



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE

April 4, 2013

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on Pottawattamie County, Iowa.

The County had local tax revenue of \$166,695,440 for the year ended June 30, 2012, which included \$3,396,198 in tax credits from the state. The County forwarded \$132,110,210 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$34,585,230 of the local tax revenue to finance County operations, a 3.6% increase over the prior year. Other revenues included charges for service of \$5,944,718, operating grants, contributions and restricted interest of \$15,865,563, capital grants, contributions and restricted interest of \$1,368,290, local option sales tax of \$3,057,227, pari-mutuel and gaming wager tax of \$2,217,416, tax increment financing of \$682,057, unrestricted investment earnings of \$198,880 and other general revenues of \$1,549,632.

Expenses for County operations totaled \$67,821,985, a 13.5% increase over the prior year. Expenses included \$23,129,010 for public safety and legal services, \$15,124,004 for roads and transportation and \$11,285,020 for mental health.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1210-0078-B00F.pdf>.

###



**POTTAWATTAMIE COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
  
**JUNE 30, 2012**

## Table of Contents

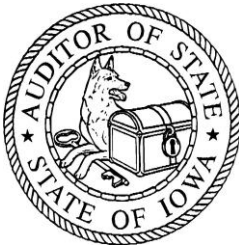
		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	G	25
Notes to Financial Statements		26-43
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		46-47
Budget to GAAP Reconciliation		48
Notes to Required Supplementary Information – Budgetary Reporting		49
Schedule of Funding Progress for the Retiree Health Plan		50
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	52-53
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	54-55
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	56-57
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	58-59
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	60-61
Schedule of Expenditures of Federal Awards	6	62-63
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 <u>Government Auditing Standards</u>		65-66
Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		69-70
Schedule of Findings and Questioned Costs		71-81
Staff		82

**Pottawattamie County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lynn Grobe	Board of Supervisors	Jan 2013
Melvyn Houser	Board of Supervisors	Jan 2013
Scott Belt	Board of Supervisors	Jan 2015
Loren Knauss	Board of Supervisors	Jan 2015
Lynn Leaders	Board of Supervisors	Jan 2015
Marilyn Jo Drake	County Auditor	Jan 2013
Judy Ann Miller	County Treasurer	(Deceased)
Lea Voss (Elected)	County Treasurer	Jan 2015
John F. Sciortino	County Recorder	Jan 2015
Jeffrey Danker	County Sheriff	Jan 2013
Matthew Wilber	County Attorney	Jan 2015
Bill Kealy	County Assessor	Jan 2016

**Pottawattamie County**



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

David A. Vaudt, CPA

Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

## Independent Auditor's Report

To the Officials of Pottawattamie County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pottawattamie County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Pottawattamie County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Pottawattamie County at June 30, 2012, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.


In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2013 on our consideration of Pottawattamie County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for Retiree Health Plan on pages 7 through 13 and 46 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pottawattamie County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (which are not presented herein) and expressed a qualified opinion on those financial statements due to the omission of general fixed assets or capital assets and supplies inventory for the Secondary Roads Fund. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 financial statements. The information has been subjected to the auditing procedures applied in our 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 4, 2013



---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

Pottawattamie County provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2012 FINANCIAL HIGHLIGHTS

- Pottawattamie County's governmental activities revenues increased 0.8%, or approximately \$523,000, over fiscal year 2011 (FY11). This includes an increase in property and other county tax of approximately \$1,177,000, tax increment financing decreased approximately \$237,000, charges for service increased approximately \$94,000, operating grants, contributions and restricted interest decreased approximately \$786,000, capital grants, contributions and restricted interest increased approximately \$254,000 and gain on disposition of capital assets decreased approximately \$374,000. In addition, the County received approximately \$797,000 of insurance recoveries during fiscal year 2012.
- Pottawattamie County's governmental activities expenses increased 13.5%, or approximately \$8,081,000, over FY11. Public safety and legal services expenses increased approximately \$2,879,000, mental health expenses increased approximately \$1,828,000, roads and transportation expenses increased approximately \$1,675,000, county environment and education expenses increased approximately \$589,000, administration expenses increased approximately \$854,000 and interest on long-term debt decreased approximately \$80,000.
- Pottawattamie County's net assets decreased approximately \$2,353,000 from FY11.
- As of the close of FY12, Pottawattamie County had ending fund balances of \$8,067,187 in the General Fund, \$1,775,847 in the Special Revenue, Mental Health Fund, \$464,182 in the Special Revenue, Rural Services Fund, \$7,417,408 in the Special Revenue, Secondary Roads Fund and \$186,719 in the Debt Service Fund.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and as 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 Assets and a Statement of Activities. These provide information about the activities of Pottawattamie 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 Pottawattamie County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Pottawattamie County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

*Required Supplementary Information* further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

*Supplementary Information* provides detailed information about the nonmajor governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

## **REPORTING THE COUNTY AS A WHOLE:**

### *The Statement of Net Assets and the Statement of Activities*

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 Assets and the Statement of Activities report information about activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus. This 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 Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 periods.

The County's governmental activities are displayed in the Statement of Net Assets 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.

## **REPORTING THE COUNTY BY FUNDS:**

### *The Fund Financial Statements*

The fund financial statements provide detailed information about individual, significant funds, not the County as a whole. Some funds are required to be established by Iowa law or by bond covenants. The County can establish other funds to help it control and manage money for particular purposes.

The County has two 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. These *governmental funds* include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general government 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) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for special assessments, emergency management services and the County Assessor, to name a few.

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

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Pottawattamie County's net assets at the end of FY12 totaled approximately \$96.0 million. This compares to FY11 at approximately \$98.3 million. The analysis that follows focuses on the net assets of governmental activities.

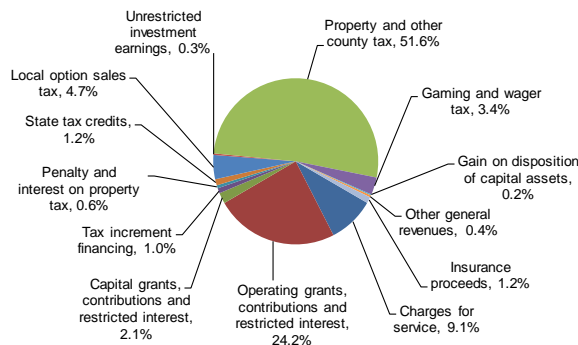
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2012	2011
Current and other assets	\$ 68,241	65,469
Capital assets	91,576	94,741
Total assets	159,817	160,210
Long-term liabilities	21,530	24,629
Other liabilities	42,309	37,250
Total liabilities	63,839	61,879
Net assets:		
Invested in capital assets, net of related debt	76,178	76,769
Restricted	14,201	14,691
Unrestricted	5,599	6,871
Total net assets	\$ 95,978	98,331

Net assets of Pottawattamie County's governmental activities decreased approximately \$2,353,000 from FY11. The largest portion of the County's net assets is invested 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 since they are unavailable for future spending. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements—decreased from approximately \$6.9 million at June 30, 2011 to approximately \$5.6 million at the end of this year, an decrease of 18.51%.

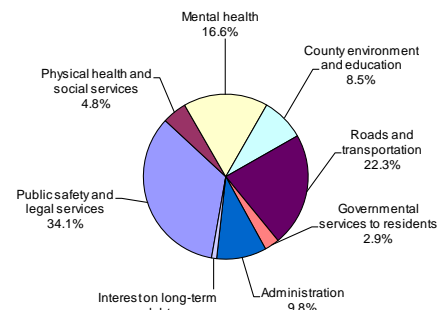
**Changes in Net Assets of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2012	2011
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 5,945	5,851
Operating grants, contributions and restricted interest	15,866	16,652
Capital grants, contributions and restricted interest	1,368	1,114
<b>General revenues:</b>		
Property and other county tax	33,778	32,601
Tax increment financing	682	919
Penalty and interest on property tax	379	457
State tax credits	807	787
Local option sales tax	3,057	3,235
Unrestricted investment earnings	199	266
Gaming and wager tax	2,217	2,169
Gain on disposition of capital assets	126	500
Insurance proceeds	797	-
Other general revenues	248	395
<b>Total revenues</b>	<b>65,469</b>	<b>64,946</b>
<b>Program expenses:</b>		
Public safety and legal services	23,129	20,250
Physical health and social services	3,230	3,108
Mental health	11,285	9,457
County environment and education	5,763	5,174
Roads and transportation	15,124	13,449
Governmental services to residents	1,952	1,738
Administration	6,640	5,786
Interest on long-term debt	699	779
<b>Total expenses</b>	<b>67,822</b>	<b>59,741</b>
<b>Change in net assets</b>	<b>(2,353)</b>	<b>5,205</b>
<b>Net assets beginning of year</b>	<b>98,331</b>	<b>93,126</b>
<b>Net assets end of year</b>	<b>\$ 95,978</b>	<b>98,331</b>

**Revenues by Source**



**Expenses by Program**



Pottawattamie County's net assets of governmental activities decreased approximately \$2,353,000 during the year. Revenues increased approximately \$523,000 and expenses increased approximately \$8,081,000.

Pottawattamie County's property tax levy rates decreased \$.04252 per \$1,000 of taxable valuation for the mental health levy, increased \$.08750 per \$1,000 of taxable valuation for the general supplemental levy and decreased \$.01548 per \$1,000 of taxable valuation for the countywide levy. The countywide taxable property valuation increased \$168,577,298.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Pottawattamie County completed the year, its governmental funds reported a combined fund balance of \$23,249,449, which is \$3,910,527 less than the combined fund balance of \$27,159,976 at the end of FY11.

The General Fund, the operating fund for Pottawattamie County, ended FY12 with an \$8,067,187 ending balance. This was a decrease of \$244,003 from FY11's ending balance. Taxable property valuation increased from FY11 to FY12 and the general supplemental levy rate increased from \$1.88989 per \$1,000 of taxable valuation in FY11 to \$1.97739 per \$1,000 of taxable valuation in FY12. Property and other county tax increased due to the increase in property valuation and levy rate. Additionally, County received approximately \$797,000 of insurance proceeds in FY12 as result of the hail storm which is shown as an other financing source. Expenditures increased primarily due to increases in public safety and administration due to wages and benefits for jail and county sheriff services and repair costs from the hail storm.

Pottawattamie County continues to try to effectively manage the cost of mental health services. Mental health expenditures increased \$1,830,274, or 19.4%, in FY12 from FY11 due to the rising cost of health care services. The Special Revenue, Mental Health Fund ending balance for FY12 was \$1,775,847, a decrease of \$2,189,398 from FY11. The \$1.02965 per \$1,000 of taxable valuation FY12 tax levy was \$.04252 per \$1,000 of taxable valuation less than the FY11 levy rate of \$1.07217 per \$1,000 of taxable valuation.

The Special Revenue, Rural Services Fund ended FY12 with a \$464,182 balance compared to the prior year ending balance of \$795,767. Property valuation increased from FY11 to FY12 and the levy rate decreased from \$3.14551 per \$1,000 of taxable valuation in FY11 to \$3.09948 per \$1,000 of taxable valuation in FY12. Rural Services Fund expenditures decreased \$51,131 from FY11 to FY12.

The Special Revenue, Secondary Roads Fund ended FY12 with a \$7,417,408 balance compared to the prior year ending balance of \$7,734,984. Secondary Roads Fund expenditures increased \$2,400,389 over FY11, mainly due to a significant increase in capital road projects and emergency and disaster repairs from the summer of 2011 flooding. The Department worked on the maintenance of rock, dirt and paved roads during the year and continued work on contract services for building code permits and inspections.

The Debt Service Fund ended FY12 with a \$186,719 balance compared to the prior year ending balance of \$210,042. The decrease was due to a decrease in collections from property tax as the levy rate decreased from \$3.14551 per \$1,000 of taxable valuation in FY11 to \$3.09948 per \$1,000 of taxable valuation in FY12.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Pottawattamie County amended its budget two times. The first amendment was made in March 2012 and resulted in an increase in budgeted disbursements of \$548,000, with \$100,000 related to public safety and legal services for the jail department and \$400,000 related to administration for various data center maintenance and standardization costs and storm repairs.

The second amendment was made in May 2012 and resulted in an increase in budgeted disbursements of \$3,632,102, primarily for repair costs for the summer of 2011 Missouri River flooding.

The County's receipts were \$3,290,449 less than budgeted. Miscellaneous and intergovernmental receipts were approximately \$1,982,000 and \$986,000, respectively, less than the amended budget since outside grant funding for certain cities in the County and the County tourism grant did not materialize as planned and the County is still waiting for reimbursement for flood repair work from various state agencies. In addition, the County received approximately \$797,000 of insurance proceeds which are reported as an other financing source but were budgeted as miscellaneous receipts.

Total disbursements were \$10,314,599 less than the amended budget. Actual disbursements for the county environment and education, roads and transportation and physical health and social services functions were approximately \$2,302,00, \$3,213,000 and \$420,000, respectively, less than budgeted. These differences were due to projects and repairs not being completed as planned during FY12 and being carried over to the following fiscal year. Also, disbursements in the debt service function exceeded the amount budgeted at year end and two departments exceeded the amount appropriated prior to an appropriation amendment.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of FY12, Pottawattamie County had approximately \$91,576,000 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease of approximately \$3,166,000 from the FY11 balance, due mainly to increases in the County's depreciation as result of completion of the E911 tower project.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2012	2011
Land	\$ 5,265	5,265
Intangibles, not amortized	3,993	3,993
Construction in progress	269	19,582
Buildings and improvements	23,973	23,353
Equipment and vehicles	22,848	6,578
Intangibles, amortized	112	80
Infrastructure	35,116	35,890
Total	<u>\$ 91,576</u>	<u>94,741</u>

Pottawattamie County had depreciation/amortization expense of \$6,132,260 in FY12 and total accumulated depreciation/amortization of approximately \$68.5 million on the capital assets at the end of FY12. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

## Long-Term Debt

At the end of FY12, Pottawattamie County had approximately \$19,350,000 in long-term debt outstanding compared to approximately \$22,600,000 outstanding at the end of FY11, as shown below.

Outstanding Debt of Governmental Activities at Year-End		
(Expressed in Thousands)		
	June 30,	
	2012	2011
General obligation bonds	\$ 4,115	4,560
General obligation refunding notes	990	1,160
Airport road agreement	330	430
General obligation capital loan notes	13,885	16,390
Farm to market loans	30	60
Total	\$ 19,350	22,600

Outstanding debt decreased as a result of payment on the debt. 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. Pottawattamie County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$373 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

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

Pottawattamie County's elected and appointed officials and citizens considered many factors when setting the FY13 budget, tax rates and fees which apply for the various County services. One of those factors is the economy.

The economy and unemployment indicators were taken into account when adopting the County budget for FY13. Budgeted expenditures for FY13 are \$83,223,772, an increase of \$10,325,729 from the FY12 amended budget. The increase in the FY13 budget is primarily due to more capital projects, departmental costs and 2011 flood related disbursements resulting in a \$6,400,000 Hazard Mitigation Grant.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Pottawattamie 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 Pottawattamie County Auditor Marilyn Jo Drake or Deputy Auditor Becky Belt at the Pottawattamie County Auditor's Office, by mail at 227 S. 6<sup>th</sup> Street, Council Bluffs, Iowa 51501, or by telephone at (712) 328-5700.

**Pottawattamie County**



## **Basic Financial Statements**

**Exhibit A**

Pottawattamie County  
Statement of Net Assets  
June 30, 2012

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 23,094,933
Receivables:	
Property tax:	
Delinquent	94,145
Succeeding year	37,809,000
Interest and penalty on property tax	449,974
Accounts	899,131
Loans	29,840
Due from other governments	4,403,451
Inventories	1,019,085
Prepaid items	441,769
Capital assets, not being depreciated/amortized	9,527,587
Capital assets, net of accumulated depreciation/amortization	82,048,120
<b>Total assets</b>	<u>159,817,035</u>
<b>Liabilities</b>	
Accounts payable	1,471,412
Accrued interest payable	52,237
Salaries and benefits payable	1,001,894
Due to other governments	1,974,131
Deferred revenue:	
Succeeding year property tax	37,809,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	455,000
General obligation refunding notes	180,000
Airport road agreement	70,000
General obligation capital loan notes	2,575,000
Farm to market loans	29,840
Compensated absences	1,087,578
Portion due or payable after one year:	
General obligation bonds	3,660,000
General obligation refunding notes	810,000
Airport road agreement	260,000
General obligation capital loan notes	11,310,000
Compensated absences	657,117
Net OPEB liability	436,000
<b>Total liabilities</b>	<u>63,839,209</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	76,177,350
Restricted for:	
Supplemental levy purposes	2,032,831
Mental health purposes	1,656,420
Rural services purposes	407,500
Secondary roads purposes	8,805,958
Debt service	144,298
Other purposes	1,561,792
Unrestricted	5,191,677
<b>Total net assets</b>	<u>\$ 95,977,826</u>

See notes to financial statements.

Pottawattamie County

Statement of Activities

Year ended June 30, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Contributions and Restricted Interest	Operating Grants, Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 23,129,010	3,357,915	621,121	99,325	(19,050,649)
Physical health and social services	3,230,386	207,946	1,535,431	-	(1,487,009)
Mental health	11,285,020	63,154	4,253,372	-	(6,968,494)
County environment and education	5,762,602	513,710	1,350,149	-	(3,898,743)
Roads and transportation	15,124,004	175,533	6,969,425	1,268,965	(6,710,081)
Governmental services to residents Administration	1,952,131	1,299,926	11,550	-	(640,655)
Administration	6,639,923	326,534	1,124,515	-	(5,188,874)
Interest on long-term debt	698,909	-	-	-	(698,909)
<b>Total</b>	<b>\$ 67,821,985</b>	<b>5,944,718</b>	<b>15,865,563</b>	<b>1,368,290</b>	<b>(44,643,414)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					30,126,050
Debt service					3,652,043
Tax increment financing					682,057
Penalty and interest on property tax					379,150
State tax credits					807,137
Local option sales tax					3,057,227
Pari-mutuel and gaming wager tax					2,217,416
Unrestricted investment earnings					198,880
Gain on disposition of capital assets					126,237
Insurance proceeds					796,562
Miscellaneous					247,683
<b>Total general revenues</b>					<b>42,290,442</b>
Change in net assets					(2,352,972)
Net assets beginning of year					98,330,798
Net assets end of year					<b>\$ 95,977,826</b>
See notes to financial statements.					

Pottawattamie County

Balance Sheet  
Governmental Funds

June 30, 2012

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 8,053,976	3,063,473	428,887	6,261,327
Receivables:				
Property tax:				
Delinquent	61,636	11,586	11,107	-
Succeeding year	23,719,000	4,895,000	4,767,000	-
Interest and penalty on property tax	449,974	-	-	-
Accounts	248,423	10,905	5,236	1,731
Loans	-	-	-	29,840
Due from other governments	1,128,569	358,928	109,353	2,542,878
Inventories	-	-	-	1,019,085
Prepaid items	399,946	-	-	41,823
<b>Total assets</b>	<b>\$ 34,061,524</b>	<b>8,339,892</b>	<b>5,321,583</b>	<b>9,896,684</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 526,296	275,936	14,099	554,281
Salaries and benefits payable	775,633	65,783	29,287	131,191
Due to other governments	102,549	1,310,156	4,714	22,607
Deferred revenue:				
Succeeding year property tax	23,719,000	4,895,000	4,767,000	-
Other	870,859	17,170	42,301	1,771,197
Total liabilities	25,994,337	6,564,045	4,857,401	2,479,276
Fund balances:				
Nonspendable:				
Inventories	-	-	-	1,019,085
Prepaid items	399,946	-	-	41,823
Restricted for:				
Supplemental levy purposes	2,195,646	-	-	-
Mental health purposes	-	1,775,847	-	-
Rural services purposes	-	-	456,682	-
Secondary roads purposes	-	-	-	6,356,500
Drainage warrants/drainage improvement certificate	-	-	-	-
Conservation land acquisition/capital improvements	109,123	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	36,252	-	7,500	-
Assigned for:				
Property tax relief	925,138	-	-	-
County Attorney's Office	56,575	-	-	-
Land purchase	2,064,058	-	-	-
Flood and erosion	112,646	-	-	-
Conservation structures	96,040	-	-	-
Unassigned	2,071,763	-	-	-
Total fund balances	8,067,187	1,775,847	464,182	7,417,408
<b>Total liabilities and fund balances</b>	<b>\$ 34,061,524</b>	<b>8,339,892</b>	<b>5,321,583</b>	<b>9,896,684</b>

See notes to financial statements.

Debt Service	Nonmajor	Total
198,222	5,089,048	23,094,933
9,816	-	94,145
3,900,000	528,000	37,809,000
-	-	449,974
-	632,836	899,131
-	-	29,840
-	263,723	4,403,451
-	-	1,019,085
-	-	441,769
4,108,038	6,513,607	68,241,328
11,503	89,297	1,471,412
-	-	1,001,894
-	534,105	1,974,131
3,900,000	528,000	37,809,000
9,816	24,099	2,735,442
3,921,319	1,175,501	44,991,879
-	-	1,019,085
-	-	441,769
-	-	2,195,646
-	-	1,775,847
-	-	456,682
-	-	6,356,500
-	10,754	10,754
-	-	109,123
186,719	-	186,719
-	3,921,643	3,921,643
-	1,405,709	1,449,461
-	-	925,138
-	-	56,575
-	-	2,064,058
-	-	112,646
-	-	96,040
-	-	2,071,763
186,719	5,338,106	23,249,449
4,108,038	6,513,607	68,241,328

**Pottawattamie County**

Pottawattamie County

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

June 30, 2012

<b>Total governmental fund balances (page 19)</b>	\$ 23,249,449
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$160,105,511 and the accumulated depreciation/amortization is \$68,529,804.	91,575,707
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	2,735,442
Long-term liabilities, including notes payable, bonds payable, airport road agreement payable, farm to market loans payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(21,582,772)</u>
<b>Net assets of governmental activities (page 16)</b>	<u><u>\$ 95,977,826</u></u>
See notes to financial statements.	

Pottawattamie County

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

Year ended June 30, 2012

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 24,067,639	4,108,073	4,178,828	-
Local option sales tax	-	-	458,585	2,140,057
Interest and penalty on property tax	318,477	-	-	-
Intergovernmental	5,377,540	4,916,042	198,223	6,850,272
Licenses and permits	550	-	184,855	2,355
Charges for service	2,578,091	-	38,378	104,409
Use of money and property	178,330	-	1,859	-
Miscellaneous	351,273	63,271	1,239	68,989
<b>Total revenues</b>	<b>32,871,900</b>	<b>9,087,386</b>	<b>5,061,967</b>	<b>9,166,082</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	20,234,308	-	5,208	-
Physical health and social services	3,018,549	-	178,661	-
Mental health	-	11,276,784	-	-
County environment and education	2,137,845	-	1,072,184	-
Roads and transportation	-	-	-	11,503,354
Governmental services to residents	1,824,566	-	4,747	-
Administration	6,682,534	-	3,000	-
Debt service	-	-	-	-
Capital projects	-	-	-	2,610,304
<b>Total expenditures</b>	<b>33,897,802</b>	<b>11,276,784</b>	<b>1,263,800</b>	<b>14,113,658</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,025,902)</b>	<b>(2,189,398)</b>	<b>3,798,167</b>	<b>(4,947,576)</b>
<b>Other financing sources (uses):</b>				
Insurance proceeds	796,562	-	-	-
Operating transfers in	485,585	-	-	4,630,000
Operating transfers out	(500,248)	-	(4,129,752)	-
<b>Total other financing sources (uses)</b>	<b>781,899</b>	<b>-</b>	<b>(4,129,752)</b>	<b>4,630,000</b>
<b>Change in fund balances</b>	<b>(244,003)</b>	<b>(2,189,398)</b>	<b>(331,585)</b>	<b>(317,576)</b>
Fund balances beginning of year	8,311,190	3,965,245	795,767	7,734,984
<b>Fund balances end of year</b>	<b>\$ 8,067,187</b>	<b>1,775,847</b>	<b>464,182</b>	<b>7,417,408</b>

See notes to financial statements.



Debt Service	Nonmajor	Total
3,654,423	682,057	36,691,020
-	458,585	3,057,227
-	-	318,477
83,304	479,710	17,905,091
-	-	187,760
-	16,513	2,737,391
64,986	19,669	264,844
-	1,182,081	1,666,853
<u>3,802,713</u>	<u>2,838,615</u>	<u>62,828,663</u>
-	459,499	20,699,015
-	224	3,197,434
-	-	11,276,784
-	2,458,086	5,668,115
-	-	11,503,354
-	60,085	1,889,398
-	-	6,685,534
3,826,036	-	3,826,036
-	179,778	2,790,082
<u>3,826,036</u>	<u>3,157,672</u>	<u>67,535,752</u>
(23,323)	(319,057)	(4,707,089)
-	-	796,562
-	-	5,115,585
-	(485,585)	(5,115,585)
-	(485,585)	796,562
(23,323)	(804,642)	(3,910,527)
<u>210,042</u>	<u>6,142,748</u>	<u>27,159,976</u>
<u>186,719</u>	<u>5,338,106</u>	<u>23,249,449</u>

Pottawattamie County

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

Year ended June 30, 2012

**Change in fund balances - Total governmental funds (page 23)** \$(3,910,527)

**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. Depreciation/amortization expense exceeded capital outlay expenditures and contributed capital assets in the current year, as follows:

Expenditures for capital assets	\$ 2,740,962	
Capital assets contributed by others	99,325	
Depreciation/amortization expense	<u>(6,132,260)</u>	(3,291,973)

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. 126,237

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

Property tax	(13,454)	
Other	<u>1,631,680</u>	1,618,226

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 3,249,839

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	(72,901)	
Interest on long-term debt	7,127	
Net OPEB liability	<u>(79,000)</u>	(144,774)

**Change in net assets of governmental activities (page 17)** \$(2,352,972)

See notes to financial statements.

Pottawattamie County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2012

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 6,407,413
Other County officials	281,871
Receivables:	
Property tax:	
Delinquent	337,877
Succeeding year	128,360,000
Accounts	65,059
Special assessments	2,206,029
Drainage assessments	170,767
Due from other governments	706,760
Prepaid items	53,271
<b>Total assets</b>	138,589,047

**Liabilities**

Accounts payable	98,924
Stamped warrants payable	380,853
Salaries and benefits payable	73,043
Due to other governments	136,444,352
Trusts payable	1,278,165
Compensated absences	313,710
<b>Total liabilities</b>	138,589,047

<b>Net assets</b>	\$ -
-------------------	------

See notes to financial statements.

Pottawattamie County

Notes to Financial Statements

June 30, 2012

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

Pottawattamie 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, Pottawattamie 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 Pottawattamie 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.

Certain 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 Pottawattamie County Board of Supervisors. These drainage districts are reported as a Special Revenue Fund. The County has other drainage districts that are managed and supervised by elected trustees. The financial transactions of these districts are reported as an Agency Fund. Financial information of the individual drainage districts can be obtained from the Pottawattamie County Auditor's Office.

The Conservation Foundation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Pottawattamie County Conservation Board. These donations are to be used to purchase items not included in the County's budget. The financial transactions of the Foundation are reported as a Special Revenue Fund.

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: Pottawattamie County Assessor's Conference Board, Pottawattamie County Emergency Management Commission, Pottawattamie County Joint E911 Service Board and Southwest Iowa Juvenile Emergency Services 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 Agency Funds of the County.

In addition, the County is involved in the following jointly governed organizations: Western Iowa Development Association, Metropolitan Area Planning Agency and Southwest Iowa Transit Authority. Financial transactions of these organizations are not included in the County's financial statements.

#### B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets 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 Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* 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 assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the programs. 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 classification – committed, assigned and then unassigned fund balance.

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, Liabilities and Fund Equity

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

Cash 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.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property

valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

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

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

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not 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. Special assessments receivable represent assessments which have been made but have not been collected.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Intangibles - Right of Way	50,000
Intangibles - Other	100,000
Equipment and vehicles	5,000



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

Asset Class	Estimated Useful lives (In Years)
Infrastructure	10 - 100
Buildings and improvements	10 - 50
Intangibles - Other	2 - 20
Equipment	3 - 20
Vehicles	3 - 15

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

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

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

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, compensatory time 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 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, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

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.

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

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

Restricted – Amounts restricted to specific purposes when constraints placed on the use of 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 intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the debt service function and disbursements in certain departments exceeded the amounts appropriated prior to amendment.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2012 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 insure 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 Conservation Foundation's investments at June 30, 2012 consist of stocks and stock mutual funds with a fair value of \$78,245. Disclosure of concentration of credit risk and interest rate risk do not apply to these investments.

### (3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Capital Projects	\$ 485,585
Special Revenue: Secondary Roads	General Special Revenue: Rural Services	500,248 4,129,752
		<u>4,630,000</u>
Total		<u>\$ 5,115,585</u>

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

### (4) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Beginning Balance of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated/amortized:				
Land	\$ 5,265,114	-	-	5,265,114
Intangibles, road network	3,993,059	-	-	3,993,059
Construction in progress	19,582,162	1,877,411	21,190,159	269,414
Total capital assets not being depreciated/amortized	<u>28,840,335</u>	<u>1,877,411</u>	<u>21,190,159</u>	<u>9,527,587</u>
Capital assets being depreciated/amortized:				
Buildings	33,592,999	1,479,378	-	35,072,377
Improvements other than buildings	1,586,916	-	-	1,586,916
Equipment and vehicles	17,142,238	19,211,868	444,685	35,909,421
Intangibles, other	120,000	107,338	-	227,338
Infrastructure, road network	75,607,437	1,546,233	-	77,153,670
Infrastructure, other	628,202	-	-	628,202
Total capital assets being depreciated/amortized	<u>128,677,792</u>	<u>22,344,817</u>	<u>444,685</u>	<u>150,577,924</u>
Less accumulated depreciation/amortization for:				
Buildings	11,008,936	787,042	-	11,795,978
Improvements other than buildings	818,195	72,524	-	890,719
Equipment and vehicles	10,563,682	2,876,922	379,140	13,061,464
Intangibles, other	40,000	75,779	-	115,779
Infrastructure, road network	40,142,118	2,301,989	-	42,444,107
Infrastructure, other	203,753	18,004	-	221,757
Total accumulated depreciation/amortization	<u>62,776,684</u>	<u>6,132,260</u>	<u>379,140</u>	<u>68,529,804</u>
Total capital assets being depreciated/amortized, net	<u>65,901,108</u>	<u>16,212,557</u>	<u>65,545</u>	<u>82,048,120</u>
Governmental activities capital assets, net	<u>\$94,741,443</u>	<u>18,089,968</u>	<u>21,255,704</u>	<u>91,575,707</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$2,077,597
Physical health and social services	24,640
County environment and education	175,738
Roads and transportation	3,411,162
Governmental services to residents	49,410
Administration	393,713
Total depreciation/amortization expense - governmental activities	<u>\$6,132,260</u>

**(5) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2012 is as follows:

Fund	Description	Amount
General	Services	\$ 102,549
Special Revenue:		
Mental Health	Services	1,310,156
Rural Services	Services	4,714
Secondary Roads	Services	22,607
Nonmajor	Services	534,105
		<u>1,871,582</u>
Total for governmental funds		<u>\$ 1,974,131</u>
Agency:		
County Assessor	Collections	\$ 1,532,153
Schools		65,968,768
Community Colleges		4,875,387
Corporations		56,648,066
E911 Surcharge		1,648,435
Auto License and Use Tax		1,862,956
All other		3,908,587
Total for agency funds		<u>\$ 136,444,352</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	General General Obligation Bonds	Obligation Refunding Notes	Airport Road Agreement	General Obligation Capital Loan Notes	Farm to Market Loans	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 4,560,000	1,160,000	430,000	16,390,000	59,679	1,671,794	357,000	24,628,473
Increases	-	-	-	-	-	1,417,293	79,000	1,496,293
Decreases	445,000	170,000	100,000	2,505,000	29,839	1,344,392	-	4,594,231
Balance end of year	<u>\$ 4,115,000</u>	<u>990,000</u>	<u>330,000</u>	<u>13,885,000</u>	<u>29,840</u>	<u>1,744,695</u>	<u>436,000</u>	<u>21,530,535</u>
Due within one year	<u>\$ 455,000</u>	<u>180,000</u>	<u>70,000</u>	<u>2,575,000</u>	<u>29,840</u>	<u>1,087,578</u>	<u>-</u>	<u>4,397,418</u>

### General Obligation Bonds

On October 27, 2009, the County issued \$5,000,000 of general obligation bonds with interest rates ranging from 1.50% to 4.75% per annum to pay costs of acquisition of peace officer and other emergency services communication equipment and systems, an essential county purpose. Annual debt service requirements to maturity for the general obligation bonds are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	2.50%	\$ 455,000	160,288	615,288
2014	3.00	465,000	148,913	613,913
2015	3.40	480,000	134,963	614,963
2016	3.80	500,000	118,643	618,643
2017	4.20	515,000	99,643	614,643
2018-2020	4.40-4.75	1,700,000	160,529	1,860,529
Total		\$ 4,115,000	822,979	4,937,979

During the year ended June 30, 2012, \$445,000 of general obligation bonds were retired.

### General Obligation Refunding Notes

On May 3, 2005, the County issued \$1,950,000 of general obligation refunding notes with interest rates ranging from 3.25% to 4.00% per annum. Annual debt service requirements to maturity for the general obligation refunding notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	3.60%	\$ 180,000	37,705	217,705
2014	3.70	190,000	31,225	221,225
2015	3.80	200,000	24,195	224,195
2016	3.90	205,000	16,595	221,595
2017	4.00	215,000	8,600	223,600
Total		\$ 990,000	118,320	1,108,320

During the year ended June 30, 2012, \$170,000 of general obligation refunding notes were retired.

### Airport Road Agreement

The County and the Council Bluffs Airport Authority (CBAA) entered into a 28E agreement on February 23, 2004 relating to airport improvements, including road improvements. The County was to reimburse CBAA 25% of the final cost of the road improvements which were completed in July 2005. However, the County and CBAA were unable to reach an agreement on the amount due by the County for these improvements at the time of completion.

During the year ended June 30, 2007, the County and CBAA agreed the County would pay CBAA \$1,000,000 in twenty semi-annual payments of \$50,000, interest free, beginning July 1, 2006 and ending on December 31, 2015. The agreement was formally signed on July 9, 2007.

The County paid a total of \$100,000 to CBAA during the year ended June 30, 2012, leaving a balance owed of \$330,000 at June 30, 2012.

General Obligation Capital Loan Notes

On December 1, 2007, the County issued \$5,625,000 of general obligation capital loan notes with interest rates ranging from 3.20% to 3.60% per annum to erect, equip and remodel or reconstruct public buildings, including sewers and E911 towers, and to erect, equip, remodel or construct the County Courthouse.

On June 1, 2008, the County issued \$9,620,000 of general obligation capital loan notes with interest rates ranging from 3.00% to 3.80% per annum to purchase communication equipment to be used by peace officers and emergency services community equipment and systems.

On April 15, 2010, the County issued \$5,540,000 of general obligation capital loan refunding notes with interest rates ranging from 1.00% to 2.30% per annum. The notes were issued as a current refunding to retire the outstanding balance of \$5,445,000 of the \$9,140,000 general obligation refunding bonds issued January 1, 2004.

Annual debt service requirements to maturity for the general obligation capital loan notes are as follows:

Year Ending June 30,	Issued December 1, 2007			Issued June 1, 2008		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2013	3.35%	\$ 635,000	118,830	3.15%	\$ 1,030,000	239,207
2014	3.40	655,000	97,558	3.40	1,060,000	206,763
2015	3.50	680,000	75,287	3.55	1,095,000	170,722
2016	3.55	705,000	51,488	3.65	1,135,000	131,850
2017	3.60	735,000	26,460	3.75	1,175,000	90,423
2018		-	-	3.80	1,220,000	46,360
Total		\$ 3,410,000	369,623		\$ 6,715,000	885,325

Year Ending June 30,	Issued April 15, 2010			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2013	1.50%	\$ 910,000	70,815	2,575,000	428,852	3,003,852
2014	1.70	925,000	57,165	2,640,000	361,486	3,001,486
2015	2.00	945,000	41,440	2,720,000	287,449	3,007,449
2016	2.30	980,000	22,540	2,820,000	205,878	3,025,878
2017		-	-	1,910,000	116,883	2,026,883
2018		-	-	1,220,000	46,360	1,266,360
Total		\$ 3,760,000	191,960	13,885,000	1,446,908	15,331,908

During the year ended June 30, 2012, \$2,505,000 of general obligation capital loan notes were retired.

Farm to Market Loans

The County loaned the City of Minden proceeds from the County's farm to market funds held by the Iowa Department of Transportation (IDOT) for the City's share of paving projects costs paid by the County. As the County receives payments on the loans from the City of Minden, the County repays the IDOT. The interest free loans are due through fiscal year 2013. The unpaid balance at June 30, 2012 due from the City of Minden was \$29,840 and is reported in the Special Revenue, Secondary Roads Fund as a loan receivable.

**(7) Pension and Retirement Benefits**

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$2,040,898, \$1,805,934 and \$1,663,103, respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their dependents. There are 408 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug and dental benefits are administered by Wellmark and Mutual of Omaha, respectively. Retirees under age 65 would pay the same premium for the medical/prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 85,000
Interest on net OPEB obligation	16,000
Adjustment to annual required contribution	<u>(22,000)</u>
Annual OPEB cost	79,000
Contributions made	<u>-</u>
Increase in net OPEB obligation	79,000
Net OPEB obligation beginning of year	<u>357,000</u>
Net OPEB obligation end of year	<u>\$ 436,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the County did not contribute to the medical or dental plan. No plan members were eligible for benefits.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 198,390	30.7%	\$ 277,090
2011	79,910	0.0	357,000
2012	79,000	0.0	436,000

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$509,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$509,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$20,582,000 and the ratio of the UAAL to covered payroll was 2.5%. As of June 30, 2012, there were no trust fund assets.

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

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

As of the July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the Actuary's Pension Handbook and applying the termination factors using the Scale T-9 tables.



Projected claim costs of the medical plan range from \$545 to \$1275 per month for retirees less than age 65. All coverage ceases when the retiree or spouse attains age 65 or becomes eligible for Medicare except for COBRA continuation, if elected. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) 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 663 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, public officials liability, police professional liability, property, inland marine and boiler/machinery. 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 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 due and payable in the current 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 to equal 150% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current 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 risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2012 were \$511,300.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. 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, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, 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. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$5,000,000 and \$100,000, 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.

**(10) Economic Development Agreement**

The County entered into two economic development agreements to assist in urban renewal projects, as follows.

The County entered into an economic development agreement with the City of Council Bluffs (City) and three local foundations to develop the Bass Pro Shop project. The County agreed to make an economic development grant to the project, not to exceed \$2,639,478, with interest at 4% per annum. The grant will be paid on a semi-annual basis over a period of thirteen years beginning in fiscal year 2005. The first grant payment was made to a local foundation for costs incurred preparing the project site for construction. All remaining grant payments are required to be paid to a trust account established by the City to be used to pay principal and interest on debt incurred by the City to fund the project. During the year ended June 30, 2012, the County's grant payments totaled \$192,560, bringing the cumulative total to \$2,551,420. The County is funding the economic development grant from pari-mutuel and gaming wager tax. The economic development payments to be made by the County under the agreement are conditioned upon an annual appropriation of funds by the Board of Supervisors. The grant is not a general obligation or indebtedness of the County.

The County entered into a development agreement with the City of Shelby and Midwest Manufacturing to construct a manufacturing facility and distribution center. The County has agreed to make four economic development tax increment payments of \$520,000 to the developer on June 1, 2010 through June 1, 2013 and one final payment of \$320,000 on June 1, 2014. The City of Shelby has agreed to construct and turn over ownership of a water storage facility to the developer. The City incurred \$575,000 in reimbursable costs to construct the water storage facility, which were paid in full as of June 30, 2011. During the year ended June 30, 2012, the County's payments to Midwest Manufacturing totaled \$520,000, bringing the cumulative total to \$1,560,000.

**(11) Jointly Governed Organization**

The County participates in the Southwest Iowa Juvenile Emergency Services Board, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as an Agency Fund because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2012:

Additions:

Reimbursements from Counties:

Pottawattamie County	\$ 853,274	
Shelby County	23,323	
Harrison County	57,294	
Cass County	65,395	
Audubon County	29,856	
Mills County	55,139	
Montgomery County	69,772	
Fremont County	37,957	
Page County	25,740	\$ 1,217,750
State of Iowa meal reimbursement		12,746
State direct receiving grant		38,000
State reimbursement		320,966
Interest on investments		2,333
Iowa detention facility expense reimbursement		65,670
Adult waived juvenile fees		17,560
Miscellaneous		28,970
Total additions		<u>1,703,995</u>

Deductions:

Salaries	741,059	
Employee benefits	285,626	
Commodities and nutrition services	36,930	
Office supplies	16,360	
Communications and transportation	5,056	
Professional services	11,860	
Utilities	22,704	
Building repair and maintenance	19,203	
Insurance	58,211	
Refunds to counties	630,711	
Miscellaneous	1,603	1,829,323
Net		<u>(125,328)</u>
Balance beginning of year		939,735
Balance end of year		<u>\$ 814,407</u>

**(12) Voluntary Termination Benefit Program for the County Assessor's Office**

A voluntary termination benefit program has been established for County Assessor employees. The program allows employees who are eligible, upon a bona fide retirement, to use the value of their unused sick leave to pay the employer's share of the monthly premium of the County Assessor group health insurance plan after their retirement.

Upon retirement, employees shall first receive cash payment for accumulated, unused sick leave, converted at the employee's current regular hourly rate of pay, up to \$3,000, payable with the final payroll warrant that includes the employee's retirement date.

The value of the remaining balance of the accrued sick leave will be converted based upon the original balance (before the cash payment). The remainder of the sick leave value is calculated as follows, based on the number of sick leave hours the employee had before the cash payment:

<b><u>If the sick leave balance is:</u></b>	<b><u>The conversion rate is:</u></b>
Zero to 750 hours	60% of the value
Over 750 hours to 1,500 hours	80% of the value
Over 1,500 hours	100% of the value

The final calculated dollar value will be credited to the employee's Sick Leave Upon Retirement account. Each month, the County Assessor's Office will pay 100% of the employer's share of the selected group health insurance premium from the retiree's Sick Leave Upon Retirement account. The retiree is responsible for any additional premiums associated with the employee/retiree share.

The employer will continue to pay the employer's share of the health insurance premium each month until the converted value of the employee's sick leave balance is exhausted, the employee is eligible for Medicare or the employee waives the benefit, whichever comes first. The converted value of the sick leave can only be applied to the employer's share of health insurance premium payments.

All program benefits are financed on a pay-as-you-go basis by the County Assessor's Office. A liability of \$275,749 has been recorded in the Agency, County Assessor Fund for this benefit program.

For the year ended June 30, 2012, two employees have retired and received benefits totaling \$26,592 during the year under the Sick Leave Upon Retirement program.

**(13) Conduit Debt**

During the year ended June 30, 2007, the County issued \$3,500,000 of senior housing revenue and refunding bonds for the Bethany Lutheran Home and \$11,000,000 of revenue refunding bonds for the Risen Son Christian Village under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and do not constitute liabilities of the County.

**(14) 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 washwater, 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 washwater in the washwater 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, 2012 have been estimated at \$5,556. The County has restricted \$7,500 at June 30, 2012 in the Special Revenue, Rural Services Fund to cover these costs.

**(15) Litigation**

The County agreed to a settlement with Griffin Pipe in a property assessment case and Griffin Pipe is entitled to a tax refund of \$1,041,979. The settlement reduces the value of the property and Griffin Pipe has agreed to allow the refund to be converted to a tax credit for future property tax. A liability has been recorded in the financial statements for the tax refund. For the year ended June 30, 2012, the County applied credits of \$150,854, bringing the total credits applied to \$445,748. The amount to be applied in future years is \$596,231.

**Pottawattamie County**

**Required Supplementary Information**

Pottawattamie 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, 2012

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 39,691,608	-	39,691,608
Interest and penalty on property tax	318,477	-	318,477
Intergovernmental	17,734,291	-	17,734,291
Licenses and permits	189,378	-	189,378
Charges for service	2,683,601	-	2,683,601
Use of money and property	271,182	2,405	268,777
Miscellaneous	1,301,280	71,456	1,229,824
Total receipts	<u>62,189,817</u>	<u>73,861</u>	<u>62,115,956</u>
<b>Disbursements:</b>			
Public safety and legal services	20,633,784	-	20,633,784
Physical health and social services	3,250,400	-	3,250,400
Mental health	10,977,382	-	10,977,382
County environment and education	5,404,692	58,054	5,346,638
Roads and transportation	11,230,908	-	11,230,908
Governmental services to residents	1,880,818	-	1,880,818
Administration	6,719,255	-	6,719,255
Debt service	3,826,035	-	3,826,035
Capital projects	2,898,326	-	2,898,326
Total disbursements	<u>66,821,600</u>	<u>58,054</u>	<u>66,763,546</u>
Excess (deficiency) of receipts over (under) disbursements	(4,631,783)	15,807	(4,647,590)
Other financing, sources, net	<u>796,562</u>	-	<u>796,562</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(3,835,221)	15,807	(3,851,028)
Balance beginning of year	<u>26,930,154</u>	<u>148,058</u>	<u>26,782,096</u>
Balance end of year	<u>\$ 23,094,933</u>	<u>163,865</u>	<u>22,931,068</u>

See accompanying independent auditor's report.



Budgeted Amounts		Final to Net Variance
Original	Final	
40,015,210	40,015,210	(323,602)
304,500	304,500	13,977
18,158,740	18,720,082	(985,791)
322,650	322,650	(133,272)
2,515,255	2,515,255	168,346
317,256	317,256	(48,479)
2,811,452	3,211,452	(1,981,628)
64,445,063	65,406,405	(3,290,449)
20,572,867	21,036,209	402,425
3,622,130	3,670,130	419,730
11,004,088	11,004,088	26,706
7,598,172	7,648,172	2,301,534
11,685,390	14,444,150	3,213,242
2,047,525	2,107,525	226,707
5,944,028	6,744,028	24,773
3,825,448	3,825,448	(587)
6,598,395	6,598,395	3,700,069
72,898,043	77,078,145	10,314,599
(8,452,980)	(11,671,740)	7,024,150
-	-	796,562
(8,452,980)	(11,671,740)	7,820,712
24,608,915	26,782,100	(4)
16,155,935	15,110,360	7,820,708

---

Pottawattamie County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 62,189,817	638,846	62,828,663
Expenditures	66,821,600	714,152	67,535,752
Net	(4,631,783)	(75,306)	(4,707,089)
Other financing sources, net	796,562	-	796,562
Beginning fund balances	26,930,154	229,822	27,159,976
Ending fund balances	\$ 23,094,933	154,516	23,249,449

See accompanying independent auditor's report.

Pottawattamie County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$4,180,102. 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 E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2012, disbursements exceed the amount budgeted in the debt service function and disbursements in certain departments exceeded the amounts appropriated prior to amendment.

Pottawattamie County

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	-	\$ 1,589	1,589	0.00%	\$ 19,763	8.00%
2011	July 1, 2010	-	509	509	0.00	20,642	2.50
2012	July 1, 2010	-	509	509	0.00	20,582	2.50

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

**Supplementary Information**

Pottawattamie County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2012

	Special						
	Conservation Local Option Tax	Resource Enhance- ment and Protection	County Recorder's Records Management	Drainage Districts	Juvenile Diversion	Soil Con- servation District East	Soil Con- servation District West
<b>Assets</b>							
Cash and pooled investments	\$ 97,031	22,585	29,780	10,754	8,342	200,944	184,665
Receivables:							
Succeeding year property tax	-	-	-	-	-	-	-
Accounts	-	-	-	50	-	-	-
Due from other governments	26,053	-	1,448	-	-	26,053	26,053
<b>Total assets</b>	<b>\$ 123,084</b>	<b>22,585</b>	<b>31,228</b>	<b>10,804</b>	<b>8,342</b>	<b>226,997</b>	<b>210,718</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ -	-	-	-	-	3,850	71,661
Due to other governments	-	-	-	-	-	-	-
Deferred revenue:							
Succeeding year property tax	-	-	-	-	-	-	-
Other	-	-	-	50	-	-	-
Total liabilities	-	-	-	50	-	3,850	71,661
Fund balances:							
Restricted for:							
Drainage warrants/drainage improvement certificates	-	-	-	10,754	-	-	-
Capital projects	-	-	-	-	-	-	-
Other purposes	123,084	22,585	31,228	-	8,342	223,147	139,057
Total fund balances	123,084	22,585	31,228	10,754	8,342	223,147	139,057
<b>Total liabilities and fund balances</b>	<b>\$ 123,084</b>	<b>22,585</b>	<b>31,228</b>	<b>10,804</b>	<b>8,342</b>	<b>226,997</b>	<b>210,718</b>

See accompanying independent auditor's report.

Revenue									
Conservation Foundation	Urban Renewal Revenue	Animal Shelter Donations	County Attorney Drug Forfeiture	Special Law Enforcement	Hitchcock Nature Area	District Enhancement Area East	Community Improvement To Increase Economic Stability	Capital Projects	Total
153,111	1,004	21,169	390,874	27,253	12,295	2,598	5,000	3,921,643	5,089,048
-	528,000	-	-	-	-	-	-	-	528,000
-	-	30	-	-	-	-	632,756	-	632,836
-	-	-	29,954	154,162	-	-	-	-	263,723
153,111	529,004	21,199	420,828	181,415	12,295	2,598	637,756	3,921,643	6,513,607
-	-	711	13,075	-	-	-	-	-	89,297
-	-	-	273	33,832	-	-	500,000	-	534,105
-	528,000	-	-	-	-	-	-	-	528,000
-	-	-	6,930	17,119	-	-	-	-	24,099
-	528,000	711	20,278	50,951	-	-	500,000	-	1,175,501
-	-	-	-	-	-	-	-	-	10,754
-	-	-	-	-	-	-	-	3,921,643	3,921,643
153,111	1,004	20,488	400,550	130,464	12,295	2,598	137,756	-	1,405,709
153,111	1,004	20,488	400,550	130,464	12,295	2,598	137,756	3,921,643	5,338,106
153,111	529,004	21,199	420,828	181,415	12,295	2,598	637,756	3,921,643	6,513,607

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

Year ended June 30, 2012

	Special						
	Conservation Local Option Tax	Resource Enhance- ment and Protection	County Recorder's Records Management	Drainage Districts	Juvenile Diversion	Soil Con- servation District East	Soil Con- servation District West
Revenues:							
Property and other county tax	\$ -	-	-	-	-	-	-
Local option sales tax	152,862	-	-	-	-	152,862	152,861
Intergovernmental	-	32,178	-	-	1,193	-	-
Charges for service	-	-	16,513	-	-	-	-
Use of money and property	-	130	248	-	-	-	-
Miscellaneous	10,491	-	-	-	-	-	-
Total revenues	163,353	32,308	16,761	-	1,193	152,862	152,861
Expenditures:							
Operating:							
Public safety and legal services	-	-	-	-	-	-	-
Physical health and social services	-	-	-	-	224	-	-
County environment and education	130,976	62,247	-	-	-	169,605	403,073
Governmental services to residents	-	-	60,085	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Total expenditures	130,976	62,247	60,085	-	224	169,605	403,073
Excess (deficiency) of revenues over (under) expenditures	32,377	(29,939)	(43,324)	-	969	(16,743)	(250,212)
Other financing uses:							
Operating transfers out	-	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	32,377	(29,939)	(43,324)	-	969	(16,743)	(250,212)
Fund balances beginning of year	90,707	52,524	74,552	10,754	7,373	239,890	389,269
Fund balances end of year	\$ 123,084	22,585	31,228	10,754	8,342	223,147	139,057

See accompanying independent auditor's report.



Revenue									
Conservation Foundation	Urban Renewal Revenue	Animal Shelter Donations	County Attorney Drug Forfeiture	Special Law Enforcement	Hitchcock Nature Area	District Enhancement Area East	Community Improvement To Increase Economic Stability	Capital Projects	Total
-	682,057	-	-	-	-	-	-	-	682,057
-	-	-	-	-	-	-	-	-	458,585
-	-	-	104,882	332,773	5,000	-	-	3,684	479,710
-	-	-	-	-	-	-	-	-	16,513
2,405	1,003	-	-	-	-	-	-	15,883	19,669
71,456	-	15,828	-	-	-	-	1,084,306	-	1,182,081
73,861	683,060	15,828	104,882	332,773	5,000	-	1,084,306	19,567	2,838,615
-	-	-	131,174	328,325	-	-	-	-	459,499
-	-	-	-	-	-	-	-	-	224
58,054	647,205	11,345	-	-	21,314	2,717	951,550	-	2,458,086
-	-	-	-	-	-	-	-	-	60,085
-	-	-	-	-	-	-	-	179,778	179,778
58,054	647,205	11,345	131,174	328,325	21,314	2,717	951,550	179,778	3,157,672
15,807	35,855	4,483	(26,292)	4,448	(16,314)	(2,717)	132,756	(160,211)	(319,057)
-	-	-	-	-	-	-	-	(485,585)	(485,585)
15,807	35,855	4,483	(26,292)	4,448	(16,314)	(2,717)	132,756	(645,796)	(804,642)
137,304	(34,851)	16,005	426,842	126,016	28,609	5,315	5,000	4,567,439	6,142,748
153,111	1,004	20,488	400,550	130,464	12,295	2,598	137,756	3,921,643	5,338,106

Pottawattamie County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpor- ations
<b>Assets</b>						
Cash and pooled investments:						
County Treasurer	\$ -	2,483	447,736	797,132	38,253	668,348
Other County officials	279,371	-	-	-	-	-
Receivables:						
Property tax:						
Delinquent	-	546	3,038	190,636	9,134	131,718
Succeeding year	-	260,000	1,397,000	64,981,000	4,828,000	55,848,000
Accounts	4,979	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Drainage assessments	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 284,350</b>	<b>263,029</b>	<b>1,847,774</b>	<b>65,968,768</b>	<b>4,875,387</b>	<b>56,648,066</b>
<b>Liabilities</b>						
Accounts payable	\$ -	-	6,289	-	-	-
Stamped warrants payable	-	-	-	-	-	-
Salaries and benefits payable	-	-	33,583	-	-	-
Due to other governments	248,417	263,029	1,532,153	65,968,768	4,875,387	56,648,066
Trusts payable	35,933	-	-	-	-	-
Compensated absences	-	-	275,749	-	-	-
<b>Total liabilities</b>	<b>\$ 284,350</b>	<b>263,029</b>	<b>1,847,774</b>	<b>65,968,768</b>	<b>4,875,387</b>	<b>56,648,066</b>

See accompanying independent auditor's report.

Townships	City Special Assessments	Special Assessments	SWI Juvenile Emergency Services Board	E911 Surcharge	Auto License and Use Tax	Other	Total	
	7,449	194,465	85,240	432,722	1,565,911	1,862,956	304,718	6,407,413
	-	-	-	2,500	-	-	-	281,871
	2,769	-	-	-	-	-	36	337,877
1,030,000	-	-	-	-	-	16,000	-	128,360,000
	-	-	-	23	60,057	-	-	65,059
	-	1,051,391	1,154,638	-	-	-	-	2,206,029
	-	-	-	-	-	-	170,767	170,767
	-	-	-	330,508	29,940	-	346,312	706,760
	-	-	-	48,654	-	-	4,617	53,271
1,040,218	1,245,856	1,239,878	814,407	1,655,908	1,862,956	842,450	138,589,047	
	-	-	-	8,956	7,473	-	76,206	98,924
	-	-	-	-	-	-	380,853	380,853
	-	-	-	34,338	-	-	5,122	73,043
1,040,218	1,245,856	-	749,800	1,648,435	1,862,956	361,267	136,444,352	
	-	-	1,239,878	-	-	-	2,354	1,278,165
	-	-	-	21,313	-	-	16,648	313,710
1,040,218	1,245,856	1,239,878	814,407	1,655,908	1,862,956	842,450	138,589,047	

Pottawattamie County  
Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpora- tions
<b>Assets and Liabilities</b>						
Balances beginning of year	\$ 181,671	217,611	1,619,914	64,607,710	3,216,341	53,712,824
Additions:						
Property and other county tax	-	266,599	1,488,064	66,026,260	4,952,273	55,700,040
E911 surcharge	-	-	-	-	-	-
State tax credits	-	5,908	28,283	1,500,233	75,708	952,303
Intergovernmental	-	-	-	-	-	-
Office fees and collections	1,729,413	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	1,201,426	-	-	-	-	-
Miscellaneous	-	53	1,465	30,379	1,326	29,180
Total additions	<u>2,930,839</u>	<u>272,560</u>	<u>1,517,812</u>	<u>67,556,872</u>	<u>5,029,307</u>	<u>56,681,523</u>
Deductions:						
Agency remittances:						
To other funds	1,071,211	-	-	-	-	-
To other governments	570,176	227,142	1,289,952	66,195,814	3,370,261	53,746,281
Trusts paid out	1,186,773	-	-	-	-	-
Total deductions	<u>2,828,160</u>	<u>227,142</u>	<u>1,289,952</u>	<u>66,195,814</u>	<u>3,370,261</u>	<u>53,746,281</u>
Balances end of year	<u>\$ 284,350</u>	<u>263,029</u>	<u>1,847,774</u>	<u>65,968,768</u>	<u>4,875,387</u>	<u>56,648,066</u>

See accompanying independent auditor's report.

Townships	City Special Assess- ments	Special Assess- ments	SWI Juvenile Emergency Services Board	E911 Surcharge	Auto License and Use Tax	Tax Sale Redemption	Other	Total
901,732	1,250,033	2,072,107	939,735	1,790,354	1,740,468	-	495,301	132,745,801
1,073,427	-	-	-	-	-	-	14,486	129,521,149
-	-	-	-	540,337	-	-	-	540,337
26,328	-	-	-	-	-	-	298	2,589,061
-	-	-	1,703,995	-	-	-	846,258	2,550,253
-	-	-	-	-	-	-	-	1,729,413
-	-	-	-	-	23,257,871	-	-	23,257,871
-	1,024,382	-	-	-	-	-	165,565	1,189,947
-	-	-	-	-	-	3,214,890	20,968	4,437,284
-	-	-	-	7	-	-	181,690	244,100
1,099,755	1,024,382	-	1,703,995	540,344	23,257,871	3,214,890	1,229,265	166,059,415
-	-	-	411,976	-	722,483	-	-	2,205,670
961,269	1,028,559	-	218,735	674,790	22,412,900	-	1,262,969	151,958,848
-	-	832,229	1,198,612	-	-	3,214,890	-	6,432,504
961,269	1,028,559	832,229	1,829,323	674,790	23,135,383	3,214,890	1,262,969	160,597,022
1,040,218	1,245,856	1,239,878	814,407	1,655,908	1,862,956	-	461,597	138,208,194

Pottawattamie County

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

For the Last Ten Years

	2012	2011	2010	2009
<b>Revenues:</b>				
Property and other county tax	\$ 36,691,020	35,723,484	32,789,867	29,728,916
Local option sales tax	3,057,227	3,235,122	2,670,586	3,043,404
Interest and penalty on property tax	318,477	414,271	351,370	344,333
Intergovernmental	17,905,091	19,562,312	21,344,671	19,330,150
Licenses and permits	187,760	208,229	274,843	1,300,866
Charges for service	2,737,391	2,541,245	2,472,731	2,612,651
Use of money and property	264,844	333,615	366,219	667,913
Miscellaneous	1,666,853	1,168,054	1,748,258	2,872,115
<b>Total</b>	<b>\$ 62,828,663</b>	<b>63,186,332</b>	<b>62,018,545</b>	<b>59,900,348</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 20,699,015	19,690,040	19,163,904	18,066,898
Physical health and social services	3,197,434	3,115,222	3,084,140	2,823,430
Mental health	11,276,784	9,446,510	9,007,878	9,074,447
County environment and education	5,668,115	5,674,072	5,450,475	6,027,498
Roads and transportation	11,503,354	10,438,155	11,023,675	10,813,416
Governmental services to residents	1,889,398	1,689,187	1,764,682	1,906,468
Administration	6,685,534	5,939,596	6,268,178	7,803,198
Debt service	3,826,036	3,832,133	9,647,748	2,651,674
Capital projects	2,790,082	3,054,456	10,667,991	4,462,404
<b>Total</b>	<b>\$ 67,535,752</b>	<b>62,879,371</b>	<b>76,078,671</b>	<b>63,629,433</b>

See accompanying independent auditor's report.

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
27,495,386	26,912,334	25,299,088	24,020,368	22,581,335	21,135,418
2,753,544	2,838,150	3,212,180	2,548,453	2,531,583	2,619,414
356,284	367,473	324,973	424,956	319,773	284,825
21,421,683	19,200,492	14,796,318	14,894,659	15,286,787	15,499,143
249,417	79,260	77,036	80,369	81,539	71,929
2,441,290	2,329,394	2,474,318	2,357,948	2,961,916	2,184,911
1,208,059	1,517,486	1,199,544	785,044	352,015	353,651
2,430,096	1,815,332	1,979,269	1,027,912	1,263,788	684,433
58,355,759	55,059,921	49,362,726	46,139,709	45,378,736	42,833,724
16,846,481	15,730,880	15,344,223	14,629,633	13,554,635	12,419,508
2,737,240	2,661,811	2,726,533	2,573,703	2,449,827	2,752,435
10,399,127	8,235,723	7,583,258	7,208,328	7,266,366	7,276,003
4,328,580	4,546,987	4,597,686	2,815,719	2,613,891	1,991,358
9,713,450	9,896,065	9,090,186	7,654,396	8,916,835	7,829,915
1,728,610	1,505,405	2,007,331	1,387,910	1,345,719	1,224,597
5,884,988	6,613,224	4,967,738	5,769,591	4,948,132	5,935,402
2,116,214	1,654,668	1,848,183	1,978,668	1,900,241	1,593,806
7,269,540	3,121,579	1,602,230	1,368,193	1,803,575	2,746,406
61,024,230	53,966,342	49,767,368	45,386,141	44,799,221	43,769,430

**Schedule 6**

Pottawattamie County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expendi- tures
Direct:			
U.S. Department of Commerce:			
Economic Development Administration:			
Economic Development - Support for Planning Organizations	11.302	05-86-04867	\$ 15,049
Total direct			<u>15,049</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	14768607	5,082
National School Lunch Program	10.555	14768607	7,654
			<u>12,736</u>
Iowa Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5882A052	354,166
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5882A091	17,477
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5881A052	155,968
			<u>527,611</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		61,188
Iowa Department of Agriculture and Land Stewardship:			
WIC Farmers' Market Nutrition Program (FMNP)	10.572		<u>2,054</u>
U.S. Department of Justice:			
Iowa Department of Human Rights:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540		<u>38,000</u>
U.S. Department of Transportation:			
The Omaha-Council Bluffs Metropolitan Area Planning Agency: Highway Planning and Construction	20.205		<u>60,000</u> **
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO78(160)-8J-78	473,307
Highway Planning and Construction	20.205	BROS-CO78(161)-8J-78	123,891
Highway Planning and Construction	20.205	BROS-CO78(162)-8J-78	197,930
Highway Planning and Construction	20.205	IA-11-01-78-01	131,486
Highway Planning and Construction	20.205	IA-11-01-78-02	40,787
Highway Planning and Construction	20.205	IA-11-01-78-03	31,430
Highway Planning and Construction	20.205	IA-11-01-78-04	15,487
Highway Planning and Construction	20.205	IA-11-01-78-05	43,000
			<u>1,057,318</u> **
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5881BT78	28,843
Public Health Emergency Preparedness	93.069	5882BT78	48,322
Public Health Emergency Preparedness	93.069	5881BT378	22,442
			<u>99,607</u>



Pottawattamie County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expendi- tures
Indirect (continued):			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State Administered Program	93.566		101
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		13,483
Foster Care - Title IV-E	93.658		22,345
Adoption Assistance	93.659		6,536
Children's Health Insurance Program	93.767		212
Medical Assistance Program	93.778		57,556
Social Services Block Grant	93.667		19,554
Social Services Block Grant	93.667		391,426
			<u>410,980</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	HMGP-DR-1998-004-01	9,517
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1763-DRIA	204,120
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1998-DRIA	1,529,263
			<u>1,742,900</u>
Emergency Management Performance Grants	97.042	EMPG - 12 - PT - 78	39,000
Homeland Security Grant Program	97.067	2008-GE-T8-2008-014a	97,156
Homeland Security Grant Program	97.067	2009-SS-T9-0034-010a	30,008
			<u>127,164</u>
City of Des Moines:			
Homeland Security Grant Program	97.067	2008-GE-T8-2008-009-EOD	97,500 *
Southwest Iowa Planning Council:			
Homeland Security Grant Program	97.067	2009-SS-T9-0034-04	4,245
			<u>228,909</u>
Total indirect			4,380,536
Total			<u>\$ 4,395,585</u>

\* Noncash award

\*\* Total for CFDA Number 20.205 is \$1,117,318

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Pottawattamie County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**Pottawattamie County**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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 Pottawattamie County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pottawattamie County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 4, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Pottawattamie County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Pottawattamie County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pottawattamie County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pottawattamie County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12 through II-C-12 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-D-12 through II-F-12 to be significant deficiencies.

## Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


Pottawattamie County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Pottawattamie County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Pottawattamie County and other parties to whom Pottawattamie County may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Pottawattamie 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.



DAVID A. VAUDT, CPA  
Auditor of State

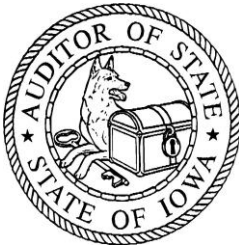


WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 4, 2013

**Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133**

**Pottawattamie County**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133

To the Officials of Pottawattamie County:

Compliance

We have audited Pottawattamie County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Pottawattamie's major federal programs for the year ended June 30, 2012. Pottawattamie County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Pottawattamie County's management. Our responsibility is to express an opinion on Pottawattamie County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pottawattamie County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Pottawattamie County's compliance with those requirements.

In our opinion, Pottawattamie County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Pottawattamie County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Pottawattamie County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pottawattamie County's internal control over compliance.

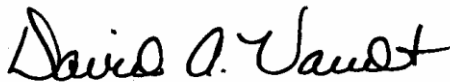
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance we consider to be significant deficiencies.

A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

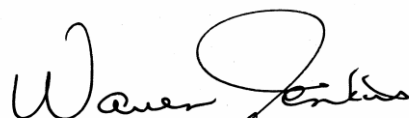
A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs as items III-A-12 and III-B-12 to be significant deficiencies.

Pottawattamie County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Pottawattamie County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Pottawattamie County and other parties to whom Pottawattamie County may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 4, 2013



Pottawattamie County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2012

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 20.205 – Highway Planning and Construction
  - CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
  - CFDA Number 97.067 – Homeland Security Grant Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Pottawattamie County did not qualify as a low-risk auditee.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-12 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

	Applicable Offices
(1) A listing of mail receipts is not prepared.	Community Services, County Attorney, Conservation Foundation and Conservation
(2) The initial listing is not compared to receipt records by an independent person and is not initialed to evidence any review.	Planning and Zoning
(3) There is no evidence an independent review of the coding of receipts to the proper account and fiscal year is performed.	Planning and Zoning, Community Services and County Attorney
(4) The County Auditor's Office sends monthly financial information to the Departments for their review of coding and approval. There is no evidence of review of the monthly revenue report.	Buildings and Grounds, Planning and Zoning, Community Services and County Attorney
(5) Checks are not restrictively endorsed upon receipt by the mail opener.	Buildings and Grounds

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. Currently personnel, including elected officials, should be used to provide additional control through review of financial transactions, reconciliations and reports.

Responses –

Buildings and Grounds – The Department will write a policy for receiving and endorsing checks. We will write a policy for reconciling Department revenues at the end of each month.

Planning and Zoning – The Department will develop written policies and procedures.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

County Attorney – The County Attorney will begin initialing the listing of checks received. The deposit will be reviewed. A monthly reconciliation will be performed and an independent review will be conducted for coding accuracy.

Community Services – We will implement written policies addressing the above issues.

Conservation – Conservation Department will prepare a list of checks received by mail

Conservation Foundation – The majority of receipts for the Foundation are memberships, which are handled by another person who makes a spreadsheet. The Director deposits the checks and monthly make sure all total memberships agree with the membership spreadsheet. Spreadsheet is always included with documentation given to the County Auditor for review.

Tree program receipts are entered by a staff member. The Director makes the deposit and reconciles deposits to “trees sold” spreadsheet.

Annual fund raiser checks are handled in the same manner and the County Auditor receives a summary of event income and expenses.

Conclusions – Responses accepted.

- II-B-12 Financial Reporting – Material amounts of capital assets, payables and receivables were not properly recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include/remove these amounts in/from the financial statements.

Recommendation – The County should implement procedures to ensure all capital assets, payables and receivables are identified and included or, if appropriate, not included in the County’s financial statements.

Response – The Communications capital project has been finalized and this should not be an issue any longer.

Conclusion – Response accepted.

- II-C-12 County Sheriff – The County Sheriff’s Jail Division does not prepare and review year-to-date spreadsheets of receipts and disbursements which are reconciled to the beginning and ending book balances of the jail accounts.

The County Sheriff’s Civil Division did prepare year-to-date spreadsheets of receipts and disbursements. However, material adjustments to receipts and disbursements reported were needed to reflect all activity for the account for reporting purposes. No reconciliations to beginning and ending book balances were included and no independent review was evident for the summary prepared.

Recommendation – The County Sheriff’s Jail Division should prepare year-to-date spreadsheets of receipts and disbursements for the civil account. The beginning balances plus receipts minus disbursements should reconcile to the ending book balances. This reconciliation should be reviewed and approved by an independent employee, which should be documented by the reviewer’s signature or initials and the date of the review.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

The County Sheriff's Civil Division should implement procedures to ensure all activity for the civil account is properly reported and reconciled to ending book balances. This reconciliation should be reviewed and approved by an independent employee, which should be documented by the reviewers signature or initials and the date of review.

Responses –

Jail – A year-to-date spreadsheet has been created to be completed monthly by the CPA when she comes to the jail to do reconciliations.

Civil – The Pottawattamie County Sheriff's Civil Office will continue to prepare year-to-date spreadsheets of receipts and disbursements, including all activity for the account, and will be reconciled to ending book balances. Our reconciliation is prepared by civil clerk then reviewed and approved by Civil Sergeant, initialed and dated.

Conclusions – Responses accepted.

II-D-12 Vacation and Compensatory Time Balances – The County is not following the provisions of the County's personnel policy and union contracts regarding the maximum allowable carryover of vacation and compensatory time hours. During the year ended June 30, 2012, certain employees had vacation balances in excess of the maximum carryover at the employee's anniversary date. In addition, certain employees had compensatory time balances exceeding the maximum allowable carryover.

Recommendation – The County should limit the carryover of employee's vacation and compensatory time hours as prescribed by County policy and applicable union contracts.

Response – Procedures have begun to monitor and ease regulation of this policy. Our new accounting and time keeping software upgrade will also assist us to adhere to the policies.

Conclusion – Response accepted.

II-E-12 Accounting Policies and Procedures Manual – The Communications/E911 Department and Conservation Foundation do not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Responses –

Communications/E911 – We will write a standard operating procedure to reflect the handling of deposits and reconciling functions at the end of the month for the 911 Communications Center.

Conservation Foundation – The Conservation Foundation will write a standard operating procedure and policy manual.

Conclusions – Responses accepted.

II-F-12 County West Extension Office – Individual timesheets prepared by a non-salaried County Extension employee were not approved by a supervisor.

Recommendation – All timesheets prepared should be reviewed and signed by the employee and the employee’s supervisor.

Response – County employee timesheets will be reviewed and signed by the Office Manager, their supervisor. The Office Manager’s timesheet will be reviewed and signed by the Extension Council Treasurer.

Conclusions – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

**CFDA Number 97.067 Homeland Security Grant Program**

**Pass-through Number: 2008-GE-T8-2008-014a, 2009-SS-T9-0034-010a**

**Federal Award Year: 2009, 2010**

**U.S. Department of Homeland Security – Passed through Iowa Department of  
Public Defense – Iowa Homeland Security and Emergency  
Management Division**

III-A-12 Suspension and Debarment – OMB Circular A-133 states the County is prohibited from contracting with or making awards under covered transactions to parties who are suspended or debarred. The County did not determine and has not established procedures to ensure transactions are with vendors who are not suspended or debarred.

Recommendation – The County should establish and implement policies and procedures to ensure transactions are with vendors who are not suspended or debarred.

Response and Corrective Action Planned – We will establish a policy and procedure to check vendors prior to purchase for suspended or debarred status.

Conclusion – Response accepted.

III-B-12 Reporting – The Pottawattamie County Sheriff is responsible for submitting quarterly reports to the Iowa Department of Public Defense, Iowa Homeland Security and Emergency Management Division. Quarterly reports were not submitted during the year ended June 30, 2012.

Recommendation – The Pottawattamie County Sheriff should implement policies and procedures to ensure the required reports are submitted as required.

Response and Corrective Action Planned – We will establish a policy and procedure to ensure required reports are submitted.

Conclusion – Response accepted.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

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

IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amount budgeted in the debt service function and disbursements in certain departments exceeded the amounts appropriated prior to amendment.

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

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

Response – Our records indicate during the months of October and November 2011 our Unemployment Department did exceed budgeted amounts and was corrected by subsequent amendment. Pottawattamie County financial department will continue to monitor departmental and function budgets closely in the future. Our new software upgrade in 2013 will assist us in managing the budget more closely for necessary appropriations amendments.

Conclusion – Response accepted.

IV-B-12 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.

IV-C-12 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-12 Business Transactions – The following business transactions between the County and County officials or employees were noted:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Kay Mocha, Director of Planning and Zoning, Husband owns Mocha and Sons Construction	Road repair, per bid	\$ 192,603
Carolyn Stender, Auditor’s Office employee, Wife of Robert Stender	Tool sharpening - Buildings and Grounds	48

In accordance with Chapter 331.342(2)(J) of the Code of Iowa, the transaction for tool sharpening does not appear to represent a conflict of interest since the total transactions with the individual were less than \$1,500 during the fiscal year. The road repair by Mocha and Sons Construction does not appear to represent a conflict of interest since it was entered into through complete bid.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

IV-E-12 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 annually to ensure the coverage is adequate for current operations.

IV-F-12 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

The County's publication of Board proceedings includes summaries of resolutions adopted by the Board rather than the full resolutions. Chapter 349.16 of the Code of Iowa requires publication of the proceedings of the Board of Supervisors. Chapter 331.504 of the Code of Iowa states the minutes of the Board are to include a complete text of the motions, resolutions, amendments and ordinances adopted by the Board. An Attorney General's Opinion dated January 27, 1982 states it is not permissible to publish a summary of resolutions.

Recommendation – Publication of minutes should include the complete text of resolutions adopted by the Board. The County should consult the County Attorney to determine the disposition of the publication of ordinances.

Response – Pottawattamie County will continue to publish the Board minutes adopted by the Board with resolutions included in context.

Conclusion – Response acknowledged. The County should include the complete text of resolutions in the publication of minutes as required by the Code of Iowa.

IV-G-12 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.

IV-H-12 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).

IV-I-12 Solid Waste Fees – During the year ended June 30, 2012, the County retained \$7,500 of solid waste fees in accordance with Chapter 455B.30 of the Code of Iowa.

IV-J-12 Financial Assurance – The County has elected to demonstrate financial assurance for the landfill transfer station closure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The amount the County has restricted for closure and postclosure care at June 30, 2012 exceeds the total estimated costs at that date and, accordingly, the costs are fully funded.

IV-K-12 County Extension Offices – The County Extension Offices are operated under the authority of Chapter 176A of the Code of Iowa and serve as agencies of the State of Iowa. These funds are administered by Extension Councils separate and distinct from County operations and, consequently, are not included in Exhibits A and B.



Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Disbursements during the year ended June 30, 2012 for the East County Extension Office exceed the amount budgeted.

During its September 2011 meeting, the East County Extension Council authorized a bank loan for \$20,000. Chapter 176A of Code of does not specifically allow the Agriculture Extension Council to enter into debt agreements.

Recommendation – The budget should have been amended by the East County Extension Council in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

The East County Extension Council should comply with Chapter 176A of the Code of Iowa. The Council should consult legal counsel to determine the disposition of this matter.

Response – The East Pottawattamie County Extension District had some personnel changes in the spring of 2010. The full time Office Assistant resigned from her position and the Extension Council decided to hire a full time Office Assistant to replace her and also a County Youth Coordinator to work 50% time on our 4-H and Youth program. As a result of this change in personnel our monthly disbursements for staff salaries and associated costs increased. We were completing the 2010-2011 budget year when the new staff persons were hired and the budget for 2011-2012 had already been approved in February 2010 with nothing allowed for additional staff costs other than normal performance related salary increases. In August of 2011 the Extension Office could see the Extension District would experience cash flow problems during the fiscal year when cash reserves would not cover the monthly disbursements. We were aware two counties in our area had negotiated bank loans to finance the purchase of office properties and the West Pottawattamie County Extension District had secured an operational note several years ago to help them through some cash flow problems. We contacted the President of Arbor Bank in Oakland, Iowa, where we currently have our accounts, about structuring such a loan for East Pottawattamie County. He provided a proposal which was discussed with the Regional Director and then presented to the Extension Council. The East Pottawattamie Extension Council voted in September to request an operational loan for 2011-2012 which could be renewable for 2012-2013. This loan allowed the Extension District to borrow, for a short period of time, the funds needed to pay current bills and when County tax proceeds were deposited in the account the loan was repaid. In 2011-2012, the longest any funds were borrowed was for two weeks before they were repaid. We overlooked the fact these loan payments would be included in our disbursements for the budget year and failed to amend the budget to reflect he additional disbursements which were incurred because of them. As a result the disbursements for the 2011-2012 fiscal year exceeded the amount budgeted. No funds disappeared and the Council adjusted their budget requests starting with the 2012-2013 budget, as well as the newly approved 2013-2014 budget, to take care of the cash flow concerns which were taking place. We did not check the Code of Iowa regarding debt agreements. Since two counties bordering us had borrowed money which we were aware of we assumed a precedent was established. The Extension District has budgeted in 2012-2013 and 2013-2014 to account for the additional disbursements for staff and do not anticipate an ongoing problem. Appropriate staff will review our disbursements

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

in March-April each year to decide if our current budget is sufficient or if an amendment is necessary to insure our disbursements do not exceed the amount budgeted for disbursements in our current and future budget years.

Conclusion – Response acknowledged. If there are cash flow concerns in the future, the Council should follow the provision of Chapter 74.1 of the Code of Iowa and issue anticipatory warrants. The Council should consult legal counsel to determine the disposition of the bank loan.

- IV-L-12 Living Loess Records – In May 2011, the Conservation Department established a checking account for Living Loess using the County tax identification number. The Living Loess accounting records are maintained separate from the County records. The transactions and the resulting balances were not reported to the Board of Supervisors each month, and the transactions were not recorded in the County's records.

All accounting functions were primarily handled by one person.

Recommendation – Chapter 331.552(1) of the Code of Iowa states, in part, "The treasurer shall receive all money payable to the county unless otherwise provided by law." Living Loess financial transactions should be included in the County Treasurer's monthly financial reports.

We realize segregation of duties is difficult with a limited number of office employees. However, the Conservation Department should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – A new account record within the Conservation Department's budget for both expenditures and revenues has been created for the Living Loess Group. The separate checking account will be closed and no longer utilized.

Conclusion – Response accepted.

- IV-M-12 Conservation Credit Card Processing – The County made payments of \$1,414 related to processing credit cards. Chapter 331.553(5) of the Code of Iowa states, in part, "A county treasurer may adjust fees to reflect the cost of processing such payments." In addition, we believe these payments may not meet the requirements of public purpose as defined in an Attorney General's Opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

Recommendation – The County Conservation Board should adjust the fees charged to reflect the cost of processing credit card payments in accordance with Chapter 331.553(5) of the Code of Iowa. In addition, according to the Attorney General's Opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Response – The Conservation Department will contact the credit card processing company regarding the charge of fees and consult with the County Attorney’s Office for legalities.

Conclusion – Response accepted.

IV-N-12 Sheriff’s Credit Card Bank Account – The Sheriff’s Office approved the establishment of a bank account to account for room and board credit card collections. However, these deposits were not included on the official depository resolution approved by the Board of Supervisors.

Recommendation – If the Board of Supervisors approves this account, a new depository resolution should be approved naming all financial institutions for the County, including the room and board credit card account.

Response – Two employees from the Treasurer’s Office have been added to room and board credit card account with the access to view all account activities. In addition, the County Board of Supervisors will adopt a new depository resolution to include the room and board credit card account.

Conclusion – Response accepted.

---

Pottawattamie County

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager  
Brett M. Zeller, Senior II Auditor  
Tracey L. Gerrish, Staff Auditor  
Ryan T. Jelsma, Staff Auditor  
Jamie T. Reuter, Staff Auditor  
Kayley R. Alexander, Assistant Auditor  
Ryan D. Baker, Assistant Auditor  
Michael T. Bunkers, Assistant Auditor  
Emily K. Creighton, Assistant Auditor  
Matthew J. Erlbacher, Assistant Auditor  
Stephen J. Hoffman, Assistant Auditor  
Jesse J. Probasco, Assistant Auditor  
Phillip A. Rethwisch, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State