in place, this should be corrected in the next 18 months.

Conclusion – Response accepted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2016

(G) Receipt Deposits

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

Condition – Receipts are not always deposited timely. Six receipts tested from various County departments were deposited 31 to 91 days after receipt.

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

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

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

Response – Procedures will be reviewed. It is not always easy to assess some state and federal payments and follow ups are done to determine the appropriate fund to be coded.

Conclusion – Response accepted.

(H) Timesheets

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

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

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

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

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

Pocahontas County
Schedule of Findings
Year ended June 30, 2016

Response – The County will develop a policy to address this recommendation.

Conclusion – Response accepted.

(I) Credit Cards

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

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

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

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

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

Response – The Board will research and develop a policy.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2016

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amount budgeted in the non-program function. Disbursements in certain departments exceeded the amounts appropriated.

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

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

Response – Documentation of the appropriations resolution is normally included with the Board minutes and will continue to be from now on. Budget amendments are published and recorded. Changes in appropriations will be listed in the Board minutes. Appropriations will be reviewed carefully to ensure they match the budgeted expenditures.

Conclusion – Response accepted.

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

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Pizza Ranch	Board of Health meetings	\$ 875
Subway	Board of Health meeting	101

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

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

Response – The Board will document the public purpose of these expenditures.

Conclusion – Response accepted.

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

Pocahontas County

Schedule of Findings

Year ended June 30, 2016

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

Name, Title and Business Connection	Transaction Description	Amount
Ed Dewey, Board Member, employee of Martin Marietta	Road rock	\$ 322,541

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

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

Response – Legal counsel has been consulted.

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

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

In addition, Chapter 571-33.30(6) of the Iowa Administrative Code requires submission of the County's annual certification by October 1 of each year to qualify the County for annual funding. The County submitted the annual certification on August 26, 2016; however, the report incorrectly overstated rental fee revenues by \$2,138 and understated miscellaneous fees and interest by \$1,692.

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

Response – The Board, along with the Auditor's Office, will develop procedures to address this concern.

Conclusion – Response accepted.

Pocahontas County

Schedule of Findings

Year ended June 30, 2016

- (9) Tax Increment Financing (TIF) Reconciliation – For the year ended June 30, 2016, the County Auditor did not prepare a reconciliation to reconcile TIF receipts with total outstanding TIF debt for each City.

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

Response – The TIF reconciliations are being implemented.

Conclusion – Response accepted.

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

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

Response – All notices are published as needed. Drainage minutes are not published. They are recorded and will be placed in permanent records.

Conclusion – Response accepted.

- (11) Annual Financial Report – For the year ended June 30, 2016, the County’s cash and GAAP basis Annual Financial Reports included material errors. Revenues, expenditures and fund balances were reported incorrectly for both the General Fund and the Special Revenue Funds.

Recommendation – The County should establish procedures to ensure revenues, expenditures and fund balances are properly reported.

Response – The Auditor’s office is working diligently to correct apparent accounting errors from years past.

Conclusion – Response accepted.

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

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

Pocahontas County

Schedule of Findings

Year ended June 30, 2016

Response – We have the preliminary documents in hand and will finish our review of the documents for approval.

Conclusion – Response accepted.

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

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

Response – An actuary has been contacted.

Conclusion – Response accepted.

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

Disbursements during the year ended June 30, 2016 for the County Extension Office did not exceed the amount budgeted.

Pocahontas County

Staff

This audit was performed by:

Tammy A. Hollingsworth, CIA, Manager
Ryan J. Pithan, Senior Auditor II
Alex W. Case, Staff Auditor
David A. Cook, Staff Auditor
Eileen D. Loomis, Staff Auditor
Chad C. Lynch, Staff Auditor
Sarah K. Nissen, Assistant Auditor

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State