



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

March 4, 2015

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$159,159,628 for the year ended June 30, 2014, which included \$4,841,524 in tax credits from the state. The County forwarded \$121,310,539 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$37,849,089 of the local tax revenue to finance County operations, a 5.1% increase over the prior year. Other revenues included charges for service of \$5,760,867, operating grants, contributions and restricted interest of \$13,842,788, capital grants, contributions and restricted interest of \$4,465,264, local option sales tax of \$3,405,980, pari-mutuel and gaming wager tax of \$2,263,757, tax increment financing of \$635,605, unrestricted investment earnings of \$75,859 and other general revenues of \$1,087,335.

Expenses for County operations for the year ended June 30, 2014 totaled \$61,972,414, a 6.2% decrease from the prior year. Expenses included \$25,025,349 for public safety and legal services, \$12,328,769 for roads and transportation and \$7,296,257 for county environment and education.

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/1410-0078-B00F.pdf>.

###

POTTAWATTAMIE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

Table of Contents

		<u>Page</u>
Officials		4
Independent Auditor’s Report		5-7
Management’s Discussion and Analysis		9-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20-21
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24-25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	26
Proprietary Fund Financial Statements:		
Statement of Net Position	G	27
Statement of Revenues, Expenses and Changes in Fund Net Position	H	28
Statement of Cash Flows	I	29
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	30
Notes to Financial Statements		32-49
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		52-53
Budget to GAAP Reconciliation		54
Notes to Required Supplementary Information – Budgetary Reporting		55
Schedule of Funding Progress for the Retiree Health Plan		56
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	58-59
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	60-61
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	62-63
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	64-65
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	66-67
Schedule of Expenditures of Federal Awards	6	68-69
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>		71-72

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133	75-76
Schedule of Findings and Questioned Costs	77-84
Staff	85

Pottawattamie County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Scott Belt	Board of Supervisors	Jan 2015
Loren Knauss	Board of Supervisors	Jan 2015
Lynn Leaders	Board of Supervisors	Jan 2015
Lynn Grobe	Board of Supervisors	Jan 2017
Melvyn Houser	Board of Supervisors	Jan 2017
Marilyn Jo Drake	County Auditor	Jan 2017
Lea Voss	County Treasurer	Jan 2015
John F. Sciortino	County Recorder	Jan 2015
Jeffrey Danker	County Sheriff	Jan 2017
Matthew Wilber	County Attorney	Jan 2015
Bill Kealy	County Assessor	Jan 2016



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, 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:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pottawattamie County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Pottawattamie County as of June 30, 2014, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 52 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pottawattamie County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2015 on our consideration of Pottawattamie County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Pottawattamie County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 20, 2015

Pottawattamie County

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, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Pottawattamie County's governmental activities revenues increased 11.8%, or approximately \$7,302,000, from fiscal year 2013 (FY13). Property and other county tax increased approximately \$1,633,000, tax increment financing increased approximately \$139,000, charges for service decreased approximately \$29,000, operating grants, contributions and restricted interest increased approximately \$775,000, capital grants, contributions and restricted interest increased approximately \$4,187,000 and gain on disposition of capital assets decreased approximately \$46,000.
- Pottawattamie County's governmental activities expenses decreased 6.2%, or approximately \$4,079,000, from FY13. Public safety and legal services expenses increased approximately \$359,000, physical health and social services expenses increased approximately \$2,069,000, mental health expenses decreased approximately \$2,759,000, roads and transportation expenses decreased approximately \$3,573,000, county environment and education expenses increased approximately \$626,000, administration expenses decreased approximately \$365,000 and interest on long-term debt decreased approximately \$90,000.
- Pottawattamie County's net position increased approximately \$7,414,000 over the balance at June 30, 2013.
- As of the close of FY14, Pottawattamie County had ending fund balances of \$5,025,960 in the General Fund, \$5,899,632 in the Special Revenue, Mental Health Fund, \$1,060,864 in the Special Revenue, Rural Services Fund, \$10,379,301 in the Special Revenue, Secondary Roads Fund and \$186,893 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 Position 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 financial statements provide 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'S FINANCIAL ACTIVITIES:

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information 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, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

The 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 three kinds of funds:

1) *Governmental funds* account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. 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) The *proprietary fund* accounts for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally amount the County's various functions.

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

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others 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 required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Pottawattamie County's net position at the end of FY14 totaled approximately \$100.5 million. This compares to the FY13 balance of approximately \$93.1 million. The analysis that follows focuses on the net position of governmental activities.

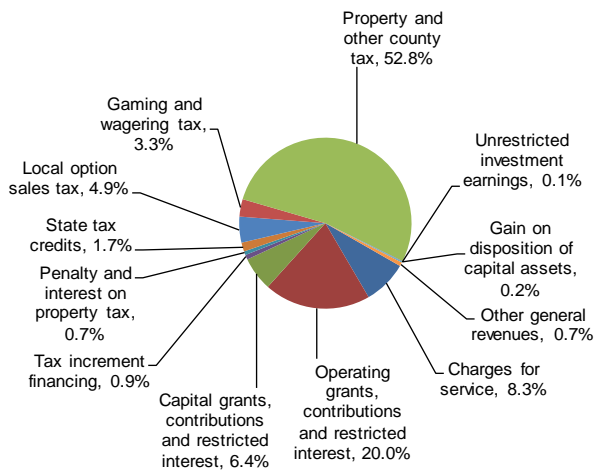
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2014	2013
Current and other assets	\$ 71,466	63,464
Capital assets	89,186	87,999
Total assets	160,652	151,463
Long-term liabilities	16,732	18,425
Other liabilities	2,702	2,655
Total liabilities	19,434	21,080
Deferred inflows of resources	40,706	37,285
Net position:		
Net investment in capital assets	76,134	72,851
Restricted	22,177	16,607
Unrestricted	2,201	3,640
Total net position	\$ 100,512	93,098

Net position of Pottawattamie County's governmental activities increased approximately \$7,414,000 over the FY13 balance. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased from a balance of approximately \$3.6 million at June 30, 2013 to approximately \$2.2 million at the end of this year, a decrease of 39.5%.

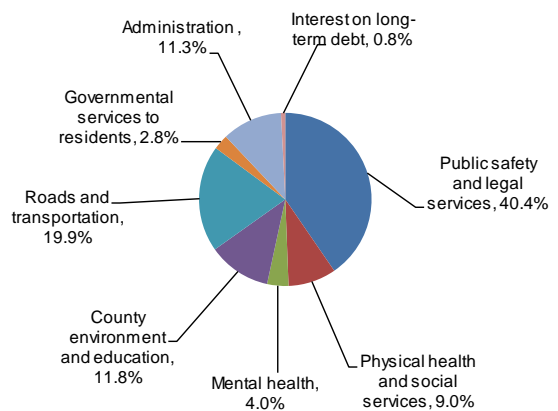
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2014	2013
Revenues:		
Program revenues:		
Charges for service	\$ 5,761	5,790
Operating grants, contributions and restricted interest	13,843	13,068
Capital grants, contributions and restricted interest	4,465	278
General revenues:		
Property and other county tax	36,672	35,039
Tax increment financing	635	496
Penalty and interest on property tax	476	366
State tax credits	1,177	982
Local option sales tax	3,406	3,175
Unrestricted investment earnings	76	109
Gaming and wagering tax	2,264	2,182
Gain on disposition of capital assets	151	197
Other general revenues	460	402
Total revenues	69,386	62,084
Program expenses:		
Public safety and legal services	25,025	24,666
Physical health and social services	5,580	3,511
Mental health	2,491	5,250
County environment and education	7,296	6,670
Roads and transportation	12,329	15,902
Governmental services to residents	1,714	2,060
Administration	7,014	7,379
Interest on long-term debt	523	613
Total expenses	61,972	66,051
Change in net position	7,414	(3,967)
Net position beginning of year	93,098	97,065
Net position end of year	\$ 100,512	93,098

Revenues by Source



Expenses by Program



Pottawattamie County's net position of governmental activities increased approximately \$7,414,000 during the year. Revenues increased approximately \$7,302,000 and expenses decreased approximately \$4,079,000.

Pottawattamie County's property tax levy rates decreased \$.10637 per \$1,000 of taxable valuation for the mental health services levy, increased \$.32692 per \$1,000 of taxable valuation for the general supplemental levy and increased \$.14885 per \$1,000 of taxable valuation for the total levy. The countywide taxable property valuation increased \$115,818,729.

INDIVIDUAL MAJOR FUND ANALYSIS

As Pottawattamie County completed the year, its governmental funds reported a combined fund balance of \$25,387,132, which is \$4,016,979 more than the combined fund balance of \$21,370,153 at the end of FY13.

The General Fund, the operating fund for Pottawattamie County, ended FY14 with a \$5,025,960 ending fund balance. This was a decrease of \$254,409 from FY13's ending fund balance. Taxable property valuation increased from FY13 to FY14 and the general supplemental levy rate increased from \$2.01961 per \$1,000 of taxable valuation in FY13 to \$2.34653 per \$1,000 of taxable valuation in FY14. Property and other county tax increased due to the increase in taxable property valuation and the levy rate. Also, intergovernmental revenues increased due to case management being reported separately from the Special Revenue, Mental Health Fund and corresponding expenditures increased in the physical health and social services function. Additionally, expenditures increased in law enforcement and risk management.

The Special Revenue, Mental Health Fund ended FY14 with a \$5,899,632 balance compared to the prior year ending balance of \$3,743,659. Mental health expenditures decreased \$2,616,536, or 50%, in FY14 from FY13 due to a reorganization of mental health statewide. The revenues decreased \$2,428,375, or 33.7%, in FY14 from FY13 due to Medicaid reimbursements for residents at state institutions being handled by the State as part of the statewide reorganization.

The Special Revenue, Rural Services Fund ended FY14 with a \$1,060,864 balance compared to the prior year ending balance of \$656,775. Rural Services Fund revenues increased \$1,217,284 from FY13 to FY14 and expenditures increased \$1,105,513, primarily due to Hazard Mitigation and Community Development Block Grant reimbursements and expenditures related to the 2011 summer flooding.

The Special Revenue, Secondary Roads Fund ended FY14 with a \$10,379,301 balance compared to the prior year ending balance of \$8,634,778. Secondary Roads Fund revenues decreased \$1,241,097 from FY13, mainly due to grant reimbursements and less state funding for transfer of jurisdiction of roads. Secondary Roads expenditures decreased \$2,334,637 from FY13, mainly due to less maintenance work done on rock, dirt and paved roads during the year which correlates to the reduction in grant reimbursements for repairs.

The Debt Service Fund ended FY14 with a \$186,893 balance compared to the prior year ending balance of \$370,807. The decrease was due to a \$198,000 reduction in property tax.

BUDGETARY HIGHLIGHTS

Over the course of the year, Pottawattamie County amended its budget one time. The amendment was made on April 29, 2014. This amendment resulted in an increase in budgeted disbursements of \$1,067,351 related to public safety, elections and capital projects.

The County's receipts were \$13,075,783 less than budgeted. Intergovernmental and miscellaneous receipts were approximately \$10,875,000 and \$1,978,000, respectively, less than

the amended budget, primarily due to changes in grants and delays in grant disbursements and reimbursements.

Total disbursements were \$20,536,660 less than the amended budget. Actual disbursements for the capital projects, county environment and education and roads and transportation functions were approximately \$8,504,000, \$7,153,000 and \$2,065,000, respectively, less than budgeted. These differences were due to capital and grant projects continuing into the next fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY14, Pottawattamie County had approximately \$89,186,000 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase (including additions and deletions) of approximately \$1,187,000, or less than 1.3%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2014	2013
Land	\$ 5,265	5,265
Intangibles, not amortized	3,993	3,993
Construction in progress	4,722	96
Buildings and improvements	23,156	23,589
Equipment and vehicles	19,479	20,925
Intangibles, amortized	-	36
Infrastructure	32,571	34,095
Total	\$ 89,186	87,999

Pottawattamie County had depreciation/amortization expense of \$5,968,430 in FY14 and total accumulated depreciation/amortization of approximately \$79.5 million on the capital assets at the end of FY14. 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 FY14, Pottawattamie County had approximately \$13,850,000 of long-term debt outstanding compared to approximately \$15,835,000 outstanding at the end of FY13, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2014	2013
General obligation bonds	\$ 5,180	4,525
General obligation capital loan notes	8,670	11,310
Total	\$ 13,850	15,835

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 \$407 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 FY15 budget, tax rates and fees which apply for the various County services. One of those factors is the economy. Unemployment in the County now stands at 3.3% versus 3.1% a year ago. This compares with the State's unemployment rate of 4.5% and the national rate of 5.8%.

Inflation in the State was comparable to the national Consumer Price Index at the close of the fiscal year. The Midwest Region of the Department of Labor, of which Iowa is a member, CPI rate increase was 1.7% for fiscal year 2014 compared with the national rate of 2.1%. After the end of fiscal year 2014, the Consumer Price Index decreased slightly due to lower prices for gasoline. As of November 2014, the Midwest Region of the Department of Labor CPI was 1.2% compared with the national rate of 1.3%.

The economy and unemployment indicators were taken into account when adopting the County budget for FY15. Budgeted expenditures for FY15 are \$77,534,801, a decrease of \$4,118,157 from the FY14 amended budget.

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 County Finance Officer Becky Belt at the Pottawattamie County Auditor's Office, by mail at 227 S. 6th Street, Council Bluffs, Iowa 51501 or by telephone at (712) 328-5700.

Pottawattamie County

Basic Financial Statements

Exhibit A

Pottawattamie County
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 25,393,277
Receivables:	
Property tax:	
Delinquent	121,212
Succeeding year	40,706,000
Interest and penalty on property tax	570,403
Accounts	702,112
Due from other governments	2,753,881
Inventories	877,176
Prepaid items	342,886
Capital assets, not being depreciated/amortized	13,979,573
Capital assets, net of accumulated depreciation/amortization	75,206,036
Total assets	<u>160,652,556</u>
Liabilities	
Accounts payable	1,277,604
Accrued interest payable	48,102
Salaries and benefits payable	1,209,974
Due to other governments	166,425
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	755,000
General obligation capital loan notes	2,720,000
Compensated absences	1,206,942
Portion due or payable after one year:	
General obligation bonds	4,425,000
General obligation capital loan notes	5,950,000
Compensated absences	1,108,083
Net OPEB liability	567,000
Total liabilities	<u>19,434,130</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	<u>40,706,000</u>
Net Position	
Net investment in capital assets	76,134,412
Restricted for:	
Supplemental levy purposes	1,956,332
Mental health purposes	5,885,692
Rural services purposes	1,244,719
Secondary roads purposes	10,483,575
Debt service	148,559
Other purposes	2,458,233
Unrestricted	2,200,904
Total net position	<u>\$ 100,512,426</u>

See notes to financial statements.

Pottawattamie County

Statement of Activities

Year ended June 30, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Contributions and Restricted Interest	Operating Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 25,025,349	2,979,430	393,147	-	(21,652,772)
Physical health and social services	5,579,971	322,649	3,504,751	-	(1,752,571)
Mental health	2,491,186	30	337,206	-	(2,153,950)
County environment and education	7,296,257	720,084	2,798,338	20,702	(3,757,133)
Roads and transportation	12,328,769	77,603	6,350,234	4,444,562	(1,456,370)
Governmental services to residents	1,714,019	1,353,048	-	-	(360,971)
Administration	7,013,638	308,023	459,112	-	(6,246,503)
Interest on long-term debt	523,225	-	-	-	(523,225)
Total	\$ 61,972,414	5,760,867	13,842,788	4,465,264	(37,903,495)
General Revenues:					
Property and other county tax levied for:					
General purposes					33,220,777
Debt service					3,450,985
Tax increment financing					635,605
Penalty and interest on property tax					475,935
State tax credits					1,177,327
Local option sales tax					3,405,980
Gaming and wagering tax					2,263,757
Grants and contributions not restricted to specific purposes					153,159
Unrestricted investment earnings					75,859
Gain on disposition of capital assets					150,865
Miscellaneous					307,376
Total general revenues					45,317,625
Change in net position					7,414,130
Net position beginning of year					93,098,296
Net position end of year					\$ 100,512,426

See notes to financial statements.

Pottawattamie County

Balance Sheet
Governmental Funds

June 30, 2014

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash, cash equivalents and pooled investments	\$ 5,071,436	6,030,472	1,197,908	9,083,801
Receivables:				
Property tax:				
Delinquent	84,031	14,362	11,674	-
Succeeding year	28,076,000	3,933,000	4,866,000	-
Interest and penalty on property tax	570,403	-	-	-
Accounts	493,481	788	1,653	2,074
Due from other governments	828,602	508	353,792	1,405,608
Inventories	-	-	-	877,176
Prepaid items	327,029	-	-	15,857
Total assets	\$ 35,450,982	9,979,130	6,431,027	11,384,516
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 363,793	101,713	203,060	312,006
Salaries and benefits payable	1,010,400	10,797	36,430	152,347
Due to other governments	37,574	21,407	152	2,543
Total liabilities	1,411,767	133,917	239,642	466,896
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	28,076,000	3,933,000	4,866,000	-
Other	937,255	12,581	264,521	538,319
Total deferred inflows of resources	29,013,255	3,945,581	5,130,521	538,319
Fund balances:				
Nonspendable:				
Inventories	-	-	-	877,176
Prepaid items	327,029	-	-	15,857
Restricted for:				
Supplemental levy purposes	2,127,492	-	-	-
Mental health purposes	-	5,899,632	-	-
Rural services purposes	-	-	1,053,364	-
Secondary roads purposes	-	-	-	9,486,268
Drainage warrants/drainage improvement certificates	-	-	-	-
Conservation land acquisition/capital improvements	234,636	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	32,161	-	7,500	-
Assigned for:				
Property tax relief	410,442	-	-	-
County Attorney's Office	133,037	-	-	-
Land purchase	64,058	-	-	-
Flood and erosion	173,517	-	-	-
Conservation structures	134,568	-	-	-
Unassigned	1,389,020	-	-	-
Total fund balances	5,025,960	5,899,632	1,060,864	10,379,301
Total liabilities, deferred inflows of resources and fund balances	\$ 35,450,982	9,979,130	6,431,027	11,384,516

See notes to financial statements.

Debt Service	Nonmajor	Total
191,516	3,016,533	24,591,666
11,145	-	121,212
3,498,000	333,000	40,706,000
-	-	570,403
-	204,116	702,112
-	165,371	2,753,881
-	-	877,176
-	-	342,886
<u>3,700,661</u>	<u>3,719,020</u>	<u>70,665,336</u>

6,000	291,032	1,277,604
-	-	1,209,974
-	104,749	166,425
<u>6,000</u>	<u>395,781</u>	<u>2,654,003</u>

3,498,000	333,000	40,706,000
9,768	155,757	1,918,201
<u>3,507,768</u>	<u>488,757</u>	<u>42,624,201</u>

-	-	877,176
-	-	342,886
-	-	2,127,492
-	-	5,899,632
-	-	1,053,364
-	-	9,486,268
-	10,754	10,754
-	-	234,636
186,893	-	186,893
-	798,803	798,803
-	2,024,925	2,064,586
-	-	410,442
-	-	133,037
-	-	64,058
-	-	173,517
-	-	134,568
-	-	1,389,020
<u>186,893</u>	<u>2,834,482</u>	<u>25,387,132</u>
<u>3,700,661</u>	<u>3,719,020</u>	<u>70,665,336</u>

Pottawattamie County

Pottawattamie County

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

June 30, 2014

Total governmental fund balances (page 21)	\$ 25,387,132
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
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 \$168,672,446 and the accumulated depreciation/amortization is \$79,486,837.	89,185,609
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	1,918,201
The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	801,611
Long-term liabilities, including bonds payable, notes 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>(16,780,127)</u>
Net position of governmental activities (page 18)	<u><u>\$ 100,512,426</u></u>

See notes to financial statements.

Pottawattamie County

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

Year ended June 30, 2014

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 26,457,495	4,280,110	4,722,128	-
Local option sales tax	-	-	510,897	2,384,186
Interest and penalty on property tax	344,692	-	-	-
Intergovernmental	7,272,317	465,879	2,477,925	5,921,916
Licenses and permits	425	-	301,510	4,770
Charges for service	2,629,324	-	32,442	20,128
Use of money and property	93,153	-	-	-
Miscellaneous	556,185	23,382	506	67,436
Total revenues	<u>37,353,591</u>	<u>4,769,371</u>	<u>8,045,408</u>	<u>8,398,436</u>
Expenditures:				
Operating:				
Public safety and legal services	22,375,959	-	218,779	-
Physical health and social services	5,215,835	-	193,743	-
Mental health	-	2,613,398	-	-
County environment and education	2,077,360	-	3,580,337	-
Roads and transportation	-	-	-	9,700,321
Governmental services to residents	1,933,679	-	5,460	-
Administration	6,202,492	-	3,000	-
Debt service	-	-	-	-
Capital projects	-	-	-	593,592
Total expenditures	<u>37,805,325</u>	<u>2,613,398</u>	<u>4,001,319</u>	<u>10,293,913</u>
Excess (deficiency) of revenues over (under) expenditures	(451,734)	2,155,973	4,044,089	(1,895,477)
Other financing sources (uses):				
Transfers in	197,325	-	-	3,640,000
Transfers out	-	-	(3,640,000)	-
General obligation notes issued	-	-	-	-
Premium on general obligation notes issued	-	-	-	-
Total other financing sources (uses)	<u>197,325</u>	<u>-</u>	<u>(3,640,000)</u>	<u>3,640,000</u>
Change in fund balances	(254,409)	2,155,973	404,089	1,744,523
Fund balances beginning of year	5,280,369	3,743,659	656,775	8,634,778
Fund balances end of year	<u>\$ 5,025,960</u>	<u>5,899,632</u>	<u>1,060,864</u>	<u>10,379,301</u>

See notes to financial statements.

Debt Service	Nonmajor	Total
3,453,202	635,605	39,548,540
-	510,897	3,405,980
-	-	344,692
106,838	304,611	16,549,486
-	-	306,705
-	14,705	2,696,599
49,716	17,645	160,514
-	514,571	1,162,080
<u>3,609,756</u>	<u>1,998,034</u>	<u>64,174,596</u>
-	237,950	22,832,688
-	609	5,410,187
-	-	2,613,398
-	1,716,344	7,374,041
-	-	9,700,321
-	3,200	1,942,339
-	-	6,205,492
3,793,670	-	3,793,670
-	986,662	1,580,254
<u>3,793,670</u>	<u>2,944,765</u>	<u>61,452,390</u>
(183,914)	(946,731)	2,722,206
-	2,500	3,839,825
-	(199,825)	(3,839,825)
-	1,290,000	1,290,000
-	4,773	4,773
-	1,097,448	1,294,773
(183,914)	150,717	4,016,979
370,807	2,683,765	21,370,153
<u>186,893</u>	<u>2,834,482</u>	<u>25,387,132</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, 2014

Change in fund balances - Total governmental funds (page 25) \$ 4,016,979

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

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

Expenditures for capital assets	\$ 2,684,249	
Capital assets contributed by others	4,319,877	
Depreciation/amortization expense	<u>(5,968,430)</u>	1,035,696

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. 150,865

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

Property tax	22,584	
Other	<u>713,849</u>	736,433

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

Issued	(1,290,000)	
Repaid	<u>3,275,000</u>	1,985,000

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	(226,709)	
Interest on long-term debt	(4,555)	
Net OPEB liability	<u>(65,000)</u>	(296,264)

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. (214,579)

Change in net position of governmental activities (page 19) \$ 7,414,130

See notes to financial statements.

Pottawattamie County
Statement of Net Position
Proprietary Fund
June 30, 2014

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	<u>\$ 801,611</u>
Net Position	
Unrestricted	<u>\$ 801,611</u>
See notes to financial statements.	

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

Year ended June 30, 2014

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 6,284,216
Miscellaneous		<u>61,089</u>
Total operating revenues		6,345,305
Operating expenses:		
Medical claims	\$ 725,669	
Administrative and other fees	161,518	
Insurance premiums	<u>5,674,662</u>	<u>6,561,849</u>
Operating loss		(216,544)
Non-operating revenues:		
Interest income		<u>1,965</u>
Net loss		(214,579)
Net position beginning of year		<u>1,016,190</u>
Net position end of year		<u>\$ 801,611</u>
See notes to financial statements.		

Pottawattamie County

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2014

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating funds	\$6,284,216
Cash received from miscellaneous operations	61,089
Cash paid for medical claims	(725,669)
Cash paid for administrative and other fees	(161,518)
Cash paid for insurance premiums	<u>(5,674,662)</u>
Net cash used by operating activities	(216,544)
Cash flows from investing activities:	
Interest on investments	<u>1,965</u>
Net decrease in cash and cash equivalents	(214,579)
Cash and cash equivalents beginning of year	<u>1,016,190</u>
Cash and cash equivalents end of year	<u>\$ 801,611</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss and net cash used by operating activities	<u>\$ (216,544)</u>

See notes to financial statements.

Pottawattamie County
Statement of Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2014

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 6,647,688
Other County officials	232,253

Receivables:

Property tax:

Delinquent	548,440
Succeeding year	117,736,000

Accounts	56,163
----------	--------

Special assessments	1,967,544
---------------------	-----------

Drainage assessments	501,119
----------------------	---------

Due from other governments	579,457
----------------------------	---------

Prepaid items	58,132
---------------	--------

Total assets	<u>128,326,796</u>
---------------------	--------------------

Liabilities

Accounts payable	150,620
------------------	---------

Stamped warrants payable	500,009
--------------------------	---------

Salaries and benefits payable	88,781
-------------------------------	--------

Due to other governments	126,706,374
--------------------------	-------------

Trusts payable	519,446
----------------	---------

Compensated absences	361,566
----------------------	---------

Total liabilities	<u>128,326,796</u>
--------------------------	--------------------

Net position	<u>\$ -</u>
---------------------	-------------

See notes to financial statements.

Pottawattamie County

Pottawattamie County

Notes to Financial Statements

June 30, 2014

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

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

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

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is 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 1.5% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2013.

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 are 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 consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost 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.

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, 2014. 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 Position.

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

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflow of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized as revenue until the year for which it is levied.

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.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2014 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, 2014 consist of stocks and stock mutual funds with a fair value of \$147,766. 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, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Capital Projects	\$ 197,325
Special Revenue: Secondary Roads District Enhancement Area	Special Revenue: Rural Services Soil Conservation District East	3,640,000 <u>2,500</u>
Total		<u>\$ 3,839,825</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, 2014 was as follows:

	Beginning Balance of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
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	95,830	5,348,052	722,482	4,721,400
Total capital assets not being depreciated/amortized	9,354,003	5,348,052	722,482	13,979,573
Capital assets being depreciated/amortized:				
Buildings	35,072,377	302,011	-	35,374,388
Improvements other than buildings	2,072,153	134,602	-	2,206,755
Equipment and vehicles	36,427,995	1,396,971	674,259	37,150,707
Intangibles, other	227,338	-	-	227,338
Infrastructure, road network	78,383,001	722,482	-	79,105,483
Infrastructure, other	628,202	-	-	628,202
Total capital assets being depreciated/amortized	152,811,066	2,556,066	674,259	154,692,873
Less accumulated depreciation/amortization for:				
Buildings	12,583,019	793,460	-	13,376,479
Improvements other than buildings	972,192	76,690	-	1,048,882
Equipment and vehicles	15,502,704	2,816,642	647,614	17,671,732
Intangibles, other	191,559	35,779	-	227,338
Infrastructure, road network	44,676,785	2,227,854	-	46,904,639
Infrastructure, other	239,762	18,005	-	257,767
Total accumulated depreciation/amortization	74,166,021	5,968,430	647,614	79,486,837
Total capital assets being depreciated/amortized, net	78,645,045	(3,412,364)	26,645	75,206,036
Governmental activities capital assets, net	\$87,999,048	1,935,688	749,127	89,185,609

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$2,120,717
Physical health and social services	13,793
County environment and education	204,399
Roads and transportation	3,142,790
Governmental services to residents	118,585
Administration	<u>368,146</u>
Total depreciation/amortization expense - governmental activities	<u><u>\$5,968,430</u></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, 2014 is as follows:

Fund	Description	Amount
General	Services	\$ 37,574
Special Revenue:		
Mental Health	Services	21,407
Rural Services	Services	152
Secondary Roads	Services	2,543
Nonmajor	Services	<u>104,749</u>
		128,851
Total for governmental funds		<u>\$ 166,425</u>
Agency:		
County Assessor	Collections	\$ 1,811,376
Schools		60,861,530
Community Colleges		4,734,340
Corporations		51,233,633
E911 Surcharge		1,764,857
Auto License and Use Tax		1,823,697
All other		<u>4,476,941</u>
Total for agency funds		<u>\$ 126,706,374</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	General				Total
	General Obligation Bonds	Obligation Capital Loan Notes	Compen- sated Absences	Net OPEB Liability	
Balance beginning of year	\$ 4,525,000	11,310,000	2,088,316	502,000	18,425,316
Increases	1,290,000	-	1,837,326	65,000	3,192,326
Decreases	635,000	2,640,000	1,610,617	-	4,885,617
Balance end of year	<u>\$ 5,180,000</u>	<u>8,670,000</u>	<u>2,315,025</u>	<u>567,000</u>	<u>16,732,025</u>
Due within one year	<u>\$ 755,000</u>	<u>2,720,000</u>	<u>1,206,942</u>	<u>-</u>	<u>4,681,942</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.

On April 16, 2013, the County issued \$865,000 of general obligation bonds with interest rates ranging from 0.3% to 0.9% per annum to pay costs of equipment, remodeling, reconstruction and additions or extensions to public buildings, an essential county purpose.

On December 20, 2013, the County issued \$1,290,000 of general obligation bonds with interest rates ranging from 1.55% to 2.4% per annum to pay costs of renovations and improvements to public buildings and purchase of voting equipment, an essential county purpose.

Annual debt service requirements to maturity for the general obligation bonds are as follows:

Year Ending June 30,	Issued October 27, 2009			Issued April 16, 2013		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2015	3.40%	\$ 480,000	134,963	0.40%	\$ 170,000	4,355
2016	3.80	500,000	118,643	0.50	175,000	3,675
2017	4.20	515,000	99,643	0.70	175,000	2,800
2018	4.40	540,000	78,013	0.90	175,000	1,575
2019	4.60	565,000	54,253	-	-	-
2020	4.75	595,000	28,263	-	-	-
Total		\$ 3,195,000	513,778		\$ 695,000	12,405

Year Ending June 30,	Issued December 20, 2013			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2015	1.55%	\$ 105,000	34,201	755,000	173,519	928,519
2016	1.55	120,000	22,005	795,000	144,323	939,323
2017	1.55	125,000	20,145	815,000	122,588	937,588
2018	1.55	125,000	18,208	840,000	97,796	937,796
2019	1.55	130,000	16,270	695,000	70,523	765,523
2020-2024	1.55-2.4	685,000	46,355	1,280,000	74,618	1,354,618
Total		\$ 1,290,000	157,184	5,180,000	683,367	5,863,367

During the year ended June 30, 2014, \$635,000 of general obligation bonds were retired.

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 of 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
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		\$ 2,120,000	153,235		\$ 4,625,000	439,355

Year Ending June 30,	Issued April 15, 2010			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
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		\$ 1,925,000	63,980	8,670,000	656,570	9,326,570

During the year ended June 30, 2014, \$2,640,000 of general obligation capital loan notes were retired.

(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 5.95% of their annual covered salary and the County is required to contribute 8.93% 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, 2014, 2013 and 2012 were \$2,323,653, \$2,211,570 and \$2,040,898, 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 422 active and 4 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 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, 2014, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 73,000
Interest on net OPEB obligation	23,000
Adjustment to annual required contribution	<u>(31,000)</u>
Annual OPEB cost	65,000
Contributions made	<u>-</u>
Increase in net OPEB obligation	65,000
Net OPEB obligation beginning of year	<u>502,000</u>
Net OPEB obligation end of year	<u><u>\$ 567,000</u></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, 2014.

For the year ended June 30, 2014, the County did not contribute to the medical or dental plan.

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
2012	\$ 79,000	0.0%	\$ 436,000
2013	66,000	0.0	502,000
2014	65,000	0.0	567,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$567,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$567,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$22,783,000 and the ratio of the UAAL to covered payroll was 2.49%. As of June 30, 2014, 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, 2012 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 6%. 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 \$575 to \$1,357 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 700 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 estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis 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 property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the 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, 2014 were \$498,701.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the County's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$5,000,000 and \$500,000, 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) Employee Health Insurance Plan

The County self-funds a portion of health insurance deductibles for its employees. The plan is funded by both employee and County contributions and is administered by Employee Benefit Systems (EBS) under an agreement which is subject to automatic renewal. The County self funds up to \$4,000 per individual or \$8,000 per family, with employees contributing the first \$750 and \$1,500, respectively. Administrative service fees and premiums are paid monthly from the County's operating funds to a separate account administered by EBS. During the year ended June 30, 2014, the County paid \$5,833,696 to the account.

(11) Economic Development Agreements

The County has entered into two economic development agreements to assist in urban renewal projects.

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 which began 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, 2014, the County's grant payments totaled \$192,560, bringing the cumulative principal and interest paid to \$2,936,540. The County is funding the economic development grant from gaming and wagering tax. The economic development payments to be made by the County under the agreement are conditioned upon an annual appropriation 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 a final payment of \$320,000 on June 1, 2014. The City of Shelby has agreed to construct and transfer 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, 2014, the County's payments totaled \$343,857, bringing the cumulative total to \$2,400,000.

(12) 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, 2014:

Additions:

Reimbursements from Counties:

Pottawattamie County	\$ 1,033,580	
Shelby County	27,108	
Harrison County	55,900	
Cass County	59,171	
Audubon County	9,909	
Mills County	65,434	
Montgomery County	100,021	
Fremont County	23,977	
Page County	37,111	\$ 1,412,211
State direct receiving grant		32,042
State reimbursement		275,652
Interest on investments		560
Adult waived juvenile fees		42,075
Miscellaneous		1,418
Total additions		<u>1,763,958</u>

Deductions:

Salaries	764,924	
Employee benefits	320,931	
Commodities and nutrition services	40,891	
Office supplies	16,852	
Communications and transportation	4,771	
Professional services	12,772	
Utilities	21,828	
Building repair and maintenance	40,512	
Insurance	61,291	
Refunds to counties	466,869	
Miscellaneous	3,009	1,754,650
Net		<u>9,308</u>
Balance beginning of year		<u>884,337</u>
Balance end of year		<u>\$ 893,645</u>

(13) 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 the employee's sick leave hours before the cash payment:

If the sick leave balance is:

Zero to 750 hours
Over 750 hours to 1,500 hours
Over 1,500 hours

The conversion rate is:

60% of the value
80% of the value
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 retiree's Sick Leave Upon Retirement 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 \$205,110 has been recorded in the Agency, County Assessor Fund for this benefit program.

For the year ended June 30, 2014, one employee received benefits totaling \$2,514 during the year under the Sick Leave Upon Retirement program.

(14) 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.

(15) 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 year.

The total closure care costs for the County as of June 30, 2014 have been estimated at \$5,556. The County has restricted \$7,500 at June 30, 2014 in the Special Revenue, Rural Services Fund to cover these costs.

(16) 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, 2014, the County applied credits of \$147,414, bringing the total credits applied to \$740,754. The amount to be applied in future years is \$301,225.

(17) Subsequent Event

On September 23, 2014, the County issued \$1,940,000 of general obligation bonds for the construction of a veterans affairs building and the purchase of vehicles and other equipment. The bonds bear interest at 2% per annum and are payable June 1, 2015 and semiannually thereafter on the first of December and June in each year. The first principal payment is payable on June 1, 2016.

(18) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the County's proportionate share of the employee pension plan.

Required Supplementary Information

Pottawattamie County

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, 2014

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 42,873,310	-	42,873,310
Interest and penalty on property tax	342,037	-	342,037
Intergovernmental	17,006,517	-	17,006,517
Licenses and permits	306,284	-	306,284
Charges for service	2,848,770	-	2,848,770
Use of money and property	161,514	16,677	144,837
Miscellaneous	1,189,823	84,079	1,105,744
Total receipts	<u>64,728,255</u>	<u>100,756</u>	<u>64,627,499</u>
Disbursements:			
Public safety and legal services	22,745,973	-	22,745,973
Physical health and social services	5,454,047	-	5,454,047
Mental health	2,866,868	-	2,866,868
County environment and education	7,172,966	58,102	7,114,864
Roads and transportation	9,736,443	-	9,736,443
Governmental services to residents	1,949,013	-	1,949,013
Administration	6,168,467	-	6,168,467
Debt service	3,793,671	-	3,793,671
Capital projects	1,286,952	-	1,286,952
Total disbursements	<u>61,174,400</u>	<u>58,102</u>	<u>61,116,298</u>
Excess (deficiency) of receipts over (under) disbursements	3,553,855	42,654	3,511,201
Other financing, sources, net	1,294,773	-	1,294,773
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	4,848,628	42,654	4,805,974
Balance beginning of year	19,743,038	198,916	19,544,122
Balance end of year	<u>\$ 24,591,666</u>	<u>241,570</u>	<u>24,350,096</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net
Original	Final	Variance
43,152,341	43,152,341	(279,031)
304,500	304,500	37,537
27,836,925	27,881,248	(10,874,731)
315,350	315,350	(9,066)
2,527,000	2,527,000	321,770
438,669	438,669	(293,832)
3,048,146	3,084,174	(1,978,430)
<u>77,622,931</u>	<u>77,703,282</u>	<u>(13,075,783)</u>
22,628,127	22,830,478	84,505
5,994,705	6,022,705	568,658
4,355,196	4,355,196	1,488,328
14,268,096	14,268,096	7,153,232
11,801,810	11,801,810	2,065,367
1,860,772	2,060,772	111,759
6,720,052	6,720,052	551,585
3,802,849	3,802,849	9,178
9,154,000	9,791,000	8,504,048
<u>80,585,607</u>	<u>81,652,958</u>	<u>20,536,660</u>
(2,962,676)	(3,949,676)	7,460,877
-	1,294,773	-
(2,962,676)	(2,654,903)	7,460,877
<u>14,089,337</u>	<u>14,089,337</u>	<u>5,454,785</u>
<u>11,126,661</u>	<u>11,434,434</u>	<u>12,915,662</u>

Pottawattamie County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 64,728,255	(553,659)	64,174,596
Expenditures	61,174,400	277,990	61,452,390
Net	3,553,855	(831,649)	2,722,206
Other financing sources, net	1,294,773	-	1,294,773
Beginning fund balances	19,743,038	1,627,115	21,370,153
Ending fund balances	\$ 24,591,666	795,466	25,387,132

See accompanying independent auditor's report.

Pottawattamie County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2014

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$1,067,351. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County 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, 2014, disbursements did not exceed the amounts budgeted.

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 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
2013	July 1, 2012	-	536	536	0.00	21,345	2.50
2014	July 1, 2012	-	567	567	0.00	22,783	2.49

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, 2014

	Special					
	Conservation Local Option Tax	Resource Enhance- ment and Protection	County Recorder's Records Management	Drainage Districts	Juvenile Diversion	Soil Con- servation District East
Assets						
Cash, cash equivalents and pooled investments	\$ 72,625	37,791	61,196	10,754	7,556	335,569
Receivables:						
Succeeding year property tax Accounts	-	-	-	50	-	-
Due from other governments	31,215	-	-	-	-	31,215
Total assets	\$ 103,840	37,791	61,196	10,804	7,556	366,784
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$ 964	-	-	-	266	1,800
Due to other governments	-	8,600	-	-	-	-
Total liabilities	964	8,600	-	-	266	1,800
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	-	-	-	-	-	-
Other	-	-	-	50	-	-
Total deferred inflows of resources	-	-	-	50	-	-
Fund balances:						
Restricted for:						
Drainage warrants/drainage improvement certificates	-	-	-	10,754	-	-
Capital projects	-	-	-	-	-	-
Other purposes	102,876	29,191	61,196	-	7,290	364,984
Total fund balances	102,876	29,191	61,196	10,754	7,290	364,984
Total liabilities, deferred inflows of resources and fund balances	\$ 103,840	37,791	61,196	10,804	7,556	366,784

See accompanying independent auditor's report.

Revenue									
Soil Conservation District West	Conservation Foundation	Urban Renewal Revenue	Animal Shelter Donations	County Attorney Drug Forfeiture	Special Law Enforcement	District Enhancement Area East	Community Improvement To Increase Economic Stability	Capital Projects	Total
259,185	230,816	1,507	32,869	199,933	624,792	1,496	60,131	1,080,313	3,016,533
-	-	333,000	-	-	-	-	-	-	333,000
-	-	-	991	-	-	-	203,075	-	204,116
31,215	-	-	-	15,857	55,869	-	-	-	165,371
290,400	230,816	334,507	33,860	215,790	680,661	1,496	263,206	1,080,313	3,719,020
120	-	-	148	6,224	-	-	-	281,510	291,032
-	-	-	-	-	-	-	96,149	-	104,749
120	-	-	148	6,224	-	-	96,149	281,510	395,781
-	-	333,000	-	-	-	-	-	-	333,000
-	-	-	-	-	-	-	155,707	-	155,757
-	-	333,000	-	-	-	-	155,707	-	488,757
-	-	-	-	-	-	-	-	-	10,754
-	-	-	-	-	-	-	-	798,803	798,803
290,280	230,816	1,507	33,712	209,566	680,661	1,496	11,350	-	2,024,925
290,280	230,816	1,507	33,712	209,566	680,661	1,496	11,350	798,803	2,834,482
290,400	230,816	334,507	33,860	215,790	680,661	1,496	263,206	1,080,313	3,719,020

Pottawattamie County

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

Year ended June 30, 2014

	Conservation Local Option Tax	Resource Enhance- ment and Protection	County Recorder's Records Management	Drainage Districts	Juvenile Diversion	Soil Con- serva- tion District East
Revenues:						
Property and other county tax	\$ -	-	-	-	-	-
Local option sales tax	170,299	-	-	-	-	170,299
Intergovernmental	13,300	41,325	-	-	-	-
Charges for service	-	-	14,705	-	-	-
Use of money and property	-	28	43	-	-	-
Miscellaneous	1,257	-	-	-	-	-
Total revenues	184,856	41,353	14,748	-	-	170,299
Expenditures:						
Operating:						
Public safety and legal services	-	-	-	-	-	-
Physical health and social services	-	-	-	-	609	-
County environment and education	370,333	41,052	-	-	-	80,771
Governmental services to residents	-	-	3,200	-	-	-
Capital projects	-	-	-	-	-	-
Total expenditures	370,333	41,052	3,200	-	609	80,771
Excess (deficiency) of revenues over (under) expenditures	(185,477)	301	11,548	-	(609)	89,528
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(2,500)
General obligation notes issued	-	-	-	-	-	-
Premium on general obligation notes issued	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	(2,500)
Change in fund balances	(185,477)	301	11,548	-	(609)	87,028
Fund balances beginning of year	288,353	28,890	49,648	10,754	7,899	277,956
Fund balances end of year	\$ 102,876	29,191	61,196	10,754	7,290	364,984

See accompanying independent auditor's report.

Special Revenue									
Soil Conservation District West	Conservation Foundation	Urban Renewal Revenue	Animal Shelter Donations	County Attorney Drug Forfeiture	Special Law Enforcement	District Enhancement Area East	Community Improvement To Increase Economic Stability	Capital Projects	Total
-	-	635,605	-	-	-	-	-	-	635,605
170,299	-	-	-	-	-	-	-	-	510,897
-	-	-	-	55,750	194,236	-	-	-	304,611
-	-	-	-	-	-	-	-	-	14,705
-	16,677	189	-	-	-	-	-	708	17,645
-	84,079	-	13,340	-	-	-	415,895	-	514,571
170,299	100,756	635,794	13,340	55,750	194,236	-	415,895	708	1,998,034
-	-	-	-	237,950	-	-	-	-	237,950
-	-	-	-	-	-	-	-	-	609
84,923	58,102	634,610	6,469	-	-	1,055	439,029	-	1,716,344
-	-	-	-	-	-	-	-	-	3,200
-	-	-	-	-	-	-	-	986,662	986,662
84,923	58,102	634,610	6,469	237,950	-	1,055	439,029	986,662	2,944,765
85,376	42,654	1,184	6,871	(182,200)	194,236	(1,055)	(23,134)	(985,954)	(946,731)
-	-	-	-	-	-	2,500	-	-	2,500
-	-	-	-	-	-	-	-	(197,325)	(199,825)
-	-	-	-	-	-	-	-	1,290,000	1,290,000
-	-	-	-	-	-	-	-	4,773	4,773
-	-	-	-	-	-	2,500	-	1,097,448	1,097,448
85,376	42,654	1,184	6,871	(182,200)	194,236	1,445	(23,134)	111,494	150,717
204,904	188,162	323	26,841	391,766	486,425	51	34,484	687,309	2,683,765
290,280	230,816	1,507	33,712	209,566	680,661	1,496	11,350	798,803	2,834,482

Pottawattamie County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpor- ations
Assets						
Cash, cash equivalents and pooled investments:						
County Treasurer	\$ -	2,539	733,818	728,150	45,600	620,085
Other County officials	229,753	-	-	-	-	-
Receivables:						
Property tax:						
Delinquent	-	678	4,794	222,380	13,740	178,548
Succeeding year	-	264,000	1,423,000	59,911,000	4,675,000	50,435,000
Accounts	1,657	-	305	-	-	-
Special assessments	-	-	-	-	-	-
Drainage assessments	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Total assets	\$ 231,410	267,217	2,161,917	60,861,530	4,734,340	51,233,633
Liabilities						
Accounts payable	\$ -	-	4,781	-	-	-
Stamped warrants payable	-	-	-	-	-	-
Salaries and benefits payable	-	-	42,948	-	-	-
Due to other governments	204,849	267,217	1,811,376	60,861,530	4,734,340	51,233,633
Trusts payable	26,561	-	-	-	-	-
Compensated absences	-	-	302,812	-	-	-
Total liabilities	\$ 231,410	267,217	2,161,917	60,861,530	4,734,340	51,233,633

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	
	7,952	95,596	41,973	554,596	1,626,361	1,823,697	367,321	6,647,688
	-	-	-	2,500	-	-	-	232,253
	68	128,190	5	-	-	-	37	548,440
	1,015,000	-	-	-	-	-	13,000	117,736,000
	-	-	-	-	54,201	-	-	56,163
	-	1,525,672	441,872	-	-	-	-	1,967,544
	-	-	-	-	-	-	501,119	501,119
	-	-	-	283,210	88,528	-	207,719	579,457
	-	-	-	53,339	-	-	4,793	58,132
	1,023,020	1,749,458	483,850	893,645	1,769,090	1,823,697	1,093,989	128,326,796
	-	-	-	5,788	4,233	-	135,818	150,620
	-	-	-	-	-	-	500,009	500,009
	-	-	-	38,695	-	-	7,138	88,781
	1,023,020	1,749,458	-	809,075	1,764,857	1,823,697	423,322	126,706,374
	-	-	483,850	-	-	-	9,035	519,446
	-	-	-	40,087	-	-	18,667	361,566
	1,023,020	1,749,458	483,850	893,645	1,769,090	1,823,697	1,093,989	128,326,796

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

Year ended June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpora- tions
Assets and Liabilities						
Balances beginning of year	\$ 277,573	261,572	1,990,697	63,268,846	4,206,842	53,603,167
Additions:						
Property and other county tax	-	264,384	1,426,654	59,676,802	4,679,985	50,456,303
E911 surcharge	-	-	-	-	-	-
State tax credits	-	8,422	46,100	2,015,077	131,944	1,426,193
Intergovernmental	-	-	-	-	-	-
Office fees and collections	1,860,898	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	3,790,924	-	-	-	-	-
Miscellaneous	-	-	2,637	-	-	-
Total additions	5,651,822	272,806	1,475,391	61,691,879	4,811,929	51,882,496
Deductions:						
Agency remittances:						
To other funds	1,167,181	-	-	-	-	-
To other governments	733,711	267,161	1,304,171	64,099,195	4,284,431	54,252,030
Trusts paid out	3,797,093	-	-	-	-	-
Total deductions	5,697,985	267,161	1,304,171	64,099,195	4,284,431	54,252,030
Balances end of year	\$ 231,410	267,217	2,161,917	60,861,530	4,734,340	51,233,633

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
1,050,902	1,148,161	843,615	884,337	1,753,179	1,843,603	-	409,037	131,541,531
1,001,630	128,190	5	-	-	-	-	12,389	117,646,342
-	-	-	-	765,018	-	-	-	765,018
36,020	-	-	-	-	-	-	441	3,664,197
-	-	-	1,763,958	-	-	-	785,685	2,549,643
-	-	-	-	-	-	-	10,369	1,871,267
-	-	-	-	-	23,663,926	-	-	23,663,926
-	1,252,341	110,982	-	-	-	-	83,098	1,446,421
-	-	-	-	-	-	2,527,741	1,430	6,320,095
-	-	-	-	-	-	-	6,108	8,745
1,037,650	1,380,531	110,987	1,763,958	765,018	23,663,926	2,527,741	899,520	157,935,654
-	-	-	339,773	-	803,212	-	-	2,310,166
1,065,532	779,234	470,752	127,096	749,107	22,880,620	2,527,741	714,578	154,255,358
-	-	-	1,287,781	-	-	-	-	5,084,874
1,065,532	779,234	470,752	1,754,650	749,107	23,683,832	2,527,741	714,578	161,650,398
1,023,020	1,749,458	483,850	893,645	1,769,090	1,823,697	-	593,980	127,826,787

Pottawattamie County

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

For the Last Ten Years

	2014	2013	2012	2011
Revenues:				
Property and other county tax	\$ 39,548,540	37,694,564	36,691,020	35,723,484
Local option sales tax	3,405,980	3,174,885	3,057,227	3,235,122
Interest and penalty on property tax	344,692	376,744	318,477	414,271
Intergovernmental	16,549,486	17,335,587	17,905,091	19,562,312
Licenses and permits	306,705	261,812	187,760	208,229
Charges for service	2,696,599	2,695,884	2,737,391	2,541,245
Use of money and property	160,514	193,326	264,844	333,615
Miscellaneous	1,162,080	1,708,008	1,666,853	1,168,054
Total	\$ 64,174,596	63,440,810	62,828,663	63,186,332
Expenditures:				
Operating:				
Public safety and legal services	\$ 22,832,688	21,367,688	20,699,015	19,690,040
Physical health and social services	5,410,187	3,472,444	3,197,434	3,115,222
Mental health	2,613,398	5,229,934	11,276,784	9,446,510
County environment and education	7,374,041	6,494,809	5,668,115	5,674,072
Roads and transportation	9,700,321	12,574,966	11,503,354	10,438,155
Governmental services to residents	1,942,339	2,110,519	1,889,398	1,689,187
Administration	6,205,492	7,031,198	6,685,534	5,939,596
Debt service	3,793,670	4,642,100	3,826,036	3,832,133
Capital projects	1,580,254	3,258,248	2,790,082	3,054,456
Total	\$ 61,452,390	66,181,906	67,535,752	62,879,371

See accompanying independent auditor's report.

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
32,789,867	29,728,916	27,495,386	26,912,334	25,299,088	24,020,368
2,670,586	3,043,404	2,753,544	2,838,150	3,212,180	2,548,453
351,370	344,333	356,284	367,473	324,973	424,956
21,344,671	19,330,150	21,421,683	19,200,492	14,796,318	14,894,659
274,843	1,300,866	249,417	79,260	77,036	80,369
2,472,731	2,612,651	2,441,290	2,329,394	2,474,318	2,357,948
366,219	667,913	1,208,059	1,517,486	1,199,544	785,044
1,748,258	2,872,115	2,430,096	1,815,332	1,979,269	1,027,912
62,018,545	59,900,348	58,355,759	55,059,921	49,362,726	46,139,709
19,163,904	18,066,898	16,846,481	15,730,880	15,344,223	14,629,633
3,084,140	2,823,430	2,737,240	2,661,811	2,726,533	2,573,703
9,007,878	9,074,447	10,399,127	8,235,723	7,583,258	7,208,328
5,450,475	6,027,498	4,328,580	4,546,987	4,597,686	2,815,719
11,023,675	10,813,416	9,713,450	9,896,065	9,090,186	7,654,396
1,764,682	1,906,468	1,728,610	1,505,405	2,007,331	1,387,910
6,268,178	7,803,198	5,884,988	6,613,224	4,967,738	5,769,591
9,647,748	2,651,674	2,116,214	1,654,668	1,848,183	1,978,668
10,667,991	4,462,404	7,269,540	3,121,579	1,602,230	1,368,193
76,078,671	63,629,433	61,024,230	53,966,342	49,767,368	45,386,141

Schedule 6

Pottawattamie County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2014

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expendi- tures
Direct:			
U.S. Department of the Interior:			
Payments in Lieu of Taxes	15.226		\$ 3,289
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5883A052	142,623
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5883A091	14,145
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5884A091	38,227
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5884A052	356,256
			<u>551,251</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		69,644
Iowa Department of Agriculture and Land Stewardship: WIC Farmers' Market Nutrition Program (FMNP)	10.572		917
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	12-OT-003	302,406
U.S. Department of Justice:			
Iowa Department of Human Rights: Juvenile Justice and Delinquency Prevention - Allocation to States	16.540		32,042
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.069	5883BT378	15,515
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	5884BT37	140,455
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	5884BT218	8,000
			<u>148,455</u>

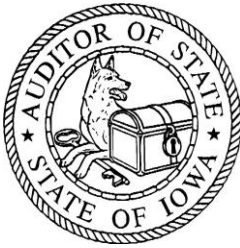
Pottawattamie County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2014

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expendi- tures
Indirect (continued):			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State Administered Programs			158
Child Care Mandatory and Matching Funds of the Child Care and Development Fund			20,275
Foster Care - Title IV-E			26,749
Adoption Assistance			9,057
Children's Health Insurance Program			297
Medical Assistance Program			117,407
Social Services Block Grant			21,594
Social Services Block Grant	93.667		295,554
			<u>317,148</u>
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1998-DRIA	342,621
Hazard Mitigation Grant	97.039	HMGP-DR-1998-004-01	1,617,820
Emergency Management Performance Grants	97.042	EMPG-14-PT-78	39,000
Homeland Security Grant Program	97.067	EMW-2012-SS-00028-04	21,202
Homeland Security Grant Program	97.067	EMW-2012-SS-00028-43	2,943
Homeland Security Grant Program	97.067	EMW-2012-SS-00028-S01	11,806
			<u>35,951</u>
Total indirect			<u>3,646,713</u>
Total			<u>\$ 3,650,002</u>

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

Mary Mosiman, 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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pottawattamie County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 20, 2015.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-14 and II-B-14 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-C-14 through II-F-14 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, 2014 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 the Findings

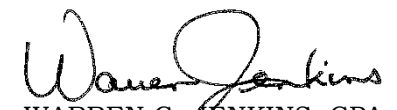
Pottawattamie County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Pottawattamie County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express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

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 20, 2015

**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133**

Pottawattamie County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, 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
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Officials of Pottawattamie County:

Report on Compliance for Each Major Federal Program

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 its major federal programs for the year ended June 30, 2014. Pottawattamie County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Pottawattamie County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal programs. However, our audit does not provide a legal determination of Pottawattamie County's compliance.

Opinion on Each Major Federal Program

In our opinion, Pottawattamie County complied, in all material respects, with the types of compliance 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, 2014.

Report on Internal Control Over Compliance

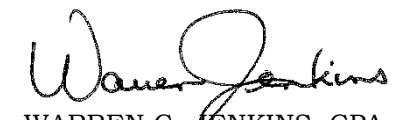
The management of Pottawattamie County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pottawattamie County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs 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.

A deficiency in 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 20, 2015

Pottawattamie County
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

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

- (a) Unmodified 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) No material weaknesses in internal control over the major programs were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.
 - CFDA Number 93.074 – Public Health Emergency Preparedness, Hospital Preparedness Program.
 - CFDA Number 93.667 – Social Services Block Grant.
 - CFDA Number 97.039 – Hazard Mitigation Grant.
- (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, 2014

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-14 Segregation of Duties – During our review of internal control, the existing procedures are evaluated 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) An initial listing of mail receipts is not prepared.	Community Services and Conservation
(2) There is no evidence of an independent review of the coding of receipts to the proper account and fiscal year being performed.	County Attorney, Engineer, Animal Control and E911
(3) An independent review of receipts prior to deposit is not performed.	Conservation
(4) Generally, one individual may have control over collecting, depositing, posting and daily reconciling of receipts for which no compensating controls exist. Additionally, there was no evidence the reconciliations were reviewed by an independent person.	Ag Extension

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 using currently available personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

Responses –

- (a) Community Services – The Community Services office began tracking incoming checks to the Department and reconciling with the deposit to the Treasurer's office. This was implemented after last year's audit. It was tracked for about a month and then the book was forgotten about until a reminder email came from the State Auditor's office regarding current policies. We have tracked these checks again since that time and staff have been re-trained to utilize the tracking book. The Director will continue to reconcile this book with Treasurer's deposits on a monthly basis and initial the book upon review of each receipt.
- (b) Conservation – The Community Relations Coordinator now receives mail, records on a spreadsheet and sends out membership materials. Administrative Director totals checks to make sure they are in balance and prepares deposit. Deposit is reviewed and initialed by the Executive Director.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

- (c) County Attorney – A review of the receipts coding will be performed and noted on the month end report provided by the Auditor’s Office. That report will be maintained, along with copies of the deposit slips.
- (d) Engineer – The Secondary Roads Department will compare deposit slips to the Treasurer against the monthly revenue report from the Treasurer, which includes coding, to verify deposits. We will keep a file of these comparisons on a monthly basis. We will check and initial that deposits have been made and credited to the Department’s funds at month end.
- (e) Animal Control – I will re-write my Department’s receipt collection and recording procedures to include a quarterly review of receipt coding with our Liaison to the Board of Supervisors. This procedural change will of course have to be approved by the Board before implementation.
- (f) E911 – We have changed our policy and can utilize the executive officers (President, Vice President, Secretary and/or Treasurer) to conduct the independent reviews by initialing and dating each review.
- (g) Ag Extension – The Extension Council can utilize the executive officers to conduct the independent reviews by initialing and dating each review.

Conclusion – Responses accepted.

II-B-14 Financial Reporting – Material amounts of capital assets, revenues, receivables and compensated absences 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, revenues, receivables and compensated absences are identified and included or, if appropriate, not included in the County’s financial statements.

Response – The County will monitor reports to ensure both revenues and receivables are properly documented. The County has upgraded the financial software, which includes a mechanism to track and maintain capital assets as well as a personnel management tracking. We will continue to document and monitor our reports for accuracy.

Conclusion – Response accepted.

II-C-14 County Sheriff – The County Sheriff’s Civil Division did not prepare year-to-date spreadsheets of receipts and disbursements. Although bank balances were reconciled with book balances on a monthly basis, differences were not investigated and resolved.

Recommendation – The County Sheriff’s Civil Division should prepare year-to-date spreadsheets of receipts and disbursements. 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, 2014

The County Sheriff's Civil Division should also develop policies and procedures to investigate and resolve any differences on a monthly basis.

Response – We cannot prepare a spreadsheet as the software company did not provide that form. It would be cost prohibitive to have the program modified. The County Sheriff's Civil Division is currently working with the software company regarding the differences. Our Office is also working to correct any differences with the book balances and identify same.

Conclusions – Responses accepted.

- II-D-14 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, 2014, certain employees had vacation balances in excess of the maximum carryover at the employee's anniversary date. In addition, certain employees had compensatory time hours 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 – The County now has the ability to cap the vacation and compensatory time hours on the new computer system. The Board has requested all employees be in compliance by June 30, 2015. The Elected Officials and Department Heads are working with their employees to reduce vacation and compensatory time hours which are currently over the maximum carry over allowed. The County will continue to monitor these balances on a regular basis.

Conclusion – Response accepted.

- II-E-14 Credit Cards – The County has credit cards for use by various employees while on County business. The County's employee handbook addresses the use of credit cards while on County business. The credit card policy states, "Employees are prohibited from using county credit cards for personal expenses, unless prior authorization is granted from your Department Head." The credit card policy should not allow for personal use of County credit cards.

Recommendation – The County should amend its credit card policy to prohibit personal use of County credit cards.

Response – The County is working on amending our policy on credit card usage.

Conclusion – Response accepted.

- II-F-14 County Recorder – The County Recorder prepares a monthly list of receipts and cashbook balances which are reconciled with the bank balances at the end of each month. However, differences are not investigated and resolved.

Recommendation – The County Recorder should develop policies and procedures to investigate and resolve any differences on a monthly basis.

Response – We are working on new reports to assist in balancing.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Pottawattamie County
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted.

IV-B-14 Questionable Expenditures - We noted no expenditures we believe may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979.

IV-C-14 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-14 Business Transactions – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Kay Mocha, Director of Planning and Zoning, Husband owns Mocha and Sons Construction	Road repair, per bid	\$ 132,482
Jeremy Meyers, Building and Grounds employee	Mowing – Building and Grounds	1,200
Carolyn Stender, Auditor's Office employee, Wife of Robert Stender	Tool sharpening - Buildings and Grounds	18

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

IV-E-14 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 coverage is adequate for current operations.

IV-F-14 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

The County's publications of Board proceedings include 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.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

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-14 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-14 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-14 Solid Waste Fees – During the year ended June 30, 2014, the County retained \$7,500 of solid waste fees in accordance with Chapter 455B.30 of the Code of Iowa.
- IV-J-14 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 care are at June 30, 2014 exceeds the total estimated costs at that date and, accordingly, the costs are fully funded.
- IV-K-14 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.

Disbursements during the year ended June 30, 2014 did not exceed the amount budgeted.

Minutes of the Pottawattamie County Agricultural Extension Council West were not signed as required by Chapter 176A.14(3) of the Code of Iowa.

Recommendation – The minutes should be signed to authenticate the record as required by Chapter 176A of the Code of Iowa.

Response – The Extension Council will have the council secretary or secretary pro-tem sign the minutes of each meeting.

Conclusion – Response accepted.

- IV-L-14 Conservation Credit Card Processing – The County made payments of \$3,199 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." 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.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

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.

Response – Our current credit card machines do not allow us to charge a percentage so all five machines would need to be replaced. Staff will check into purchasing card readers for I-pads or smart phones as budgets allow. We would need five I-pads and additional card readers for six smart phones.

Conclusion – Response acknowledged. The County Conservation Board should consider the cost benefit of accepting credit cards and purchasing items for this purpose compared to not accepting credit card payments.

IV-M-14 Tax Increment Financing (TIF) – The interest earned on the County's TIF funds was not included in the calculations of TIF revenues received which would eventually lead to excessive collections of TIF revenues.

Recommendation – Interest revenue earned on investing TIF funds should be included in the TIF reconciliation so as not to collect revenues in excess of the outstanding TIF debt.

Response – Interest for the City of Shelby/Pottawattamie County TIF has been identified and is identified in the fiscal year 2015/2016 reconciliation to ensure no excess revenues will be collected.

Conclusion – Response accepted.

Pottawattamie County

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Katherine L. Rupp, CPA, Senior Auditor II
Brian P. Schenkelberg, CPA, Senior Auditor II
Leslie M. Downing, Staff Auditor
Megan E. Irvin, Staff Auditor
Trent M. Mussmann, Staff Auditor
Luke H. Holman, Assistant Auditor
Marcus B. Johnson, Assistant Auditor
Benjamin R. Salow, Assistant Auditor
Erin J. Sietstra, Assistant Auditor
Paige A. Snyder, Auditor Intern



Andrew E. Nielsen, CPA
Deputy Auditor of State