



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

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Auditor of State

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**NEWS RELEASE**

Contact: Ernest Ruben  
515/281-5834

FOR RELEASE

December 15, 2023

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

**FINANCIAL HIGHLIGHTS:**

The County's revenues totaled \$24,106,208 for the year ended June 30, 2023, a 20.2% increase. Expenses for County operations for the year ended June 30, 2023 totaled \$17,116,350, less than a 1.0% increase. The significant increase in revenues is due to an increase in contributions from the Iowa Department of Transportation for road infrastructure.

**AUDIT FINDINGS:**

Sand reported two findings related to the receipt and expenditure of taxpayer funds. They are found on pages 88 through 91 of this report. The findings address issues such as a lack of segregation of duties, and material amounts of receivables, payables and capital assets not properly recorded in the County's financial statements. Sand provided the County with recommendations to address each of these findings.

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

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

###

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

**Palo Alto County**



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Rob Sand  
Auditor of State

November 27, 2023

Officials of Palo Alto County  
Emmetsburg, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Palo Alto County for the year ended June 30, 2023. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

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

Rob Sand  
Auditor of State

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**Palo Alto County**

**Officials**

**(Before January 2023)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Craig Merrill	Board of Supervisors	Jan 2023
Linus Solberg	Board of Supervisors	Jan 2023
Keith Wirtz	Board of Supervisors	Jan 2023
Ronald Graettinger	Board of Supervisors	Jan 2025
Roger Faulstick	Board of Supervisors	Jan 2025
Carmen Moser	County Auditor	Jan 2025
Robin Jamison	County Treasurer	Jan 2023
Susan Ruppert	County Recorder	Jan 2023
Lynn Schultes	County Sheriff	(Retired Aug 2022)
John King (Appointed Sep 2022)	County Sheriff	Nov 2024
Peter Hart	County Attorney	Jan 2023
Lois Naig	County Assessor	Jan 2028

**(After January 2023)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ronald Graettinger	Board of Supervisors	Jan 2025
Roger Faulstick	Board of Supervisors	Jan 2025
Craig Merrill	Board of Supervisors	Jan 2027
Linus Solberg	Board of Supervisors	Jan 2027
Keith Wirtz	Board of Supervisors	Jan 2027
Carmen Moser	County Auditor	Jan 2025
Robin Jamison	County Treasurer	Jan 2027
Susan Ruppert	County Recorder	Jan 2027
John King	County Sheriff	Nov 2024
Peter Hart	County Attorney	Jan 2027
Lois Naig	County Assessor	(Retired Jan 2023)
Jodi Jergens (Appointed Mar 2023)	County Assessor	Jan 2028



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Independent Auditor's Report

To the Officials of Palo Alto County:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Palo Alto County, Iowa, as of and for the year ended June 30, 2023, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Palo Alto County as of June 30, 2023 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 15 to the financial statements, Palo Alto County adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements. Also, Palo Alto County retroactively restated the beginning net position for fiduciary (custodial) funds for revenue not previously reported. Our opinions are not modified with respect to these matters.



## Responsibilities of Management for the Financial Statements

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 8 through 16 and 62 through 74 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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.

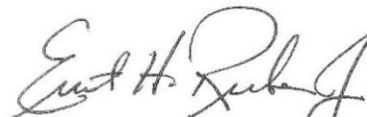
### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Palo Alto County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2022 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 27, 2023 on our consideration of Palo Alto County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Palo Alto County's internal control over financial reporting and compliance.

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

November 27, 2023

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

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Palo Alto County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2023. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2023 FINANCIAL HIGHLIGHTS**

- The County implemented Governmental Accounting Standards Board Statement (GASBS) No. 96, Subscription-Based Information Technology Arrangements (SBITAs), during fiscal year 2023. The implementation of this standard revised certain asset and liability accounts related to SBITAs, however had no effect on the beginning net position for governmental activities.
- The beginning net position for fiduciary (custodial) funds was restated by \$434,720 to retroactively report member county mental health funds not previously reported.
- The Governor signed Senate File 619 on June 16, 2021 which significantly changed mental health funding. The County was required to transfer the remaining fund balance of the Special Revenue, Mental Health Fund to the Northwest Iowa Care Connections Mental Health Region prior to June 30, 2022.
- Revenues of the County's governmental activities increased 20.2%, or approximately \$4,058,000, from fiscal year 2022 to fiscal year 2023. Capital grants increased approximately \$2,415,000, charges for service decreased approximately \$579,000, operating grants decreased approximately \$300,000, and property and other county tax increased approximately \$273,000.
- Palo Alto County's governmental activities expenses increased less than 1.0%, or approximately \$16,000, over fiscal year 2022.
- The County's net position at June 30, 2023 increased 13.4%, or approximately \$6,990,000, over the June 30, 2022 balance.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Palo Alto 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 Palo Alto 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 Palo Alto County acts solely as an agent or custodian for the benefit of those outside of County government (Custodial Funds).

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

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

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

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

### *Government-wide Financial Statements*

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

The Statement of Net Position presents financial information on 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, 2) the Special Revenue Funds, such as Rural Services, Secondary Roads, Drainage Districts and Tax Increment Financing, 3) the Debt Service Fund and 4) Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

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

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

- 3) Fiduciary funds are used to report assets held in a trust or custodial capacity for others which cannot be used to support the County’s own programs. These fiduciary funds include Custodial Funds that account for city special assessments, emergency management services and the County Assessor, to name a few.

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2023	2022 (Not Restated)
Current and other assets	\$ 42,208	44,682
Capital assets	51,678	42,522
Total assets	93,886	87,204
Deferred outflows of resources	845	653
Long-term liabilities	25,750	21,056
Other liabilities	1,795	3,696
Total liabilities	27,545	24,752
Deferred inflows of resources	8,215	11,124
Net position:		
Net investment in capital assets	41,580	38,044
Restricted	14,558	12,391
Unrestricted	2,833	1,546
Total net position	\$ 58,971	51,981

Palo Alto County’s combined net position of governmental activities increased 13.4% (approximately \$59.0 million compared to approximately \$52.0 million).

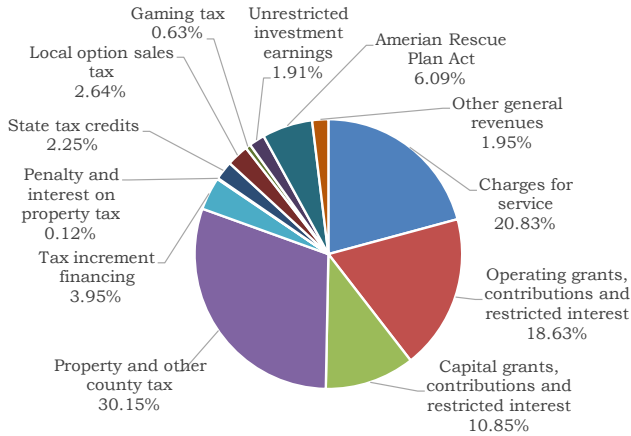
The largest portion of the County’s net position is net investment in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. This net position increased approximately \$3,536,000, or 9.3%, primarily due to increases in road infrastructure, constructing a public safety building and repaying long-term debt related to capitalized assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position increased approximately \$2,167,000, or 17.5%, primarily due to an increase in amounts restricted for secondary roads and drainage district purposes.

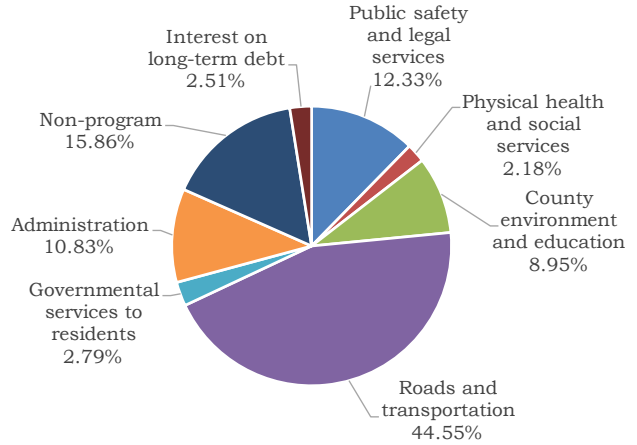
Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from approximately \$1,546,000 at June 30, 2022 to approximately \$2,833,000 at June 30, 2023, or 83.2%. The change in the unrestricted net position is due in part to the pension related deferred inflows decreasing from \$2,917,504 in fiscal year 2022 to \$325,772 in fiscal year 2023 having a positive impact on the unrestricted net position.

Changes in Net Position of Governmental Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2023	2022 (Not Restated)
Revenues:		
Program revenues:		
Charges for service	\$ 5,022	5,601
Operating grants, contributions and restricted interest	4,492	4,792
Capital grants, contributions and restricted interest	2,615	200
General revenues:		
Property and other county tax	7,265	6,992
Tax increment financing	951	777
Penalty and interest on property tax	30	27
State tax credits	543	440
Local option sales tax	636	562
Gaming tax	152	156
American Rescue Plan Act	1,469	82
Unrestricted investment earnings	460	220
Other general revenues	471	199
Total revenues	<u>24,106</u>	<u>20,048</u>
Program expenses:		
Public safety and legal services	2,111	1,730
Physical health and social services	373	381
Mental health	-	477
County environment and education	1,532	1,467
Roads and transportation	7,625	7,344
Governmental services to residents	478	452
Administration	1,854	1,395
Non-program	2,714	3,300
Interest on long-term debt	429	554
Total expenses	<u>17,116</u>	<u>17,100</u>
Change in net position	6,990	2,948
Net position beginning of year	<u>51,981</u>	<u>49,033</u>
Net position end of year	<u>\$ 58,971</u>	<u>51,981</u>

**Revenues by Source**



**Expenditures by Program**



Palo Alto County’s governmental activities net position increased approximately \$6,990,000 during the year. Revenues for governmental activities increased approximately \$4,058,000 over the prior year. Capital grants, contributions and restricted interest increased approximately \$2,415,000, or 1,207.5% due to an increase in contributions of infrastructure from the Iowa Department of Transportation. Charges for service decreased \$579,000, or 10.3% due to a decrease in drainage assessments and reimbursements. Operating grants, contributions, and restricted interest decreased \$300,000, or 6.2% due to a decrease in FEMA receipts for the drainage districts.

The County increased overall property tax rates for fiscal year 2023 by 3.95% and property tax revenue was budgeted to increase approximately \$321,000 this year. Property and other county tax revenue increased approximately \$273,000 in fiscal year 2023.

The cost of all governmental activities this year remained consistent when compared to last year at approximately \$17.1 million. However, as shown in the Statement of Activities on page 21 the amount taxpayers ultimately financed for these activities was approximately \$5.0 million because some of the cost was paid by those directly benefiting from the programs (approximately \$5,022,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$7,107,000). Overall, the County’s governmental program revenues, including intergovernmental aid and fees for service, increased approximately \$1,536,000 in fiscal year 2023 from approximately \$10,593,000 to approximately \$12,129,000.

**INDIVIDUAL MAJOR FUND ANALYSIS**

As Palo Alto County completed the year, its governmental funds reported a combined fund balance of approximately \$23.3 million, an increase of approximately \$1.5 million over last year’s total of approximately \$21.8 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund ending fund balance increased approximately \$664,000 over the prior year to approximately \$4,382,000. General Fund revenues increased approximately \$2,254,000 and expenditures increased approximately \$957,000. The increase in revenues and expenditures was primarily due to recognition of American Rescue Plan Act dollars used to finance the county public safety building that were previously reported as unearned revenue.

- Special Revenue, Rural Services Fund revenues increased approximately \$339,000, primarily due to higher local options sales tax revenues. Expenditures increased approximately \$107,000 over the prior year, primarily for increased insurance costs and solid waste and environmental expenses. The Rural Services Fund balance increased approximately \$252,000 to approximately \$1,204,000. Transfers to support the Special Revenue, Secondary Roads Fund decreased approximately \$13,000.
- Special Revenue, Secondary Roads Fund revenues decreased approximately \$103,000, primarily due to a decrease in miscellaneous revenues. Expenditures increased approximately \$78,000 over the prior year. Transfers from the Special Revenue, Rural Services Fund increased approximately \$13,000. The Secondary Roads Fund ending fund balance increased approximately \$408,000 to approximately \$9,287,000.
- Special Revenue, Drainage Districts Fund revenues decreased approximately \$2,784,000 from the prior year due to decreased drainage assessment revenues. Expenditures decreased approximately \$4,881,000, due primarily to decreased drainage projects in the current year compared to fiscal year 2022. Drainage warrants issued decreased approximately \$1,192,000. The Drainage District end of year fund balance increased approximately \$329,000 from the prior year to \$250,505.
- The Special Revenue, Tax Increment Financing Fund collections of property tax and credits were used to pay the principal and interest on general obligation urban renewal bonds issued in April 2013 and July 2014.
- The Capital Projects Fund revenues increased approximately \$130,000 over the prior year due to increased interest on the available fund balance. The County issued general obligation bonds during the year, and the net proceeds of \$6,879,620 were added to the fund. Expenditures of approximately \$7,300,000 were used to fund the construction of a public safety building and road and bridge improvement projects. The remaining fund balance at June 30, 2023 was approximately \$7,598,000.
- The Debt Service Fund balance increased approximately \$53,000 to approximately \$324,000, an increase of 19.7%. Revenues increased approximately \$21,000 over the prior year. Transfers from the Special Revenue, Tax Increment Financing Fund increased \$171,229. The current year debt service payments for various general obligation bonds and refunding bonds was approximately \$2.2 million, a decrease of approximately \$79,000 from the prior year.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Palo Alto County amended its budget two times. The amendments were made on March 28, 2023 and May 23, 2023 and resulted in an increase in budgeted receipts and other financing sources of \$7,118,166 and an increase in budgeted disbursements of \$3,676,662. The increase in budgeted receipts and other financing sources was related to an increase in federal grants and reimbursements and bond proceeds. The majority of the increase in disbursements was related to capital projects and road projects.

The County's receipts were \$1,141,031 more than budgeted, a variance of 7.6%. The most significant variance resulted from the County receiving more grant reimbursement receipts and a better return on investments in fiscal year 2023 than anticipated.

Total disbursements were \$7,161,465 less than the amended budget. Actual disbursements for the capital projects and roads and transportation functions were \$3,522,921 and \$2,176,454, respectively, less than budgeted. The variance in the capital projects and roads and transportation functions were due to less project costs than anticipated and less equipment purchases. The remaining variances are a result of budgeted disbursements not being expended by June 30, 2023.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2023, Palo Alto County had approximately \$52 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase (including additions and deletions) of approximately \$9,065,000, or 21.3%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2023	2022
	(As Restated) *	
Land	\$ 1,426	1,426
Construction in progress	11,098	4,806
Buildings and improvements	1,655	1,506
Equipment and vehicles	4,535	4,281
Right-to-use leased equipment	16	22
Right-to-use subscription asset	60	90
Intangibles	270	284
Infrastructure	32,618	30,198
Total	\$ 51,678	42,613

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

Infrastructure, including road network construction in progress	\$ 11,817
Public safety center construction in progress	4,076
Vehicles and other equipment	827
Total	\$ 16,720

\* Beginning capital assets were restated to implement GASB Statement No. 96, Subscription-Based Information Technology Arrangements.

The County had depreciation/amortization expense of approximately \$3.0 million in fiscal year 2023 and total accumulated depreciation/amortization of approximately \$29.2 million at June 30, 2023. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

**Long-Term Debt**

At June 30, 2023, Palo Alto County had approximately \$24 million of outstanding long-term debt, which included \$17,560,000 of general obligation bonds and approximately \$6,113,000 of drainage warrants.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2023	2022 (As Restated)
General obligation bonds	\$ 17,560	12,725
Drainage warrants	6,113	7,842
Lease agreements	17	23
IT Subscription liability	61	90
<b>Total</b>	<b>\$ 23,751</b>	<b>20,680</b>

Debt increased as a result of the County issuing \$6,700,000 in general obligation bonds in 2023. Drainage warrants decreased from the prior year due to the payment of outstanding warrants.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County’s corporate limits. Palo Alto County’s outstanding general obligation and other applicable debt is significantly below its constitutional debt limit of approximately \$61.8 million. Additional information about the County’s long-term debt is presented in Note 7 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES**

Palo Alto County’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2024 budget, tax rates and fees for various County activities. One of those factors is the economy. Unemployment in the County now stands at 2.4% versus 2.5% a year ago. This compares with the State’s unemployment rate of 3.2% and the national rate of 3.6%.

These indicators were taken into account when adopting the budget for fiscal year 2024, which certified taxes as follows: (Amount certified includes utility replacement and property tax dollars.)

	2024	2023	
	Dollars	Dollars	Percentage
	Certified	Certified	Change
General Fund	\$ 3,923,487	4,012,097	-2.21%
Rural Services Fund	2,396,768	2,302,843	4.08%
Debt Service Fund	412,653	1,293,588	-68.10%
<b>Total</b>	<b>\$ 6,732,908</b>	<b>7,608,528</b>	<b>-11.51%</b>

No new services were added to the fiscal year 2024 budget. Levy rates (expressed in \$/\$1,000 of taxable valuation) to produce the above dollars for fiscal year 2024 are as follows:

	2024	2023	Percentage Change
General basic levy	\$ 3.50000	3.50000	0.00%
General supplemental levy	1.30000	1.50511	-13.63%
Rural services basic levy	3.95000	3.95000	0.00%
Debt service levy	0.46922	1.51336	-68.99%
<b>Total</b>	<b>\$ 9.21922</b>	<b>10.46847</b>	<b>-11.93%</b>

Budgeted disbursements are \$23,405,857, a decrease of \$6,896,984, or 22.8%, from the final fiscal year 2023 budget. The majority of the disbursements budgeted are for roads and transportation as road improvements continue during fiscal year 2024 as well as capital projects. The Code of Iowa limits the general basic levy rate to \$3.50 per \$1,000 of taxable valuation, except for special circumstances. The general supplemental levy decreased from \$1.50511 per \$1,000 of taxable valuation in fiscal year 2023 to \$1.30000 per \$1,000 of taxable valuation in fiscal year 2024. Additionally, the debt service levy rate for fiscal year 2024 decreased from \$1.51336 per \$1,000 of taxable valuation to \$0.46922 per \$1000 of taxable valuation.

**CONTACTING THE COUNTY’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Palo Alto 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 Palo Alto County Auditor’s Office, 1010 Broadway Street, Emmetsburg, Iowa 50536-2442.

## **Basic Financial Statements**

**Exhibit A**

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Palo Alto County  
Statement of Net Position  
June 30, 2023

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 23,782,400
Receivables:	
Property tax:	
Delinquent	3,911
Succeeding year	6,480,000
Succeeding year tax increment financing	1,220,000
Interest and penalty on property tax	17,122
Accounts	30,701
Accrued interest	534,031
Drainage assessments	7,889,234
Opioid settlement	101,362
Due from other governments	1,271,100
Inventories	710,414
Prepaid insurance	167,813
Capital assets not being depreciated	12,734,176
Capital assets, net of accumulated depreciation/amortization	<u>38,944,104</u>
<b>Total assets</b>	<u>93,886,368</u>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	589,042
OPEB related deferred outflows	<u>256,403</u>
<b>Total deferred outflows of resources</b>	<u>845,445</u>

Palo Alto County  
Statement of Net Position  
June 30, 2023

	Governmental Activities
<b>Liabilities</b>	
Accounts payable	1,064,475
Accrued interest payable	334,163
Salaries and benefits payable	96,399
Due to other governments	74,967
Unearned revenues	224,849
Long-term liabilities:	
Portion due or payable within one year:	
Lease agreements	5,867
IT subscription liability	30,121
General obligation bonds	985,000
Drainage warrants	2,531,506
Compensated absences	175,081
Total OPEB liability	5,781
Portion due or payable after one year:	
Lease agreements	11,009
IT subscription liability	30,949
General obligation bonds	16,575,000
Drainage warrants	3,581,757
Compensated absences	98,672
Net pension liability	1,376,240
Total OPEB liability	343,581
<b>Total liabilities</b>	<b>27,545,417</b>
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	6,480,000
Unavailable tax increment financing revenue	1,220,000
Pension related deferred inflows	325,772
OPEB related deferred inflows	189,688
<b>Total deferred inflows of resources</b>	<b>8,215,460</b>
<b>Net Position</b>	
Net investment in capital assets	41,579,971
Restricted for:	
Supplemental levy purposes	466,382
Rural services purposes	1,182,159
Secondary roads purposes	9,126,522
Drainage district purposes	2,877,763
Debt service	372,283
Opioid abatements	128,560
Closure and postclosure care	9,781
Other purposes	394,109
Unrestricted	2,833,406
<b>Total net position</b>	<b>\$ 58,970,936</b>

See notes to financial statements.

**Palo Alto County**

Palo Alto County  
Statement of Activities  
Year ended June 30, 2023

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 2,110,723	263,690	36,926	-	(1,810,107)
Physical health and social services	373,064	134,549	30,990	-	(207,525)
County environment and education	1,532,325	363,371	79,493	-	(1,089,461)
Roads and transportation	7,624,977	86,115	4,174,681	2,614,962	(749,219)
Governmental services to residents	478,276	222,859	-	-	(255,417)
Administration	1,853,763	18,790	157,241	-	(1,677,732)
Non-program	2,714,284	3,932,277	12,717	-	1,230,710
Interest on long-term debt	428,938	-	-	-	(428,938)
<b>Total</b>	<b>\$ 17,116,350</b>	<b>5,021,651</b>	<b>4,492,048</b>	<b>2,614,962</b>	<b>(4,987,689)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					6,038,084
Debt service					1,226,555
Tax increment financing					950,922
Penalty and interest on property tax					30,106
State tax credits and replacements					543,023
Local option sales tax					636,467
Gaming tax					151,624
American Rescue Plan Act					1,469,505
Unrestricted investment earnings					460,586
Gain on disposal of capital assets					92,578
Miscellaneous					378,097
<b>Total general revenues</b>					<b>11,977,547</b>
Change in net position					6,989,858
Net position beginning of year					51,981,078
Net position end of year					<b>\$ 58,970,936</b>

See notes to financial statements.



Palo Alto County  
Balance Sheet  
Governmental Funds

June 30, 2023

	General	Rural Services	Secondary Roads	Special Drainage Districts
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 4,138,577	1,313,092	8,388,949	275,080
Receivables:				
Property tax:				
Delinquent	2,432	1,241	-	-
Succeeding year	3,789,000	2,291,000	-	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	17,122	-	-	-
Accounts	15,987	3,077	11,637	-
Accrued interest	509,066	-	-	-
Drainage assessments	-	-	-	7,889,234
Opioid settlement receivable	-	-	-	-
Due from other funds	-	-	5,244	-
Due from other governments	49,282	39,812	330,319	851,287
Inventories	-	-	710,414	-
Prepaid insurance	38,478	592	25,636	-
<b>Total assets</b>	<b>\$ 8,559,944</b>	<b>3,648,814</b>	<b>9,472,199</b>	<b>9,015,601</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 100,263	117,753	85,145	24,575
Salaries and benefits payable	-	12,535	83,864	-
Due to other funds	4,609	635	-	-
Due to other governments	39,599	21,865	13,503	-
Unearned revenues	224,849	-	-	-
Total liabilities	369,320	152,788	182,512	24,575
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	3,789,000	2,291,000	-	-
Succeeding year tax increment financing	-	-	-	-
Other	19,514	1,241	3,097	8,740,521
Total deferred inflows of resources	3,808,514	2,292,241	3,097	8,740,521
Fund balances:				
Nonspendable:				
Inventories	-	-	710,414	-
Prepaid insurance	38,478	592	25,636	-
Restricted for:				
Supplemental levy purposes	477,013	-	-	-
Rural services purposes	-	1,203,193	-	-
Secondary roads purposes	-	-	8,550,540	-
Conservation land acquisition/capital improvements	223,931	-	-	-
Debt service	-	-	-	-
Closure and postclosure care	-	-	-	-
Drainage warrants	-	-	-	250,505
Capital projects	-	-	-	-
Opioid abatement	-	-	-	-
Other purposes	50,223	-	-	-
Assigned:				
County buildings repair	50,000	-	-	-
Unassigned	3,542,465	-	-	-
Total fund balances	4,382,110	1,203,785	9,286,590	250,505
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 8,559,944</b>	<b>3,648,814</b>	<b>9,472,199</b>	<b>9,015,601</b>

See notes to financial statements.

Revenue				
Tax Increment Financing	Capital Projects	Debt Service	Nonmajor	Total
47,603	8,309,708	324,442	162,655	22,960,106
-	-	238	-	3,911
-	-	400,000	-	6,480,000
1,220,000	-	-	-	1,220,000
-	-	-	-	17,122
-	-	-	-	30,701
-	24,891	-	74	534,031
-	-	-	-	7,889,234
-	-	-	101,362	101,362
-	-	-	-	5,244
-	-	-	400	1,271,100
-	-	-	-	710,414
-	-	-	-	64,706
<u>1,267,603</u>	<u>8,334,599</u>	<u>724,680</u>	<u>264,491</u>	<u>41,287,931</u>
-	736,417	-	-	1,064,153
-	-	-	-	96,399
-	-	-	-	5,244
-	-	-	-	74,967
-	-	-	-	224,849
-	<u>736,417</u>	-	-	<u>1,465,612</u>
-	-	400,000	-	6,480,000
1,220,000	-	-	-	1,220,000
-	-	236	101,362	8,865,971
<u>1,220,000</u>	-	<u>400,236</u>	<u>101,362</u>	<u>16,565,971</u>
-	-	-	-	710,414
-	-	-	-	64,706
-	-	-	-	477,013
-	-	-	-	1,203,193
-	-	-	-	8,550,540
-	-	-	-	223,931
47,603	-	324,444	-	372,047
-	-	-	9,781	9,781
-	-	-	-	250,505
-	7,598,182	-	-	7,598,182
-	-	-	27,198	27,198
-	-	-	126,150	176,373
-	-	-	-	50,000
-	-	-	-	3,542,465
<u>47,603</u>	<u>7,598,182</u>	<u>324,444</u>	<u>163,129</u>	<u>23,256,348</u>
<u>1,267,603</u>	<u>8,334,599</u>	<u>724,680</u>	<u>264,491</u>	<u>41,287,931</u>

**Palo Alto County**

Palo Alto County

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

June 30, 2023

**Total governmental fund balances (page 23)** \$ 23,256,348

***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 \$80,921,963 and the accumulated depreciation /amortization is \$29,243,683. 51,678,280

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. 8,865,971

The Internal Service Fund is used by management to charge the costs of the 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 with governmental activities in the Statement of Net Position. 925,079

Pension and OPEB 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	\$ 845,445	
Deferred inflows of resources	<u>(515,460)</u>	329,985

Long-term liabilities, including lease agreements payable, general obligation bonds payable, drainage warrants payable, compensated absences payable, net pension liability, total OPEB liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (26,084,727)

**Net position of governmental activities (page 19)** **\$ 58,970,936**

See notes to financial statements.

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

Year ended June 30, 2023

	Special		
	General	Rural Services	Secondary Roads
<b>Revenues:</b>			
Property and other county tax	\$ 3,965,688	2,223,748	-
Tax increment financing	-	-	-
Local option sales tax	-	636,467	-
Interest and penalty on property tax	27,687	-	-
Intergovernmental	2,143,291	169,445	4,174,706
Licenses and permits	17,832	-	16,580
Charges for service	356,223	306,404	50,312
Use of money and property	456,708	-	30,169
Miscellaneous	244,158	246,398	27,417
<b>Total revenues</b>	<b>7,211,587</b>	<b>3,582,462</b>	<b>4,299,184</b>
<b>Expenditures:</b>			
<b>Operating:</b>			
Public safety and legal services	1,941,178	338,239	-
Physical health and social services	381,101	-	-
County environment and education	682,714	897,553	-
Roads and transportation	-	285,305	5,322,107
Governmental services to residents	508,845	-	-
Administration	2,951,094	57,307	-
Non-program	-	-	-
Debt service	-	-	-
Capital projects	83,098	-	320,592
<b>Total expenditures</b>	<b>6,548,030</b>	<b>1,578,404</b>	<b>5,642,699</b>
Excess (deficiency) of revenues over (under) expenditures	663,557	2,004,058	(1,343,515)
<b>Other financing sources (uses):</b>			
Transfers in	-	-	1,751,181
Transfers out	-	(1,752,200)	-
General obligation bonds issued	-	-	-
Premium on bonds issued	-	-	-
Drainage warrants issued	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(1,752,200)</b>	<b>1,751,181</b>
Change in fund balances	663,557	251,858	407,666
Fund balances (deficits) beginning of year	3,718,553	951,927	8,878,924
Fund balances end of year	<b>\$ 4,382,110</b>	<b>1,203,785</b>	<b>9,286,590</b>

See notes to financial statements.

Revenue					
Drainage Districts	Tax Increment Financing	Capital Projects	Debt Service	Nonmajor	Total
-	-	-	1,227,029	-	7,416,465
-	950,922	-	-	-	950,922
-	-	-	-	-	636,467
-	-	-	-	-	27,687
503,009	84,925	3,200	86,162	12,227	7,176,965
-	-	-	-	-	34,412
-	-	-	-	2,032	714,971
-	-	136,302	-	666	623,845
4,411,743	-	-	-	23,677	4,953,393
4,914,752	1,035,847	139,502	1,313,191	38,602	22,535,127
-	-	-	-	5,657	2,285,074
-	-	-	-	846	381,947
-	-	-	-	-	1,580,267
-	-	-	-	-	5,607,412
-	-	-	-	-	508,845
-	-	-	-	-	3,008,401
2,541,020	-	-	-	-	2,541,020
3,501,552	-	-	2,248,105	-	5,749,657
-	-	7,300,044	-	-	7,703,734
6,042,572	-	7,300,044	2,248,105	6,503	29,366,357
(1,127,820)	1,035,847	(7,160,542)	(934,914)	32,099	(6,831,230)
-	-	-	988,244	1,019	2,740,444
-	(988,244)	-	-	-	(2,740,444)
-	-	6,700,000	-	-	6,700,000
-	-	179,620	-	-	179,620
1,456,717	-	-	-	-	1,456,717
1,456,717	(988,244)	6,879,620	988,244	1,019	8,336,337
328,897	47,603	(280,922)	53,330	33,118	1,505,107
(78,392)	-	7,879,104	271,114	130,011	21,751,241
250,505	47,603	7,598,182	324,444	163,129	23,256,348

Palo Alto County

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances –  
Governmental Funds to the Statement  
of Activities

Year ended June 30, 2023

**Change in fund balances - Total governmental funds (page 27)** \$ 1,505,107

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

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

Expenditures for capital assets	\$ 9,515,643	
Capital assets contributed by the Iowa Department of Transportation	2,468,649	
Depreciation/amortization expense	<u>(3,011,511)</u>	8,972,781

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. 92,578

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	(202)	
Other	<u>(1,196,081)</u>	(1,196,283)

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	(8,156,717)	
Repaid	<u>5,085,431</u>	(3,071,286)

The current year County share of IPERS contributions are reported as expenditures in the governmental funds, but is reported as deferred outflows of resources in the Statement of Net Position. 416,615

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	(28,610)	
Pension expense	70,078	
OPEB expense	(40,190)	
Interest on long-term debt	<u>90,671</u>	91,949

The Internal Service Fund is used by management to charge the costs of the 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 with governmental activities. 178,397

**Change in net position of governmental activities (page 19)** \$ 6,989,858

See notes to financial statements.

Palo Alto County  
Statement of Net Position  
Proprietary Fund

June 30, 2023

	<u>Internal</u> <u>Service - Employee</u> <u>Group Health</u>
<b>Current Assets</b>	
Cash and cash equivalents	\$ 822,294
Prepaid insurance	<u>103,107</u>
<b>Total current assets</b>	925,401
<b>Current Liabilities</b>	
Accounts payable	<u>322</u>
<b>Net Position</b>	
Unrestricted	<u>\$ 925,079</u>

See notes to financial statements.



**Exhibit H**

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

Year ended June 30, 2023

		<u>Internal</u> <u>Service - Employee</u> <u>Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,426,955
Reimbursements from employees and others		<u>31,193</u>
Total operating revenues		1,458,148
Operating expenses:		
Insurance premiums	\$ 1,116,219	
Medical claims	148,829	
Administrative fees	<u>14,703</u>	<u>1,279,751</u>
Net income		178,397
Net position beginning of year		<u>746,682</u>
Net position end of year		<u><u>\$ 925,079</u></u>

See notes to financial statements.

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

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,426,955
Cash received from employees and others	31,193
Cash paid to suppliers for services	(1,288,666)
Net cash provided by operating activities	169,482
Cash and cash equivalents beginning of year	652,812
Cash and cash equivalents end of year	\$ 822,294
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating income	\$ 178,397
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Prepaid insurance	(8,965)
Accounts payable	50
Net cash provided by operating activities	\$ 169,482

See notes to financial statements.

Palo Alto County  
Statement of Fiduciary Net Position  
Custodial Funds

June 30, 2023

**Assets**

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 2,636,954
Other County officials	63,785

Receivables:

Property tax:

Delinquent	11,260
Succeeding year	15,934,000

Accounts	18,725
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Accrued interest	3,528
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Special assessments	83,680
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Due from other governments	48,059
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Prepaid expenses	935
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<b>Total assets</b>	<u>18,800,926</u>
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**Liabilities**

Accounts payable	492,095
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Due to other governments	638,284
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Trusts payable	35,575
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Compensated absences	5,765
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<b>Total liabilities</b>	<u>1,171,719</u>
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**Deferred Inflows of Resources**

Unavailable property tax revenue	<u>15,934,000</u>
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**Net position**

Restricted for individuals, organizations and other governments	<u>\$ 1,695,207</u>
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See notes to financial statements.

Palo Alto County  
 Statement of Changes in Fiduciary Net Position  
 Custodial Funds

June 30, 2023

Additions:	
Property and other county tax	\$ 15,017,531
911 surcharge	69,941
State tax credits	1,132,276
Drivers license fees	40,034
Office fees and collections	402,003
Auto licenses, use tax and postage	3,933,379
Assessments	10,493
Trusts	486,118
Miscellaneous	<u>2,774,798</u>
Total additions	<u>23,866,573</u>
Deductions:	
Agency remittances:	
To other funds	250,661
To other governments	24,835,723
Trusts paid out	<u>490,173</u>
Total deductions	<u>25,576,557</u>
Change in net position	(1,709,984)
Net position beginning of year, as restated	<u>3,405,191</u>
Net position end of year	<u>\$ 1,695,207</u>

See notes to financial statements.

Palo Alto County

Notes to Financial Statements

June 30, 2023

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

Palo Alto 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, Palo Alto 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 Palo Alto 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.

Five hundred ninety-two 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 Palo Alto 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 Palo Alto County Auditor's Office.

Jointly Governed Organizations – The County also 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: Palo Alto County Assessor's Conference Board, Palo Alto County Emergency Management Commission and Palo Alto County Joint 911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Custodial Funds of the County.

B. Basis of Presentation

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

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

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

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints 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, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Tax Increment Financing Fund is used to account for the property tax revenue levied for the payment of urban renewal tax increment revenue bond principal and interest.

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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



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

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax and tax increment financing receivables represent 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 and tax increment financing receivables have been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which they are levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2021 assessed property valuations; is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2022.

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

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

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2023, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed under “Leases” below) if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 75,000
Intangibles	75,000
Land, buildings and improvements	50,000
Equipment and vehicles	10,000
Right-to-use IT subscription assets	5,000
Right-to-use leased assets	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	25 - 50
Infrastructure	10 - 65
Intangibles	5 - 20
Equipment and vehicles	3 - 20
Right-to-use IT subscription assets	2 - 20
Right-to-use leased assets	2 - 20

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

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

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

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

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

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

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

Subscription-Based Information Technology Arrangements (SBITA) – Palo Alto County has entered into a contract that conveys control of the right to use information technology software. The County has recognized an IT subscription liability and an intangible right-to-use IT subscription asset in the government-wide financial statements. The County recognized IT subscription liabilities with an initial, individual value of \$5,000, or more.

At the commencement of the IT subscription term, the County initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the IT subscription liability is reduced by the principal portion of payments made. The right-to-use an IT subscription asset is initially measured as the sum of the initial IT subscription liability, adjusted for payments made at or before the commencement date, plus capitalization implementation costs less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subsequently, the right-to-use IT subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to IT subscription arrangements include how Palo Alto County determines the discount rate it uses to discount the expected payments to present value, term and payments.

Palo Alto County uses the interest rate charged by the IT subscription vendor as the discount rate. When the interest rate charged by the vendor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate.

The IT subscription term includes the noncancellable period of the subscription. Payments included in the measurement of the liability are composed of fixed payments.

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

Right-to-use IT subscription assets are reported with other capital assets and IT subscription liabilities are reported with long-term debt on the statement of net position.

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 and OPEB expense, and contributions from the County after the measurement date but before the end of the County’s reporting period.

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2023. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Rural Services and Secondary Roads Funds.

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

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

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

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

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

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

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

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

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

Assigned – Amounts the Board of Supervisors intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2023, disbursements did not exceed the amounts budgeted.

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

The County's deposits in banks at June 30, 2023 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2023 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 4,609
	Special Revenue:	
	Rural Services	<u>635</u>
Total		<u>\$ 5,244</u>

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

**(4) Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	\$ 988,244
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	1,751,181
Closure/Post Closure Trust		<u>1,019</u>
Total		<u>\$ 2,740,444</u>

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

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2023 was as follows:

	Restated Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated/amortized:				
Land	\$ 1,425,867	-	-	1,425,867
Intangibles	210,113	-	-	210,113
Construction in progress	4,805,951	11,092,575	4,800,330	11,098,196
Total capital assets not being depreciated/amortized	6,441,931	11,092,575	4,800,330	12,734,176
Capital assets being depreciated/amortized:				
Buildings	2,709,509	129,726	-	2,839,235
Improvements other than buildings	93,399	101,569	-	194,968
Equipment and vehicles	10,756,009	827,211	373,371	11,209,849
Right-to-use leased equipment	27,168	-	-	27,168
Right-to-use IT subscription assets	90,384	-	-	90,384
Intangibles	406,389	-	-	406,389
Infrastructure, road network	47,298,379	4,800,330	-	52,098,709
Infrastructure, other	1,321,085	-	-	1,321,085
Total capital assets being depreciated/amortized	62,702,322	5,858,836	373,371	68,187,787
Less accumulated depreciation/amortization for:				
Buildings	1,221,168	76,300	-	1,297,468
Improvements other than buildings	75,667	5,827	-	81,494
Equipment and vehicles	6,475,645	498,625	299,160	6,675,110
Right-to-use leased assets	4,873	5,874	-	10,747
Right-to-use IT subscription assets	-	30,128	-	30,128
Intangibles	332,400	14,455	-	346,855
Infrastructure, road network	18,003,487	2,325,091	-	20,328,578
Infrastructure, other	418,092	55,211	-	473,303
Total accumulated depreciation/amortization	26,531,332	3,011,511	299,160	29,243,683
Total capital assets being depreciated/amortized, net	36,170,990	2,847,325	74,211	38,944,104
Governmental activities capital assets, net	\$ 42,612,921	13,939,900	4,874,541	51,678,280

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 50,223
County environment and education	135,383
Roads and transportation	2,730,399
Governmental services to residents	13,593
Administration	81,913
Total depreciation/amortization expense - governmental activities	<u>\$ 3,011,511</u>



**(6) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2023 is as follows:

Fund	Description	Amount
General	Services	\$ 39,599
Special Revenue:		
Rural Services	Services	21,865
Secondary Roads	Services	13,503
Total for governmental funds		<u>\$ 74,967</u>
Custodial:		
County Offices	Collections	\$ 32,201
Agricultural Extension Education		2,275
Schools		88,415
Community Colleges		8,297
Corporations		19,681
Townships		2,318
City Special Assessments		84,583
Auto License and Use Tax		330,850
Regional Mental Health		25,106
All other		44,558
Total for agency funds		<u>\$ 638,284</u>

**(7) Long-Term Liabilities**

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

	Lease Agreements	Subscription Liability	General Obligation Bonds	Direct Borrowing Drainage Warrants	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year, as restated	\$ 22,565	\$ 90,384	12,725,000	7,841,974	245,143	(706,447)	221,732	20,440,351
Increases	-	-	6,700,000	1,456,717	271,714	2,082,687	245,655	10,756,773
Decreases	5,689	29,314	1,865,000	3,185,428	243,104	-	118,025	5,446,560
Balance end of year	<u>\$ 16,876</u>	<u>61,070</u>	<u>17,560,000</u>	<u>6,113,263</u>	<u>273,753</u>	<u>1,376,240</u>	<u>349,362</u>	<u>25,750,564</u>
Due within one year	\$ 5,867	\$ 30,121	985,000	2,531,506	175,081	-	5,781	3,697,368

Lease Agreements

On October 1, 2021, the County entered into a lease agreement for a postage machine in the Treasurer's Office. An initial lease liability was recorded in the amount of \$19,928. The agreement requires monthly payments of \$360 over 60 months with an initial payment made October 1, 2021 with an implicit interest rate of 3.25% and final payment due September 1, 2026. During the year ended June 30, 2023, principal and interest paid were \$1,866 and \$126, respectively.

On May 5, 2020, the County entered into a lease agreement for a copy machine in the County Attorney's Office. An initial lease liability was recorded in the amount of \$7,240. The agreement requires monthly payments of \$166 over 60 months with an initial payment made May 31, 2020 with an implicit interest rate of 2.75% and the final payment due April 30, 2025. During the year ended June 30, 2023, principal and interest paid were \$3,823 and \$500, respectively.

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

Year Ending June 30,	Copier County Attorney Office			Postage Machine Treasurer's Office		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 1,918	74	1,992	\$ 3,949	374	4,323
2025	1,640	21	1,661	4,080	244	4,324
2026	-	-	-	4,214	110	4,324
2027	-	-	-	1,075	6	1,081
	<u>\$ 3,558</u>	<u>95</u>	<u>3,653</u>	<u>\$ 13,318</u>	<u>734</u>	<u>14,052</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2024	\$ 5,867	448	6,315
2025	5,720	265	5,985
2026	4,214	110	4,324
2027	1,075	6	1,081
	<u>\$ 16,876</u>	<u>829</u>	<u>17,705</u>

### General Obligation Bonds

A summary of the County's June 30, 2023 general obligation bond indebtedness is as follows:

Year Ending June 30,	General Obligation Urban Renewal Bonds Series 2014				General Obligation County Purpose Bonds Series 2022A			
	Issued Jul 9, 2014				Issued May 5, 2022			
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total
2024	2.40%	\$ 510,000	12,240	522,240	3.00%	\$ -	298,431	298,431
2025		-	-	-	3.00	270,000	298,431	568,431
2026		-	-	-	3.00	280,000	290,331	570,331
2027		-	-	-	3.00	285,000	281,931	566,931
2028		-	-	-	3.00	305,000	273,381	578,381
2029-2033		-	-	-	3.00	2,345,000	1,213,906	3,558,906
2034-2038		-	-	-	3.00	3,815,000	746,806	4,561,806
2039-2042		-	-	-	3.00-3.125	2,575,000	161,619	2,736,619
Total		<u>\$ 510,000</u>	<u>12,240</u>	<u>522,240</u>		<u>\$ 9,875,000</u>	<u>3,564,836</u>	<u>13,439,836</u>

Year Ending June 30,	General Obligation County Purpose Bonds Series 2022B Issued May 5, 2022				General Obligation Urban Renewal Bonds Series 2023 Issued March 23, 2023					
	Interest		Principal	Interest	Total	Interest		Principal	Interest	Total
	Rates					Rates				
2024	2.90%	\$ 475,000	13,775	488,775	4.00%	\$ -	326,261	326,261		
2025	-	-	-	-	4.00	430,000	274,425	704,425		
2026	-	-	-	-	4.00	445,000	257,225	702,225		
2027	-	-	-	-	4.00	465,000	239,425	704,425		
2028	-	-	-	-	4.00	475,000	220,825	695,825		
2029-2033	-	-	-	-	4.00	2,005,000	816,125	2,821,125		
2034-2038	-	-	-	-	4.00	1,300,000	508,725	1,808,725		
2039-2042	-	-	-	-	4.00	1,580,000	201,250	1,781,250		
Total		\$ 475,000	13,775	488,775		\$ 6,700,000	2,844,261	9,544,261		

Year Ending June 30,	Total		
	Principal	Interest	Total
2024	\$ 985,000	650,707	1,635,707
2025	700,000	572,856	1,272,856
2026	725,000	547,556	1,272,556
2027	750,000	521,356	1,271,356
2028	780,000	494,206	1,274,206
2029-2033	4,350,000	2,030,031	6,380,031
2034-2038	5,115,000	1,255,531	6,370,531
2039-2042	4,155,000	362,869	4,517,869
Total	\$17,560,000	6,435,112	23,995,112

On December 20, 2012, the County issued \$6,650,000 of general obligation refunding bonds for a crossover advance refunding of the County's outstanding general obligation bonds, series 2007B, dated December 31, 2007, and the general obligation bonds, series 2008, dated May 1, 2008. The bonds bear interest at 0.55% to 1.60% per annum and mature June 1, 2023. During the year ended June 30, 2023, the County paid principal of \$500,000 and interest of \$8,000 on the bonds.

On April 23, 2013, the County issued \$5,000,000 of general obligation urban renewal bonds. The bonds were issued for the purpose of paying the costs, of undertaking an urban renewal project in the Palo Alto County Industrial Park Urban Renewal Area, consisting of the construction of highway improvements to assist in economic development. The interest rates on these bonds range from .60% to 2.00% per annum. During the year ended June 30, 2023, the County paid principal of \$625,000 and interest of \$10,938 on the bonds.

On July 9, 2014, the County issued \$5,000,000 of general obligation urban renewal bonds. The bonds were issued for the purpose of paying the costs of undertaking an urban renewal project in the Palo Alto County Industrial Park Urban Renewal Area, consisting of the construction of highway improvements to assist in economic development. The interest rates on these bonds range from 1.50% to 2.60% per annum. During the year ended June 30, 2023, the County paid principal of \$665,000 and interest of \$27,202 on the bonds.

On May 5, 2022, the County issued \$9,875,000 of general obligation county purpose bonds. A portion of these bonds (\$4,250,000) were issued for an essential county purpose of paying the cost of undertaking the Palo Alto County road and bridge improvement projects and a portion of these bonds (\$5,625,000) were issued in accordance with the March 2, 2021 special election for a general county purpose for the constructing, furnishing, and equipping a County public safety building and jail. The interest rates on these bonds range from 3.00% to 3.125% per annum. During the year ended June 30, 2023, the County paid interest of \$319,985 on the bonds.

On May 5, 2022, the County issued \$550,000 of taxable general obligation essential county purpose bonds. The bonds were issued for the purpose of paying the cost of undertaking the Palo Alto County road and bridge improvement projects. The interest rates on these bonds range from 2.25% to 2.40% per annum. During the year ended June 30, 2023, the County paid principal of \$75,000 and interest of \$16,980.

On March 23, 2023, the County issued \$6,700,000 of general obligation urban renewal bonds. A portion of these bonds (\$5,200,000) were issued for the purpose of paying the cost of undertaking the Palo Alto County road and bridge improvement projects, an urban renewal program in the Urban Renewal Area, and a portion of these bonds (\$1,500,000) were issued for the purpose of paying the cost of undertaking the Public Safety Building Project, an urban renewal project in the Urban Renewal Area. The interest rates on these bonds is 4.00% per annum. No payments were made during the year ended June 30, 2023.

Drainage Warrants – Direct Borrowing

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

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

IT Subscription Liability

On July 1, 2020, the County entered into an IT subscription license and services information technology agreement with Solutions, Inc. for financial and tax software. The agreement requires annual payments of \$31,800 over 5 years with an initial payment made July 1, 2020 for \$31,800, with an implicit interest rate of 2.75% and final payment due July 1, 2024. During the year ended June 30, 2023, principal and interest paid were \$29,314 and \$2,486, respectively. Future principal and interest IT subscription payments as of June 30, 2023 are as follows:

Year Ending June 30,	IT Subscription		
	Principal	Interest	Total
2024	\$ 30,121	1,679	31,800
2025	30,949	851	31,800
	<u>\$ 61,070</u>	<u>2,530</u>	<u>63,600</u>

**(8) Pension Plan**

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

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

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

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

Sheriff, deputies and protection occupation members may retire at normal retirement age, which is generally at age 55. The Sheriff, 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 or protection occupation members' monthly IPERS benefit includes:

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

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

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

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

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal costs plus the unfunded actuarial liability payment based on a

30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2023, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% of covered payroll, for a total rate of 15.73%. The Sheriff, deputies and the County each contributed 8.76% of covered payroll, for a total rate of 17.52%. Protection occupation members contributed 6.21% of covered payroll and the County contributed 9.31% of covered payroll, for a total rate of 15.52%.

The County's contributions to IPERS for the year ended June 30, 2023 were \$416,615.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the County reported a liability of \$1,376,240 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 20, 2022, the County's proportion was 0.036426%, which was a decrease of 0.168207% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the County recognized pension expense of \$70,078. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 132,530	23,825
Changes of assumptions	1,410	52,523
Net difference between projected and actual earnings on IPERS' investments	-	208,600
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	38,487	40,824
County contributions subsequent to the measurement date	416,615	-
Total	<u>\$ 589,042</u>	<u>325,772</u>

\$416,615 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2024	\$ (197,726)
2025	(146,149)
2026	(275,375)
2027	467,841
2028	<u>(1,936)</u>
Total	<u>\$ (153,345)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	3.57%
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
Total	<u>100.0%</u>	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability (asset)	\$ 3,197,293	1,376,240	(226,520)

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

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2023.



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

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

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

Retired participants must be age 55 or older at retirement. At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>64</u>
Total	<u>65</u>

Total OPEB Liability – The County’s total OPEB liability of \$349,362 was measured as of June 30, 2023 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation	
(effective June 30, 2023)	2.60% per annum.
Rates of salary increase	3.25% per annum, including
(effective June 30, 2023)	inflation.
Discount rate	4.13% compounded annually,
(effective June 30, 2023)	including inflation.
Healthcare cost trend rate	7.50% initial rate decreasing by .5%
(effective June 30, 2023)	annually, to an ultimate rate of 4.50%

Discount Rate – The discount rate used to measure the total OPEB liability was 4.13% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA Public Plan 2010 tables. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 221,732
Changes for the year:	
Service cost	23,572
Interest	5,746
Differences between expected and actual experiences	216,337
Changes in assumptions	(112,244)
Benefit payments	<u>(5,781)</u>
Net changes	<u>127,630</u>
Total OPEB liability end of year	<u>\$ 349,362</u>

Changes of assumptions reflect a change in the discount rate from 2.37% in fiscal year 2022 to 4.13% in fiscal year 2023.

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (3.13%) or 1% higher (5.13%) than the current discount rate.

	<u>1% Decrease (3.13%)</u>	<u>Discount Rate (4.13%)</u>	<u>1% Increase (5.13%)</u>
Total OPEB liability	\$ 393,345	349,362	309,343

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (6.50%) or 1% higher (8.50%) than the current healthcare cost trend rates.

	<u>1% Decrease (6.50%)</u>	<u>Healthcare Cost Trend Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Total OPEB liability	\$ 291,197	349,362	421,018

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2023, the County recognized OPEB expense of \$40,190. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 235,574	31,014
Changes in assumptions	20,829	158,674
Total	<u>\$ 256,403</u>	<u>189,688</u>

The amount reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2024	\$ 3,953
2025	3,953
2026	3,953
2027	5,236
2028	5,699
Thereafter	<u>43,921</u>
	<u>\$ 66,715</u>

**(10) Risk Management**

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 800 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, employment practices liability, public officials liability, cyber liability and law enforcement liability. There have been no reductions in insurance coverage from prior years.

Each member’s annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool’s general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool’s general and administrative expenses and reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year’s member contributions.

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2023 were \$115,674.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, employment practices, law enforcement, cyber, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2023, no liability has been recorded in the County's financial statements. As of June 30, 2023, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$50,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Employee Health Insurance Plan**

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by County contributions and is administered by Eagle Ridge. Employees may choose from two options and depending on the option selected the County self-funds up to \$5,000 per individual or \$10,000 per family, with employees contributing the first \$1000/\$2500 and \$2,000/\$5,000, respectively depending on the plan selected. Claims in excess of the deductible are insured through the purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures by the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark, Blue Cross and Blue Shield from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2023 was \$1,426,955.

Amounts payable from the Employee Group Health Fund at June 30, 2023 total \$322, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$925,079 at June 30, 2023 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 272
Incurred claims (including claims incurred but not reported at June 30, 2023)	148,829
Payment on claims during the fiscal year	<u>(148,779)</u>
Unpaid claims end of year	<u>\$ 322</u>

**(12) Transfer Station Closure Care**

To comply with state regulations, the County is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces that have come in contact with solid waste or wash water, cleaning of all solid waste transport vehicles that will remain on site, including the rinsing of all surfaces that have come in contact with solid waste, and the removal and proper management of all wash water in the wash water management system.

To comply with state regulations, the County is required to maintain a closure account as financial assurance for the closure care costs. The effect of the state requirement is to commit landfill owners to perform certain closing functions as a condition for the right to operate the transfer station in the current period.

The total closure care costs for the County as of June 30, 2023 have been estimated at \$9,781. A balance of \$9,781 has been deposited in the Special Revenue, Closure/Postclosure Fund. The balance is restricted, and the estimated closure care costs are fully funded at June 30, 2023.

**(13) Tax Abatements**

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

**Tax Abatements of Other Entities**

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

Entity	Tax Abatement Program	Amount of Tax Abated
City of Emmetsburg	Urban renewal and economic development projects	\$ 9,702
City of West Bend	Urban renewal and economic development projects	1,753
		\$ 11,455

**(14) Construction Commitment**

The County has entered into contracts totaling \$7,899,684 for the Public Safety Center. As of June 30, 2023, costs of \$4,180,842 have been incurred. The \$3,718,842 balance remaining on the project at June 30, 2023 will be paid as work on the project progresses.

**(15) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA), was implemented during fiscal year 2023. The new requirements require the reporting of certain right-to-use subscription-based IT arrangements and liabilities which were previously not reported. The result of these changes had no effect on the beginning net position.

In fiscal year 2022 member Counties were required by Senate File 619 to transfer the remaining fund balances of the Special Revenue, Mental Health Funds to the Northwest Iowa Care Connections Region prior to June 30, 2022. Palo Alto County acts as the fiscal agent of the Northwest Iowa Care Connections Region and as such, is reported as a Custodial Fund (Regional Mental Health) in the County’s audit report.

Transfers of remaining balances of the Special Revenue, Mental Health Funds from member counties were receipted by Palo Alto County in July 2022 and were not properly reported in the fiscal year 2022 audit report.

The restatements to retroactively report the change in net position, are as follows:

	Capital Assets	Long-term Liabilities IT Subscription Liability	Regional Mental Health Fund	Fiduciary Activities
Balances June 30, 2022, as previously reported	\$ 42,522,537	-	2,019,734	2,970,471
Revenue not previously reported	-	-	434,720	434,720
Change to implement GASBS No. 96	90,384	90,384	-	-
July 1, 2022, as restated	\$ 42,612,921	90,384	2,454,454	3,405,191

**Palo Alto County**

**Required Supplementary Information**



Palo Alto County

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

Required Supplementary Information

Year ended June 30, 2023

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 9,013,424	-	9,013,424
Interest and penalty on property tax	28,408	-	28,408
Intergovernmental	5,847,630	503,009	5,344,621
Licenses and permits	31,187	-	31,187
Charges for service	737,023	-	737,023
Use of money and property	469,924	-	469,924
Miscellaneous	4,938,479	4,411,743	526,736
Total receipts	<u>21,066,075</u>	<u>4,914,752</u>	<u>16,151,323</u>
<b>Disbursements:</b>			
Public safety and legal services	2,286,744	-	2,286,744
Physical health and social services	366,800	-	366,800
County environment and education	1,498,449	-	1,498,449
Roads and transportation	5,683,833	-	5,683,833
Governmental services to residents	508,490	-	508,490
Administration	2,859,876	-	2,859,876
Non-program	2,836,898	2,836,898	-
Debt service	5,749,657	3,501,552	2,248,105
Capital projects	7,689,079	-	7,689,079
Total disbursements	<u>29,479,826</u>	<u>6,338,450</u>	<u>23,141,376</u>
Excess (deficiency) of receipts over (under) disbursements	(8,413,751)	(1,423,698)	(6,990,053)
Other financing sources, net	8,156,717	1,456,717	6,700,000
Change in balances	(257,034)	33,019	(290,053)
Balance beginning of year	<u>23,217,140</u>	<u>242,061</u>	<u>22,975,079</u>
Balance end of year	<u>\$ 22,960,106</u>	<u>275,080</u>	<u>22,685,026</u>

See accompanying independent auditor's report.

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Budgeted Amounts		Final to
Original	Final	Net
		Variance
8,925,296	8,925,296	88,128
10,000	10,000	18,408
4,552,504	4,921,493	423,128
19,200	19,200	11,987
674,362	674,362	62,661
169,627	169,627	300,297
241,137	290,314	236,422
14,592,126	15,010,292	1,141,031
2,596,212	2,694,131	407,387
454,638	454,638	87,838
1,641,087	1,671,578	173,129
7,425,287	7,860,287	2,176,454
532,896	539,615	31,125
2,730,454	3,270,020	410,144
-	-	-
2,263,605	2,600,572	352,467
8,982,000	11,212,000	3,522,921
26,626,179	30,302,841	7,161,465
(12,034,053)	(15,292,549)	8,302,496
-	6,700,000	-
(12,034,053)	(8,592,549)	8,302,496
20,473,315	20,473,315	2,501,764
8,439,262	11,880,766	10,804,260

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Palo Alto County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2023

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 21,066,075	1,469,052	22,535,127
Expenditures	29,479,826	(113,469)	29,366,357
Net	(8,413,751)	1,582,521	(6,831,230)
Other financing sources, net	8,156,717	179,620	8,336,337
Beginning fund balances	23,217,140	(1,465,899)	21,751,241
Ending fund balances	<u>\$ 22,960,106</u>	<u>296,242</u>	<u>23,256,348</u>

See accompanying independent auditor's report.

Palo Alto County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2023

The 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 the blended component units, the Internal Service Fund and the Custodial Funds and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund. These nine functions are: public safety and legal services, physical health and social services, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, Capital Projects Fund and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$3,676,662. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2023, disbursements did not exceed the amounts budgeted.

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Palo Alto County

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

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

Required Supplementary Information

	2023	2022	2021	2020
County's proportion of the net pension liability (asset)	0.036426%	0.204633% **	0.043454%	0.041054%
County's proportionate share of the net pension liability (asset)	\$ 1,376	(706)	3,053	2,377
County's covered payroll	\$ 4,290	4,198	4,063	3,891
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	32.07%	-16.82%	75.14%	61.09%
IPERS' net position as a percentage of the total pension liability	91.40%	100.81%	82.90%	85.45%

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

\*\* Overall plan net pension asset

See accompanying independent auditor's report.

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2019	2018	2017	2016	2015
0.042128%	0.042969%	0.044052%	0.044874%	0.042869%
2,666	2,862	2,772	2,217	1,700
3,856	3,652	3,598	3,615	3,558
69.14%	78.37%	77.04%	61.30%	47.78%
83.62%	82.21%	81.82%	85.19%	87.61%

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Palo Alto County

Schedule of County Contributions

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

Required Supplementary Information

	2023	2022	2021	2020
Statutorily required contribution	\$ 417	402	396	385
Contributions in relation to the statutorily required contribution	(417)	(402)	(396)	(385)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered payroll	\$ 4,459	4,290	4,198	4,063
Contributions as a percentage of covered payroll	9.35%	9.37%	9.43%	9.48%

See accompanying independent auditor's report.

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2019	2018	2017	2016	2015	2014
370	348	331	327	329	324
(370)	(348)	(331)	(327)	(329)	(324)
-	-	-	-	-	-
3,891	3,856	3,652	3,598	3,615	3,558
9.52%	9.02%	9.06%	9.09%	9.10%	9.12%



**Palo Alto County**

Palo Alto County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2023

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

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

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

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Palo Alto County

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

For the Last Six Years  
Required Supplementary Information

	2023	2022	2021	2020
Service cost	\$ 23,572	23,572	24,650	22,143
Interest cost	5,746	5,456	5,402	6,473
Difference between expected and actual experiences	216,337	46,137	(15,726)	(16,444)
Changes in assumptions	(112,244)	(69,066)	13,418	14,254
Benefit payments	(5,781)	(3,023)	(3,042)	(2,199)
Net change in total OPEB liability	127,630	3,076	24,702	24,227
Total OPEB liability beginning of year	221,732	218,656	193,954	169,727
Total OPEB liability end of year	\$ 349,362	221,732	218,656	193,954
Covered-employee payroll	\$ 3,513,932	4,369,814	4,298,239	4,186,432
Total OPEB liability as a percentage of covered-employee payroll	9.9%	5.1%	5.1%	4.6%

See accompanying independent auditor's report.

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<u>2019</u>	<u>2018</u>
18,004	16,840
6,222	8,400
(13,277)	(12,177)
6,517	-
<u>(42,806)</u>	<u>(52,630)</u>
<u>(25,340)</u>	<u>(39,567)</u>
<u>195,067</u>	<u>234,634</u>
<u>169,727</u>	<u>195,067</u>
4,016,510	3,607,750
4.2%	5.4%

Palo Alto County

Notes to Required Supplementary Information – OPEB Liability

Year ended June 30, 2023

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

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

Year ended June 30, 2023	4.13%
Year ended June 30, 2022	2.37%
Year ended June 30, 2021	2.37%
Year ended June 30, 2020	3.15%
Year ended June 30, 2019	3.15%
Year ended June 30, 2018	3.72%
Year ended June 30, 2017	4.50%

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

**Supplementary Information**

Palo Alto County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2023

	Sheriff Investigation	Resource Enhancement and Protection	Special County Recorder's Records Management
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 3	65,163	15,263
Opioid settlement receivable			
Accrued interest	-	62	12
Due from other governments	-	-	-
<b>Total assets</b>	<b>\$ 3</b>	<b>65,225</b>	<b>15,275</b>
<b>Deferred Inflows of Resources and Fund Balances</b>			
Unavailable revenues:			
Other	\$ -	-	-
Fund balances:			
Restricted for:			
Closure and postclosure care	-	-	-
Opioid abatement	-	-	-
Other purposes	3	65,225	15,275
Total fund balance	3	65,225	15,275
<b>Total deferred inflows of resources and fund balances</b>	<b>\$ 3</b>	<b>65,225</b>	<b>15,275</b>

See accompanying independent auditor's report.

Revenue				
Sheriff Reserve	Closure/ Postclosure	County Attorney Collections	Local Government Opioid Abatement	Total
3,544	9,781	41,703	27,198	162,655
-	-	-	101,362	101,362
-	-	400	-	74
-	-	-	-	400
3,544	9,781	42,103	128,560	264,491
-	-	-	101,362	101,362
-	9,781	-	-	9,781
-	-	-	27,198	27,198
3,544	-	42,103	-	126,150
3,544	9,781	42,103	27,198	163,129
3,544	9,781	42,103	128,560	264,491



Palo Alto County

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

Year ended June 30, 2023

	Sheriff Investigation	Sheriff Forfeit	Resource Enhancement and Protection	Special County Recorder's Records Management
Revenues:				
Intergovernmental	\$ -	-	9,170	-
Charges for service	-	-	-	2,032
Use of money and property	-	-	551	115
Miscellaneous	-	90	-	-
Total revenues	-	90	9,721	2,147
Expenditures:				
Operating:				
Public safety and legal services	-	2,358	-	-
Physical health and social services	-	-	-	-
Total expenditures	-	2,358	-	-
Excess (deficiency) of revenues over (under) expenditures	-	(2,268)	9,721	2,147
Other financing sources:				
Transfers in	-	-	-	-
Change in fund balances	-	(2,268)	9,721	2,147
Fund balances beginning of year	3	2,268	55,504	13,128
Fund balances end of year	\$ 3	-	65,225	15,275

See accompanying independent auditor's report.

Revenue				
Sheriff Reserve	Closure/ Postclosure	County Attorney Collections	Local Government Opioid Abatement	Total
600	-	2,457	-	12,227
-	-	-	-	2,032
-	-	-	-	666
-	-	-	23,587	23,677
600	-	2,457	23,587	38,602
3,298	-	1	-	5,657
-	-	-	846	846
3,298	-	1	846	6,503
(2,698)	-	2,456	22,741	32,099
-	1,019	-	-	1,019
(2,698)	1,019	2,456	22,741	33,118
6,242	8,762	39,647	4,457	130,011
3,544	9,781	42,103	27,198	163,129

Palo Alto County  
Combining Schedule of Fiduciary Net Position  
Custodial Funds

June 30, 2023

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	2,275	185,107	88,415
Other County officials	63,785	-	-	-
Receivables:				
Property tax:				
Delinquent	-	154	184	6,366
Succeeding year	-	241,000	286,000	9,530,000
Accounts	1,260	-	-	-
Accrued interest	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Prepaid expenses	-	-	-	-
<b>Total assets</b>	<b>65,045</b>	<b>243,429</b>	<b>471,291</b>	<b>9,624,781</b>
<b>Liabilities</b>				
Liabilities:				
Accounts payable	-	-	744	-
Due to other governments	32,201	2,275	-	88,415
Trusts payable	32,844	-	-	-
Compensated absences	-	-	5,244	-
<b>Total liabilities</b>	<b>65,045</b>	<b>2,275</b>	<b>5,988</b>	<b>88,415</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenues	-	241,000	286,000	9,530,000
<b>Net Position</b>				
Restricted for individuals, organizations and other governments	\$ -	154	179,303	6,366

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Regional Mental Health	Other	Total
8,297	19,681	2,318	903	330,850	1,177,850	821,258	2,636,954
-	-	-	-	-	-	-	63,785
570	2,763	77	-	-	-	1,146	11,260
905,000	3,102,000	242,000	-	-	-	1,628,000	15,934,000
-	-	-	-	-	12,218	5,247	18,725
-	-	-	-	-	2,449	1,079	3,528
-	-	-	83,680	-	-	-	83,680
-	-	-	-	-	-	48,059	48,059
-	-	-	-	-	-	935	935
913,867	3,124,444	244,395	84,583	330,850	1,192,517	2,505,724	18,800,926
-	-	-	-	-	490,186	1,165	492,095
8,297	19,681	2,318	84,583	330,850	25,106	44,558	638,284
-	-	-	-	-	-	2,731	35,575
-	-	-	-	-	-	521	5,765
8,297	19,681	2,318	84,583	330,850	515,292	48,975	1,171,719
905,000	3,102,000	242,000	-	-	-	1,628,000	15,934,000
570	2,763	77	-	-	677,225	828,749	1,695,207

Palo Alto County

Combining Schedule of Changes in Fiduciary Net Position  
Custodial Funds

Year ended June 30, 2023

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Additions:</b>				
Property and other county tax	\$ -	232,420	267,148	9,080,880
911 surcharge	-	-	-	-
State tax credits	-	14,498	16,665	482,198
Drivers license fees	-	-	-	-
Office fees and collections	402,003	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	372,341	-	-	-
Miscellaneous	-	57	1,311	2,012
<b>Total additions</b>	<b>774,344</b>	<b>246,975</b>	<b>285,124</b>	<b>9,565,090</b>
<b>Deductions:</b>				
Agency remittances:				
To other funds	130,564	-	-	-
To other governments	267,384	246,969	300,783	9,564,811
Trusts paid out	376,396	-	-	-
<b>Total deductions</b>	<b>774,344</b>	<b>246,969</b>	<b>300,783</b>	<b>9,564,811</b>
Changes in net position	-	6	(15,659)	279
Net position beginning of year, as restated	-	148	194,962	6,087
<b>Net position end of year</b>	<b>\$ -</b>	<b>154</b>	<b>179,303</b>	<b>6,366</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Regional Mental Health	Other	Total
858,832	2,767,013	221,216	-	-	-	1,590,022	15,017,531
-	-	-	-	-	-	69,941	69,941
150,567	360,784	9,655	-	-	-	97,909	1,132,276
-	-	-	-	-	-	40,034	40,034
-	-	-	-	-	-	-	402,003
-	-	-	-	3,933,379	-	-	3,933,379
-	3,860	-	5,817	-	-	816	10,493
-	-	-	-	-	-	113,777	486,118
209	-	96	-	-	2,537,913	233,200	2,774,798
<u>1,009,608</u>	<u>3,131,657</u>	<u>230,967</u>	<u>5,817</u>	<u>3,933,379</u>	<u>2,537,913</u>	<u>2,145,699</u>	<u>23,866,573</u>
-	-	-	-	120,097	-	-	250,661
1,009,578	3,131,873	230,953	5,817	3,813,282	4,315,142	1,949,131	24,835,723
-	-	-	-	-	-	113,777	490,173
<u>1,009,578</u>	<u>3,131,873</u>	<u>230,953</u>	<u>5,817</u>	<u>3,933,379</u>	<u>4,315,142</u>	<u>2,062,908</u>	<u>25,576,557</u>
30	(216)	14	-	-	(1,777,229)	82,791	(1,709,984)
540	2,979	63	-	-	2,454,454	745,958	3,405,191
<u>570</u>	<u>2,763</u>	<u>77</u>	<u>-</u>	<u>-</u>	<u>677,225</u>	<u>828,749</u>	<u>1,695,207</u>

Palo Alto County

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

For the Last Ten Years

	2023	2022	2021	2020
<b>Revenues:</b>				
Property and other county tax	\$ 7,416,465	7,149,035	7,377,292	7,201,701
Tax increment financing	950,922	777,047	861,306	913,440
Local option sales tax	636,467	561,852	456,751	651,377
Interest and penalty on property tax	27,687	27,405	42,514	12,654
Intergovernmental	7,176,965	5,324,344	5,855,999	5,055,126
Licenses and permits	34,412	19,422	58,914	89,566
Charges for service	714,971	706,661	703,845	681,353
Use of money and property	623,845	255,055	331,343	344,344
Miscellaneous	4,953,393	7,729,509	2,919,937	1,500,125
<b>Total</b>	<b>\$ 22,535,127</b>	<b>22,550,330</b>	<b>18,607,901</b>	<b>16,449,686</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 2,285,074	2,264,123	2,215,597	2,167,023
Physical health and social services	381,947	385,544	317,308	348,098
Mental health	-	494,562	163,760	141,779
County environment and education	1,580,267	1,492,944	1,555,002	1,474,089
Roads and transportation	5,607,412	5,694,967	5,157,913	5,024,775
Governmental services to residents	508,845	530,720	497,432	482,135
Administration	3,008,401	1,379,238	1,206,924	1,225,819
Non-program	2,541,020	3,218,992	5,031,205	3,823,662
Debt service	5,749,657	10,031,600	4,190,358	3,852,520
Capital projects	7,703,734	3,177,254	416,500	351,543
<b>Total</b>	<b>\$ 29,366,357</b>	<b>28,669,944</b>	<b>20,751,999</b>	<b>18,891,443</b>

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
7,113,340	7,029,363	6,368,829	6,491,723	6,107,119	6,145,690
937,777	861,311	864,015	718,106	327,473	310,002
403,820	363,448	352,235	432,521	465,145	433,932
28,029	27,092	24,219	27,218	26,172	25,497
4,997,499	4,411,684	4,933,819	4,816,292	4,466,781	3,912,315
18,960	18,848	19,475	22,379	15,448	14,701
735,826	713,771	695,083	655,020	613,017	675,118
244,770	183,565	143,044	110,037	109,598	105,959
1,615,317	1,585,853	1,470,104	1,670,155	2,508,166	1,198,791
16,095,338	15,194,935	14,870,823	14,943,451	14,638,919	12,822,005
2,113,773	2,067,658	1,862,649	1,765,900	1,758,102	1,715,696
366,331	356,980	347,152	333,962	315,938	345,250
90,470	193,000	193,262	442,343	518,741	441,820
1,678,712	1,519,636	1,423,697	1,493,651	1,280,216	1,340,012
4,384,260	4,278,394	3,811,770	3,593,743	4,076,273	4,351,228
454,876	483,003	432,689	431,905	402,691	424,021
1,275,964	1,181,676	1,111,525	1,170,815	1,179,145	1,127,496
4,045,063	1,703,084	1,647,478	623,771	1,796,929	924,130
2,667,287	3,250,017	2,561,232	3,274,586	10,040,124	2,768,798
6,224,388	445,463	2,930,884	1,861,379	5,260,226	1,751,867
23,301,124	15,478,911	16,322,338	14,992,055	26,628,385	15,190,318





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

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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 Palo Alto County:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Palo Alto County, Iowa, as of and for the year ended June 30, 2023, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 27, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2023-001 and 2023-002 that we consider to be material weaknesses.

## Report on Compliance and Other Matters

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

Comments involving statutory and other legal matters about Palo Alto County's operations for the year ended June 30, 2023 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Palo Alto 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.

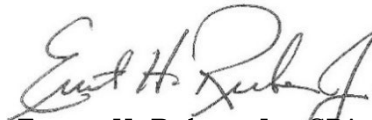
## Palo Alto County's Responses to Findings

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

## Purpose of this Report

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

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

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

November 27, 2023

Palo Alto County

Schedule of Findings

Year ended June 30, 2023

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

2023-001 Segregation of Duties

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

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

	Applicable Offices
(1) Receipts – opening and listing mail receipts, collecting, depositing, posting and daily reconciling.	County Sheriff and County Recorder
(2) Bank reconciliations are not prepared by someone who doesn't sign checks, handle or record cash.	County Sheriff
(3) The person who signs checks is not independent of the individual who records cash receipts and prepares checks.	County Recorder
(4) All incoming mail is not opened by an employee who is not authorized to make entries to the accounting records and the mail opener does not prepare a listing of cash and checks received.	County Treasurer

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

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

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. Current personnel, including elected officials and personnel from other County Offices, should be used to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and should be documented by the signature or initials of the reviewer and the date of the review.

Palo Alto County

Schedule of Findings

Year ended June 30, 2023

Responses –

County Recorder – We will continue to review the control procedures of our office and look for ways to segregate duties to the extent possible with the small number of staff in our office.

County Sheriff – The collecting, posting, depositing and daily reconciling is performed by the Office Manager. We will implement procedures to include an independent review of the bank reconciliation, evidenced by initials of reviewer and date of review. We will continue to work to segregate all duties the best we can.

County Treasurer – We will do our best to segregate duties in the office.

Conclusion – Response accepted.

2023-002 Financial Reporting

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

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

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

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, materials adjustments to the County's financial statements were necessary.

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

Response – Policies and procedures will be put into place to verify all receivables, payables and capital assets are properly recorded in the County's financial statements.

Conclusion – Response accepted.

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

Palo Alto County  
 Schedule of Findings  
 Year ended June 30, 2023

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2023 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Rouse Tire and Repair, owner is spouse of County employee	Miscellaneous repairs	\$ 3,646

The transactions with Rouse Tire and Repair do not appear to represent a conflict of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa, since the total transactions with were less than \$6,000 during the fiscal year.

- (5) Restricted Donor Activity – No transactions were noted between the County, County officials, or County employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed periodically to ensure the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found which we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (9) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (10) Tax Increment Financing (TIF) – Payments from the Special Revenue, Tax Increment Financing (TIF) Fund properly included only payments for TIF loans and rebates. Also, Palo Alto County properly completed the Tax Increment Debt Forms 1, 2 or 3, as appropriate, to certify TIF obligations (debt), to decertify TIF debt or to request a reduced distribution of TIF.

Palo Alto County

Schedule of Findings

Year ended June 30, 2023

- (11) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management by December 1 and no exceptions were noted.
- (12) Financial Assurance – The County has demonstrated financial assurance for the County transfer station closure care by establishing a local government dedicated fund as provided by Chapter 567-113-.14(6) of the Iowa Administrative Code. The amount the County has restricted for closure care at June 30, 2023 exceeds the total estimated costs at that date and, accordingly, the costs are fully funded.

Palo Alto County

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy  
Ryan J. Pithan, CPA, Manager  
April R. Davenport, Senior Auditor  
Erin J. Sietstra, Senior Auditor  
Kelsey R. Sauer, Staff Auditor  
Brandon L. Weddell, Staff Auditor  
Ariel N. Dennler, Assistant Auditor