



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

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NEWS RELEASE

FOR RELEASE

April 22, 2008

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$122,794,000 for the year ended June 30, 2007, which included \$3,690,867 in tax credits from the state. The County forwarded \$98,049,796 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$24,744,204 of the local tax revenue to finance County operations, a 6.7 percent increase over the prior year. Other revenues included charges for service of \$6,806,879, operating grants, contributions and restricted interest of \$11,834,956, capital grants, contributions and restricted interest of \$7,518,045, local option sales tax of \$2,838,150, pari-mutuel and gaming wager tax of \$2,580,475, tax increment financing of \$423,981, unrestricted investment earnings of \$1,380,419 and other general revenues of \$3,959,542.

Expenses for County operations totaled \$50,795,450, a 5.1 percent increase over the prior year. Expenses included \$16,145,489 for public safety and legal services, \$11,839,942 for roads and transportation and \$8,244,615 for mental health.

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

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POTTAWATTAMIE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007

Table of Contents

	<u>Page</u>	
Officials	3	
Independent Auditor’s Report	5-6	
Management’s Discussion and Analysis	7-13	
Basic Financial Statements:		<u>Exhibit</u>
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	G	25
Notes to Financial Statements		26-40
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		42-43
Budget to GAAP Reconciliation		44
Notes to Required Supplementary Information – Budgetary Reporting		45
Other Supplementary Information:		<u>Schedule</u>
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	48-49
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	50-51
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	52-53
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	54-55
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	56-57
Schedule of Expenditures of Federal Awards	6	58-59
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>		61-62
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133		65-66
Schedule of Findings and Questioned Costs		67-75
Staff		76

Pottawattamie County

Officials

(Before January 2007)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Loren Knauss	Board of Supervisors	Jan 2007
Lynn Leaders	Board of Supervisors	Jan 2007
Betty Moats	Board of Supervisors	Jan 2007
Melvyn Houser	Board of Supervisors	Jan 2009
Delbert King	Board of Supervisors	Jan 2009
Marilyn Jo Drake	County Auditor	Jan 2009
Judy Ann Miller	County Treasurer	Jan 2007
John F. Sciortino	County Recorder	Jan 2007
Jeffrey Danker	County Sheriff	Jan 2009
Matthew Wilber	County Attorney	Jan 2007
Steve Palm	County Assessor	Jan 2010

(After January 2007)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Melvyn Houser	Board of Supervisors	Jan 2009
Delbert King	Board of Supervisors	Jan 2009
Loren Knauss	Board of Supervisors	Jan 2011
Lynn Leaders	Board of Supervisors	Jan 2011
Roger Williams	Board of Supervisors	Jan 2011
Marilyn Jo Drake	County Auditor	Jan 2009
Judy Ann Miller	County Treasurer	Jan 2011
John F. Sciortino	County Recorder	Jan 2011
Jeffrey Danker	County Sheriff	Jan 2009
Matthew Wilber	County Attorney	Jan 2011
Steve Palm	County Assessor	Jan 2010

Pottawattamie County



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Independent Auditor's Report

To the Officials of Pottawattamie County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pottawattamie County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Pottawattamie County's management. Our responsibility is to express opinions on these financial statements based on our audit.

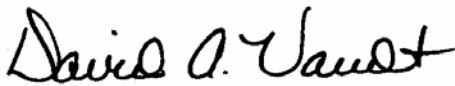
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Pottawattamie County at June 30, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

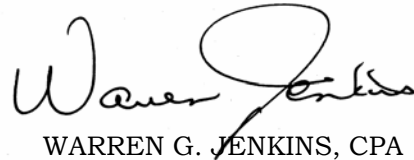
In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2008, on our consideration of Pottawattamie County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 42 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pottawattamie County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2003 (which are not presented herein) and expressed qualified opinions on those financial statements due to the omission of general fixed assets or capital assets and supplies inventory for the Secondary Roads Fund. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 31, 2008

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, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Pottawattamie County's governmental funds revenue increased 16.9%, or approximately \$8,969,000, over fiscal year 2006 (FY06). This included increases in property and other county tax of approximately \$1,579,000, charges for service of approximately \$476,000, operating grants, contributions and restricted interest of approximately \$198,000, capital grants, contributions and restricted interest of approximately \$3.7 million and gain on sale of land which is reported as a special item of approximately \$2.8 million.
- Pottawattamie County's governmental activities expenses increased 5.1%, or approximately \$2,461,000, over FY06.
- Pottawattamie County's net assets increased approximately \$11.3 million over FY06.
- As of the close of FY07, Pottawattamie County had ending fund balances of \$9,815,771 in the General Fund, \$1,163,485 in the Mental Health Fund, \$333,272 in the Rural Services Fund and \$6,049,753 in the Secondary Roads Fund.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual fiduciary funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY AS A WHOLE:

The Statement of Net Assets and the Statement of Activities

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

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

REPORTING THE COUNTY BY FUNDS:

The Fund Financial Statements

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

The County has two kinds of funds:

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

The required financial statements for governmental funds include a *balance sheet* and a *statement of revenues, expenditures and changes in fund balances*.

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

The fiduciary funds required financial statement is a *statement of fiduciary assets and liabilities*.

Summary reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Pottawattamie County’s net assets at the end of FY07 totaled approximately \$83.3 million. This compares to FY06 at \$72.1 million. The analysis that follows focuses on the changes of the net assets for our governmental activities.

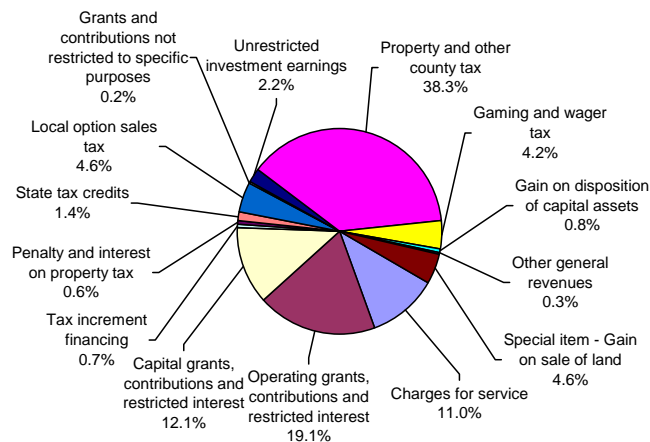
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2007	2006
Current and other assets	\$ 49,646	44,756
Capital assets	74,870	68,168
Total assets	124,516	112,924
Long-term liabilities	13,786	14,078
Other liabilities	27,385	26,792
Total liabilities	41,171	40,870
Net assets:		
Invested in capital assets, net of related debt	62,999	55,980
Restricted	11,117	10,583
Unrestricted	9,229	5,491
Total net assets	\$ 83,345	72,054

Net assets of Pottawattamie County’s governmental activities increased approximately \$11.3 million from FY06. The largest portion of the County’s net assets is Invested in Capital Assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets since they are unavailable for future spending. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements—increased from approximately \$5.5 million at June 30, 2006 to approximately \$9.2 million at the end of this year, an increase of 68.1%.

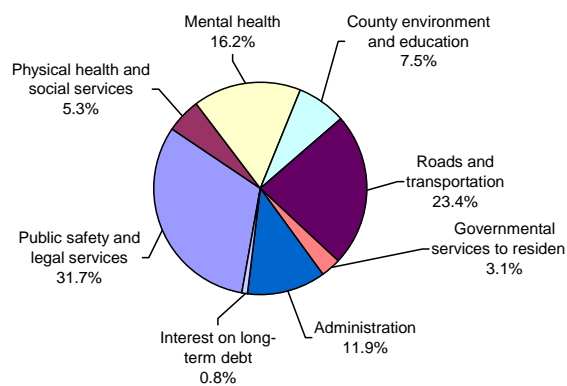
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2007	2006
Revenues:		
Program revenues:		
Charges for service	\$ 6,807	6,331
Operating grants, contributions and restricted interest	11,835	11,637
Capital grants, contributions and restricted interest	7,518	3,815
General revenues:		
Property and other county tax	23,903	22,324
Tax increment financing	424	729
Penalty and interest on property tax	396	353
State tax credits	841	862
Local option sales tax	2,838	3,212
Grants and contributions not restricted to specific purposes	100	-
Unrestricted investment earnings	1,380	933
Gaming and wager tax	2,580	2,243
Gain on disposition of capital assets	469	502
Other general revenues	161	176
Special item - Gain on sale of land	2,834	-
Total revenues	62,086	53,117
Program expenses:		
Public safety and legal services	16,145	15,848
Physical health and social services	2,686	2,746
Mental health	8,245	7,590
County environment and education	3,811	3,675
Roads and transportation	11,840	10,936
Governmental services to residents	1,576	1,580
Administration	6,061	5,216
Interest on long-term debt	431	743
Total expenses	50,795	48,334
Increase in net assets	11,291	4,783
Net assets beginning of year	72,054	67,271
Net assets end of year	\$ 83,345	72,054

Revenue by Source



Expenses by Program



Pottawattamie County's net assets of governmental activities increased approximately \$11.3 million during the year. Revenues increased approximately \$9 million and expenses increased approximately \$2.5 million.

Pottawattamie County's property tax levy rates did not change for the rural levy and decreased \$.12239 per \$1,000 of valuation in the countywide levy. The rural assessed property valuation increased \$88,234,359 and the countywide assessed property valuation increased \$231,042,520.

INDIVIDUAL MAJOR FUND ANALYSIS

As Pottawattamie County completed the year, its governmental funds reported a combined fund balance of \$20,105,534, which is more than the \$16,413,553 combined fund balance at the end of FY06. This increase is primarily due to the receipt of proceeds from the sale of land reported in the General Fund and the Special Revenue, Industrial Development Site Fund.

The General Fund, as the operating fund for Pottawattamie County, ended FY07 with a \$9,815,771 ending balance. This was an increase from FY06's ending balance of \$7,077,119. The General Fund balance includes the gaming dollars earmarked for ongoing construction and remodeling of the courthouse and other county buildings, along with economic development and capital projects. In addition to the sale of land, property valuation increased from \$2,829,468,636 in FY06 to \$3,060,511,156 in FY07. Although the combined general basic and general supplement levy rate decreased from \$5.64329 per \$1,000 of taxable valuation in FY06 to \$5.53383 per \$1,000 of taxable valuation in FY07, property and other county tax increased due to the increase in property valuation.

Pottawattamie County continues to try to effectively manage the cost of mental health services. Mental health expenditures increased \$652,465, or 8.6%, in FY07 over FY06. The Mental Health Fund ending balance for FY07 was \$1,163,485, a decrease of \$89,156 from FY06. The \$1.08532 per \$1,000 of taxable valuation FY07 tax levy increased \$.02505 per \$1,000 of taxable valuation over the FY06 levy rate of \$1.06027 per \$1,000 of taxable valuation.

The Rural Services Fund ended FY07 with a \$333,272 balance compared to the prior year ending balance of \$290,565. Property valuation increased from \$906,805,882 in FY06 to \$995,040,241 in FY07. The levy rate remains unchanged at \$3.23963 per \$1,000 of taxable valuation. Rural services expenditures increased \$76,347, or 8.2%, in FY07 over FY06. The increase in expenditures was mainly due to small project costs.

The Secondary Roads Fund ended FY07 with a \$6,049,753 balance compared to the prior year ending balance of \$5,389,492. Secondary road expenditures increased \$2,325,228 over FY06 mainly due to a significant increase in capital projects work. The Department maintained approximately 1,500 miles of rock, dirt and paved roads during the year and continued work on construction projects.

The Debt Service Fund ended FY07 with a \$643,648 balance compared to the prior year ending balance of \$540,546. The increase was due to a decrease in the amount of expenditures for payment of debt.

General Fund Budgetary Highlights

Over the course of the year, Pottawattamie County amended the budget once. The amendment was made in May 2007 and resulted in an increase in budgeted disbursements of \$1,098,990. The amendment was made for anticipated additional disbursements in various departments and a change in function for various administrative projects and costs.

The majority of the County's receipts were received as per the projected budget except for miscellaneous receipts for which the budget was inadvertently reduced by the amendment. The County's receipts for use of money and property were significantly higher than anticipated at budget time due to an increase in interest on County investments.

Total disbursements were \$5,423,556 less than the amended budget. The budget was amended to change the disbursement of certain funds from county environment and education to administration. The majority of those funds were not disbursed as anticipated. Other disbursements in the amendment were for the Sheriff's department disbursements and increased mental health disbursements. Actual disbursements were also \$2,410,683 less than budgeted for the capital projects function.

The valuation of Pottawattamie County continues to steadily increase. The location of the County at the crossroads of I-80 and I-29 helps to attract business and industry which spur economic growth. Menards has completed construction and is operating a large distribution center located at the exit of the City of Shelby off I-80. Southwest Iowa Renewal Energy continues construction of a large ethanol production plant in Lewis Township along I-29. Retail businesses continue to spur economic growth as well. Kohl's has opened a retail business in Metro Crossing, a retail site located off I-29 in Council Bluffs. The three gaming industries are also very important to Pottawattamie County and help to spur economic growth. The County continues to use gaming dollars for tax relief for the General Fund and a capital plan supporting courthouse remodeling, land and equipment purchases and the ability to expand the County's economic development.

Pottawattamie County continues to work toward completion of a large E-911 project in an effort to improve safety for the citizens of the County. The purpose of the project is to erect, equip and remodel facilities, including seven E-911 towers and the E-911 area of the courthouse.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY07, Pottawattamie County had approximately \$75 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount is an increase of approximately \$7 million over FY06, due mainly to increases in the County's road network infrastructure.

Pottawattamie County had depreciation expense of approximately \$4.4 million in FY07 and total accumulated depreciation of approximately \$47 million on the capital assets at the end of FY07. 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 FY07, Pottawattamie County had \$12,490,900 in long-term debt outstanding compared to \$12,992,501 at the end of FY06, as shown below.

Outstanding Debt of Governmental Activities at Year-End		
(Expressed in Thousands)		
	June 30,	
	2007	2006
Urban renewal revenue capital loan notes	\$ 620	805
General obligation refunding bonds	8,965	9,850
General obligation refunding notes	1,805	1,950
Mortgage loan	-	388
Capital lease purchase agreements	201	-
Airport road agreement	900	-
Total	\$ 12,491	12,993

Outstanding debt decreased as a result of the continued payment on general obligation bond and note issues even though a new loan agreement was entered into for a road. Pottawattamie County's general obligation bond rating continues to carry the A1 rating assigned by Moody's Investors Service, a national rating agency. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent 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 \$256 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 fiscal year 2008 budget, tax rates and fees that apply for the various County services. One of those factors is the economy.

The economy and unemployment indicators were taken into account when adopting the General Fund budget for fiscal year 2008. Amounts available for appropriation in the General Fund are \$29,885,162, an increase of \$1,492,445 over the 2007 budget. Property taxes are a portion of this increase. Pottawattamie County will use the increase in receipts to finance programs currently offered and to offset the effect inflation has on program costs. Capital projects, increased support of the communications center, negotiated union and non-union salary adjustments and health care benefits represent the largest portion of the increased expenses. Elected officials received 3.5% increase in salary and pay plan staff received 4% raises, effective July 1, 2007.

If estimates are realized, Pottawattamie County's budgetary General Fund balance is expected to increase approximately \$2.4 million by the close of 2008.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Pottawattamie County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Pottawattamie County Auditor Marilyn Jo Drake or Deputy Auditor Donna West 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 Assets
June 30, 2007

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 18,627,902
Receivables:	
Property tax:	
Delinquent	110,374
Succeeding year	24,982,000
Interest and penalty on property tax	328,808
Accounts	1,515,306
Drainage assessments	50
Accrued interest	94,247
Due from other governments	2,243,142
Inventories	1,400,592
Prepaid insurance	343,303
Capital assets - nondepreciable	12,209,615
Capital assets - depreciable (net of accumulated depreciation)	62,660,608
Total assets	<u>124,515,947</u>
Liabilities	
Accounts payable	1,035,897
Accrued interest payable	32,918
Salaries and benefits payable	415,759
Due to other governments	918,513
Deferred revenue:	
Succeeding year property tax	24,982,000
Long-term liabilities:	
Portion due or payable within one year:	
Urban renewal revenue capital loan notes	195,000
General obligation refunding bonds	945,000
General obligation refunding notes	155,000
Capital lease purchase agreements	200,900
Airport road agreement	100,000
Compensated absences	816,291
Portion due or payable after one year:	
Urban renewal revenue capital loan notes	425,000
General obligation refunding bonds	8,020,000
General obligation refunding notes	1,650,000
Airport road agreement	800,000
Compensated absences	478,421
Total liabilities	<u>41,170,699</u>
Net Assets	
Invested in capital assets, net of related debt	62,999,323
Restricted for:	
Supplemental levy purposes	1,683,875
Mental health purposes	1,158,895
Secondary roads purposes	6,119,849
Debt service	616,073
Law enforcement	58,036
Closure and postclosure care	4,500
Other purposes	1,475,569
Unrestricted	9,229,128
Total net assets	<u>\$ 83,345,248</u>

See notes to financial statements.

Pottawattamie County

Statement of Activities

Year ended June 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest		Capital Grants, Contributions and Restricted Interest
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 16,145,489	4,497,952	201,053	36,608	(11,409,876)
Physical health and social services	2,686,127	324,461	971,366	-	(1,390,300)
Mental health	8,244,615	37,210	4,858,763	-	(3,348,642)
County environment and education	3,810,788	349,231	983,987	548,498	(1,929,072)
Roads and transportation	11,839,942	61,767	4,722,205	6,932,848	(123,122)
Governmental services to residents	1,576,409	1,346,411	3,842	-	(226,156)
Administration	6,061,086	189,847	52,621	91	(5,818,527)
Interest on long-term debt	430,994	-	41,119	-	(389,875)
Total	\$ 50,795,450	6,806,879	11,834,956	7,518,045	(24,635,570)
General Revenues:					
Property and other county tax levied for:					
General purposes					\$ 22,716,451
Debt service					1,186,535
Tax increment financing					423,981
Penalty and interest on property tax					395,977
State tax credits					841,218
Local option sales tax					2,838,150
Grants and contributions not restricted to specific purposes					100,262
Unrestricted investment earnings					1,380,419
Pari-mutuel and gaming wager tax					2,580,475
Gain on disposition of capital assets					468,995
Miscellaneous					160,493
Special item:					
Gain on sale of land					2,833,815
Total general revenues and special item					35,926,771
Change in net assets					11,291,201
Net assets beginning of year					72,054,047
Net assets end of year					\$ 83,345,248

See notes to financial statements.

Pottawattamie County

Balance Sheet
Governmental Funds

June 30, 2007

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 9,272,958	2,141,192	307,281	4,211,959
Receivables:				
Property tax:				
Delinquent	77,169	15,135	12,577	-
Succeeding year	16,867,000	3,388,000	3,292,000	-
Interest and penalty on property tax	328,808	-	-	-
Accounts	1,498,355	4,610	6,366	431
Drainage assessments	-	-	-	-
Accrued interest	89,355	-	-	-
Due from other governments	621,893	167,521	74,807	1,325,701
Inventories	-	-	-	1,400,592
Prepaid insurance	286,438	-	-	56,865
Total assets	\$ 29,041,976	5,716,458	3,693,031	6,995,548
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 265,598	216,357	45,623	494,664
Salaries and benefits payable	317,253	16,897	9,579	70,620
Due to other governments	59,839	857,499	5	1,170
Deferred revenue:				
Succeeding year property tax	16,867,000	3,388,000	3,292,000	-
Other	1,716,515	74,220	12,552	379,341
Total liabilities	19,226,205	4,552,973	3,359,759	945,795
Fund balances:				
Reserved for:				
Supplemental levy purposes	1,787,928	-	-	-
Closure and postclosure care	-	-	4,500	-
Debt service	-	-	-	-
Law enforcement	58,036	-	-	-
Unreserved, reported in:				
General fund	7,969,807	-	-	-
Special revenue funds	-	1,163,485	328,772	6,049,753
Capital projects fund	-	-	-	-
Total fund balances	9,815,771	1,163,485	333,272	6,049,753
Total liabilities and fund balances	\$ 29,041,976	5,716,458	3,693,031	6,995,548

See notes to financial statements.

Debt Service	Nonmajor	Total
644,248	2,050,264	18,627,902
5,493	-	110,374
1,192,000	243,000	24,982,000
-	-	328,808
-	5,544	1,515,306
-	50	50
-	4,892	94,247
-	53,220	2,243,142
-	-	1,400,592
-	-	343,303
1,841,741	2,356,970	49,645,724
750	12,905	1,035,897
-	1,410	415,759
-	-	918,513
1,192,000	243,000	24,982,000
5,343	50	2,188,021
1,198,093	257,365	29,540,190
-	-	1,787,928
-	-	4,500
643,648	-	643,648
-	-	58,036
-	-	7,969,807
-	2,097,118	9,639,128
-	2,487	2,487
643,648	2,099,605	20,105,534
1,841,741	2,356,970	49,645,724

Pottawattamie County

Pottawattamie County
Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets
June 30, 2007

Total governmental fund balances (page 19) \$ 20,105,534

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$121,980,028 and the accumulated depreciation is \$47,109,805. 74,870,223

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 2,188,021

Long-term liabilities, including notes payable, bonds payable, capital lease purchase and airport road agreements payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (13,818,530)

Net assets of governmental activities (page 16) \$ 83,345,248

See notes to financial statements.

Pottawattamie County

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

Year ended June 30, 2007

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 19,124,733	3,216,795	3,527,592	1,986,705
Interest and penalty on property tax	367,473	-	-	-
Intergovernmental	5,719,553	4,970,233	212,378	7,972,420
Licenses and permits	750	-	73,704	4,806
Charges for service	2,147,564	68,915	81,837	10,009
Use of money and property	1,394,936	-	208	-
Miscellaneous	459,492	-	43,026	46,952
Total revenues	29,214,501	8,255,943	3,938,745	10,020,892
Expenditures:				
Operating:				
Public safety and legal services	15,448,171	-	142,567	-
Physical health and social services	2,537,766	-	123,562	-
Mental health	-	8,235,723	-	-
County environment and education	1,866,728	-	733,417	-
Roads and transportation	-	-	-	9,896,065
Governmental services to residents	1,483,077	-	4,140	-
Administration	6,216,143	-	3,500	-
Debt service	-	-	-	-
Capital projects	-	-	-	3,121,579
Total expenditures	27,551,885	8,235,723	1,007,186	13,017,644
Excess (deficiency) of revenues over (under) expenditures	1,662,616	20,220	2,931,559	(2,996,752)
Other financing sources (uses):				
Sale of capital assets	22,502	-	100,000	100,000
Operating transfers in	109,376	-	-	3,356,113
Operating transfers out	(837,261)	(109,376)	(2,988,852)	-
Capital lease purchase agreement	-	-	-	200,900
Special item - sale of land	1,781,419	-	-	-
Total other financing sources (uses)	1,076,036	(109,376)	(2,888,852)	3,657,013
Net change in fund balances	2,738,652	(89,156)	42,707	660,261
Fund balances beginning of year	7,077,119	1,252,641	290,565	5,389,492
Fund balances end of year	\$ 9,815,771	1,163,485	333,272	6,049,753

See notes to financial statements.

Debt Service	Nonmajor	Total
1,186,863	707,796	29,750,484
-	-	367,473
40,808	285,100	19,200,492
-	-	79,260
-	21,069	2,329,394
41,119	81,223	1,517,486
-	1,265,862	1,815,332
1,268,790	2,361,050	55,059,921
-	140,142	15,730,880
-	483	2,661,811
-	-	8,235,723
-	1,946,842	4,546,987
-	-	9,896,065
-	18,188	1,505,405
-	393,581	6,613,224
1,654,668	-	1,654,668
-	-	3,121,579
1,654,668	2,499,236	53,966,342
(385,878)	(138,186)	1,093,579
-	-	222,502
488,980	529,000	4,483,469
-	(547,980)	(4,483,469)
-	-	200,900
-	393,581	2,175,000
488,980	374,601	2,598,402
103,102	236,415	3,691,981
540,546	1,863,190	16,413,553
643,648	2,099,605	20,105,534

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, 2007

Net change in fund balances - Total governmental funds (page 23) \$ 3,691,981

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

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

Expenditures for capital assets	\$ 6,018,174	
Capital assets contributed by the Iowa Department of Transportation and others	5,411,154	
Depreciation expense	<u>(4,373,584)</u>	7,055,744

In the Statement of Activities, the gain on the sale of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 246,493

In the Statement of Activities, the gain on the sale of land is reported as a special item, whereas the governmental funds report the proceeds from the sale of land as a special item which increases financial resources. 683,250

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

Property tax	(4,893)	
Other	<u>(682,341)</u>	(687,234)

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 Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(1,200,900)	
Repaid	<u>1,702,501</u>	501,601

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	(209,308)	
Interest on long-term debt	<u>8,674</u>	<u>(200,634)</u>

Change in net assets of governmental activities (page 17) \$ 11,291,201

See notes to financial statements.

Pottawattamie County
 Statement of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2007

Assets

Cash and pooled investments:	
County Treasurer	\$ 5,440,715
Other County officials	111,122
Receivables:	
Property tax:	
Delinquent	424,510
Succeeding year	95,106,000
Accounts	101,668
Special assessments	6,554,748
Drainage assessments	5,607
Due from other governments	331,093
Prepaid items	45,723
Total assets	108,121,186

Liabilities

Accounts payable	18,988
Salaries and benefits payable	31,070
Due to other governments	101,741,452
Trusts payable	6,219,718
Compensated absences	109,958
Total liabilities	108,121,186

Net assets	\$ -
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See notes to financial statements.

Pottawattamie County

Notes to Financial Statements

June 30, 2007

(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 that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Certain drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Pottawattamie County Board of Supervisors. These drainage districts are reported as a Special Revenue Fund. The County has other drainage districts that are managed and supervised by elected trustees. The financial transactions of these districts are reported as an Agency Fund. Financial information of the individual drainage districts can be obtained from the Pottawattamie County Auditor's Office.

The Conservation Foundation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Pottawattamie County Conservation Board. These donations are to be used to purchase items not included in the County's budget. The financial transactions of this foundation have been displayed as a nonmajor governmental fund.

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

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

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

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

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

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

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

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	10 - 50
Infrastructure	10 - 100
Equipment	3 - 20
Vehicles	5 - 15

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted by function. However, disbursements in one department exceeded the amount appropriated and certain departments exceeded the amounts appropriated prior to appropriation amendments.

(2) Cash and Pooled Investments

The County’s deposits in banks at June 30, 2007 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 County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Mental Health	\$ 109,376
Special Revenue: Secondary Roads	General	367,261
	Special Revenue: Rural Services	2,988,852
Flood and Erosion	General	120,000
Hitchcock Nature Area	General	350,000
	Special Revenue: Resource Enhancement and Protection	50,000
District Enhancement Area East	Soil Conservation District East	9,000
Debt Service	Urban Renewal Revenue	488,980
Total		<u>\$ 4,483,469</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, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,862,580	1,296,619	600,000	7,559,199
Construction in progress	1,907,714	8,013,677	5,270,975	4,650,416
Total capital assets not being depreciated	8,770,294	9,310,296	5,870,975	12,209,615
Capital assets being depreciated:				
Buildings	30,778,364	1,117,571	175,926	31,720,009
Improvements other than buildings	951,250	529,412	-	1,480,662
Equipment and vehicles	13,222,064	2,163,427	1,432,775	13,952,716
Infrastructure, road network	57,830,447	4,158,377	-	61,988,824
Infrastructure, other	628,202	-	-	628,202
Total capital assets being depreciated	103,410,327	7,968,787	1,608,701	109,770,413
Less accumulated depreciation for:				
Buildings	7,689,358	641,827	10,556	8,320,629
Improvements other than buildings	491,196	58,745	-	549,941
Equipment and vehicles	6,879,814	1,560,279	1,265,858	7,174,235
Infrastructure, road network	28,838,538	2,094,728	-	30,933,266
Infrastructure, other	113,729	18,005	-	131,734
Total accumulated depreciation	44,012,635	4,373,584	1,276,414	47,109,805
Total capital assets being depreciated, net	59,397,692	3,595,203	332,287	62,660,608
Governmental activities capital assets, net	\$ 68,167,986	12,905,499	6,203,262	74,870,223

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 663,346
Physical health and social services	15,245
Mental health	1,515
County environment and education	132,148
Roads and transportation	3,188,568
Governmental services to residents	50,684
Administration	322,078
Total depreciation expense - governmental activities	<u>\$ 4,373,584</u>

Equipment includes assets acquired under capital leases with a book value of \$282,120.

On January 26, 2006, the County entered into an agreement to sell a parcel of land to Southwest Iowa Renewal Energy, LLC for a total sales price of \$3,458,250. The County received \$2,175,000 on the closing date in July 2006, which is reported as a special item in the Statement of Revenues, Expenditures and Changes in Fund Balance. The balance of \$1,283,250 is due 180 days after ethanol production begins at the facility or January 31, 2008, whichever occurs first, and is reported as deferred revenue in the fund financial statements. The total gain on the sale of the land of \$2,833,815 is reported as a special item on the Statement of Activities.

(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 is as follows:

Fund	Description	Amount
General	Services	\$ 59,839
Special Revenue:		
Mental Health	Services	857,499
Rural Services	Services	5
Secondary Roads	Services	1,170
		<u>858,674</u>
Total for governmental funds		<u>\$ 918,513</u>
Agency:		
County Assessor	Collections	\$ 1,507,667
Schools		48,870,077
Community Colleges		2,717,114
Corporations		43,173,254
Auto License and Use Tax		1,564,561
All other		3,908,779
Total for agency funds		<u>\$ 101,741,452</u>

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Urban Renewal Revenue Capital Loan Notes	General Obligation Refunding Bonds	General Obligation Refunding Notes	Capital Lease Purchase Agreements	Airport Road Agreement	Mortgage Loan	Compen- sated Absences	Total
Balance beginning of year	\$ 805,000	9,850,000	1,950,000	-	-	387,501	1,085,404	14,077,905
Increases	-	-	-	200,900	1,000,000	-	1,276,630	2,477,530
Decreases	185,000	885,000	145,000	-	100,000	387,501	1,067,322	2,769,823
Balance end of year	<u>\$ 620,000</u>	<u>8,965,000</u>	<u>1,805,000</u>	<u>200,900</u>	<u>900,000</u>	<u>-</u>	<u>1,294,712</u>	<u>13,785,612</u>
Due within one year	<u>\$ 195,000</u>	<u>945,000</u>	<u>155,000</u>	<u>200,900</u>	<u>100,000</u>	<u>-</u>	<u>816,291</u>	<u>2,412,191</u>

Urban Renewal Revenue Capital Loan Notes

During the year ended June 30, 2000, the County issued \$1,470,000 of urban renewal revenue capital loan notes to finance economic development at Oakland Foods. The notes are payable from the taxes from urban renewal districts established in certain areas of the County. Annual payment requirements to maturity for the urban renewal revenue capital loan notes are as follows:

Year Ending June 30,	Issued December 1, 1999		
	Interest Rates	Principal	Interest
2008	5.65%	\$195,000	35,462
2009	5.70	205,000	24,445
2010	5.80	220,000	12,760
Total		\$ 620,000	72,667

The resolution providing for the issuance of the urban renewal revenue capital loan notes includes the following provisions:

- (a) The notes will only be redeemed from the net revenues of the urban renewal project and the note holders hold a lien on the future net revenues of the urban renewal project.
- (b) Sufficient transfers shall be made to a separate debt service urban renewal sinking account for the purpose of making the note principal and interest payments when due.
- (c) Additional transfers will be made to maintain a debt service urban renewal reserve in an amount equal to 10% of the stated principal amount of the notes. These accounts are restricted for the purpose of paying for principal at maturity or interest on the notes if there is insufficient money available in the sinking accounts.

The County was in compliance with the revenue note provisions during the year ended June 30, 2007.

During the year ended June 30, 2007, \$185,000 of urban renewal revenue capital loan notes were retired.

General Obligation Refunding Bonds

On December 1, 2003, the County issued \$1,575,000 of general obligation refunding bonds with interest rates ranging from 2.00% to 3.15% per annum.

On January 1, 2004, the County issued \$9,140,000 of general obligation refunding bonds with interest rates ranging from 1.75% to 3.70% per annum. Annual debt service requirements to maturity for the general obligation refunding bonds are as follows:

Year Ending June 30,	Issued December 1, 2003			Issued January 1, 2004			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2008	2.50%	\$ 195,000	34,272	3.15%	\$ 750,000	258,225	945,000	292,497
2009	2.80	215,000	29,397	3.15	775,000	234,600	990,000	263,997
2010	2.80	225,000	23,377	3.15	805,000	210,188	1,030,000	233,565
2011	3.00	270,000	17,078	3.15	830,000	184,830	1,100,000	201,908
2012	3.15	285,000	8,977	3.25	860,000	158,685	1,145,000	167,662
2013-2016		-	-	3.30-3.70	3,755,000	339,515	3,755,000	339,515
Total		\$ 1,190,000	113,101		\$ 7,775,000	1,386,043	8,965,000	1,499,144

During the year ended June 30, 2007, \$885,000 of general obligation refunding bonds were retired.

General Obligation Refunding Notes

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

Year Ending June 30,	Issued May 3, 2005		
	Interest Rates	Principal	Interest
2008	4.00%	\$ 155,000	67,060
2009	4.00	160,000	60,860
2010	3.25	165,000	54,460
2011	3.35	165,000	49,098
2012	3.45	170,000	43,570
2013-2017	4.00	990,000	118,320
Total		\$ 1,805,000	393,368

During the year ended June 30, 2007, \$145,000 of general obligation refunding notes were retired.

Mortgage Loan

On February 4, 1993, the County borrowed \$600,000 from US Bank and used the proceeds to acquire land for an industrial development site. The loan was secured by a note and first mortgage on the property purchased and required nineteen semi-annual payments of \$22,867, including interest at 5.75% per annum, with a final balloon payment of \$478,292, including principal and interest, originally due on March 1, 2003. The loan was refinanced on March 24, 2003 and required nine semi-annual payments of \$20,404, including interest at 3.97% per annum, beginning September 1, 2003, with a final balloon payment of \$355,197 due on March 1, 2008. The mortgage loan balance was repaid in full in July 2006 from proceeds the County received from the sale of the property.

Airport Road Agreement

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

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

The County paid a total of \$100,000 to CBAA during the year ended June 30, 2007, leaving a balance owed of \$900,000 at June 30, 2007.

Capital Lease Purchase Agreements

The County entered into capital lease purchase agreements to acquire three trucks. Lease payments of \$200,900 are due on October 23, 2007, including interest at 5.77% per annum.

(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 3.70% of their annual covered salary and the County is required to contribute 5.75% 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, 2007, 2006 and 2005 were \$1,159,421, \$1,122,844 and \$1,024,328, respectively, equal to the required contributions for each year.

(8) Risk Management

Pottawattamie County is a member in 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 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2007 were \$440,010.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2007, no liability has been recorded in the County's financial statements. As of June 30, 2007, 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 claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

(9) Jointly Governed Organization

Pottawattamie 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, 2007:

Additions:

Reimbursements from Counties:

Pottawattamie County	\$ 753,781	
Shelby County	42,988	
Harrison County	58,869	
Cass County	20,900	
Audubon County	17,608	
Mills County	64,674	
Montgomery County	57,813	
Fremont County	41,309	
Page County	32,625	\$ 1,090,567

National school lunch program		8,891
School breakfast program		5,810
Interest on investments		20,306
State direct receiving grant		36,000
Iowa detention facility expense reimbursement		215,911
Adult waived juvenile fees		38,610
Miscellaneous		1,313
Total additions		<u>1,417,408</u>

Deductions:

Salaries	647,820	
Employee benefits	220,868	
Commodities and nutrition services	33,994	
Office supplies	13,413	
Communications and transportation	4,940	
Professional services	10,338	
Utilities	24,629	
Building repair and maintenance	23,994	
Insurance	49,779	
Refunds to counties	393,879	
Miscellaneous	1,472	1,425,126

Net		(7,718)
Balance beginning of year		<u>718,395</u>
Balance end of year		<u><u>\$ 710,677</u></u>

(10) Public Safety Commission

The County entered into an intergovernmental cooperative agreement with the City of Council Bluffs under Chapter 28E of the Code of Iowa to coordinate public safety and law enforcement communications. The Commission provides centralized law enforcement facilities and communications. The County was reimbursed \$774,762 by the City for operating the Commission during the year ended June 30, 2007.

(11) Litigation

The County is involved in several lawsuits as of June 30, 2007. The probability of loss, if any, is undeterminable.

(12) Economic Development Agreement

The County entered into an economic development agreement with the City of Council Bluffs and three local foundations to develop the Bass Pro Shop project.

The County has agreed to make an economic development grant to the project, not to exceed \$2,639,478, with interest at 4% per annum. The grant will be paid on a semi-annual basis over a period of thirteen years beginning in fiscal year 2005. The first grant payment was made to a local foundation for costs incurred preparing the project site for construction. All remaining grant payments are required to be paid to a trust account established by the City to be used to pay principal and interest on debt incurred by the City to fund the project. During the year ended June 30, 2007, the County's grant payments totaled \$481,400, bringing the cumulative total to \$1,444,200. The County is funding the economic development grant from para-mutuel and gaming wager tax.

The economic development payments to be made by the County under the agreement are conditioned upon and subject to an annual appropriation of funds by the Board of Supervisors. The grant is not a general obligation or indebtedness of the County.

(13) Southwest Iowa Training Facility

The County and the City of Council Bluffs entered into a 28E agreement to establish, construct and maintain the Southwest Iowa Training Facility. The facility was established for the purpose of coordinating law enforcement training. Construction of the facility will be funded from City, County and federal funds and contributions from the Iowa West Foundation. The total estimated cost is \$3,777,369 and the County's share of the project is \$793,934. During the year ended June 30, 2007, the County remitted \$34,879 to the City for construction costs.

The City and County will jointly operate and maintain the facility. The term of the agreement is perpetual unless terminated by mutual agreement by the parties.

(14) Conduit Debt

During the year ended June 30, 2007, the County issued \$3,500,000 of senior housing revenue and refunding bonds and \$11,000,000 of revenue refunding bonds 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 the bond principal and interest do not constitute liabilities of the City.

(15) Subsequent Events

In December 2007, the County issued \$5,625,000 of general obligation capital loan notes to erect, equip, remodel or reconstruct public buildings, including seven E-911 towers and the County Courthouse.

In December 2007, the County approved a contract for \$7,663,401 for a communication system.

Required Supplementary Information

Pottawattamie County

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

Required Supplementary Information

Year ended June 30, 2007

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 29,495,882	-	29,495,882
Interest and penalty on property tax	366,367	-	366,367
Intergovernmental	18,957,152	-	18,957,152
Licenses and permits	77,750	-	77,750
Charges for service	2,319,288	-	2,319,288
Use of money and property	1,506,391	134	1,506,257
Miscellaneous	2,252,333	76,165	2,176,168
Total receipts	54,975,163	76,299	54,898,864
Disbursements:			
Public safety and legal services	15,669,858	-	15,669,858
Physical health and social services	2,670,141	-	2,670,141
Mental health	8,006,383	-	8,006,383
County environment and education	4,864,623	76,435	4,788,188
Roads and transportation	9,588,719	-	9,588,719
Governmental services to residents	1,515,668	-	1,515,668
Administration	6,708,260	-	6,708,260
Debt service	1,654,667	-	1,654,667
Capital projects	3,321,317	-	3,321,317
Total disbursements	53,999,636	76,435	53,923,201
Excess (deficiency) of receipts over (under) disbursements	975,527	(136)	975,663
Other financing sources, net	2,416,777	-	2,416,777
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,392,304	(136)	3,392,440
Balance beginning of year	15,235,598	33,929	15,201,669
Balance end of year	\$ 18,627,902	33,793	18,594,109

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
29,465,696	29,465,696	30,186
303,000	303,000	63,367
18,842,426	18,842,426	114,726
77,480	77,480	270
2,608,440	2,608,440	(289,152)
537,934	537,934	968,323
2,225,780	225,780	1,950,388
54,060,756	52,060,756	2,838,108
15,430,815	15,906,808	236,950
3,068,374	3,068,374	398,233
7,896,071	8,007,718	1,335
7,067,592	5,399,442	611,254
10,655,010	10,655,010	1,066,291
1,582,106	1,582,106	66,438
5,160,780	7,340,280	632,020
1,655,019	1,655,019	352
5,732,000	5,732,000	2,410,683
58,247,767	59,346,757	5,423,556
(4,187,011)	(7,286,001)	8,261,664
-	-	2,416,777
(4,187,011)	(7,286,001)	10,678,441
11,056,027	14,865,111	336,558
6,869,016	7,579,110	11,014,999

Pottawattamie County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 54,975,163	84,758	55,059,921
Expenditures	53,999,636	(33,294)	53,966,342
Net	975,527	118,052	1,093,579
Other financing sources, net	2,416,777	181,625	2,598,402
Beginning fund balances	15,235,598	1,177,955	16,413,553
Ending fund balances	\$ 18,627,902	1,477,632	20,105,534

See accompanying independent auditor's report.

Pottawattamie County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 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 \$1,098,990. 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, 2007, disbursements did not exceed the amounts budgeted by function. However, disbursements in one department exceeded the amount appropriated and certain departments exceeded the amounts appropriated prior to appropriation amendments.

Pottawattamie County

Other Supplementary Information

Pottawattamie County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

	Special								
	Resource Enhance- ment and Protection	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Juvenile Diversion	Soil Con- servation District East	Soil Con- servation District West	Conservation Foundation	Industrial Develop- ment Site
Assets									
Cash and pooled investments	\$ 14,638	61,753	665	10,754	4,511	251,937	297,053	23,039	155,749
Receivables:									
Succeeding year property tax	-	-	-	-	-	-	-	-	-
Accounts	-	-	-	-	-	-	-	5,527	-
Drainage assessments	-	-	-	50	-	-	-	-	-
Accrued interest	-	-	-	-	-	-	-	-	2,775
Due from other governments	-	-	-	-	-	21,156	21,157	-	-
Total assets	\$ 14,638	61,753	665	10,804	4,511	273,093	318,210	28,566	158,524
Liabilities and Fund Equity									
Liabilities:									
Accounts payable	\$ 2,723	-	-	-	-	-	-	-	-
Salaries and benefits payable	-	-	-	-	-	-	-	-	-
Deferred revenue:									
Succeeding year property tax	-	-	-	-	-	-	-	-	-
Other	-	-	-	50	-	-	-	-	-
Total liabilities	2,723	-	-	50	-	-	-	-	-
Fund equity:									
Unreserved fund balances, reported in:									
Special revenue funds	11,915	61,753	665	10,754	4,511	273,093	318,210	28,566	158,524
Capital projects fund	-	-	-	-	-	-	-	-	-
Total fund equity	11,915	61,753	665	10,754	4,511	273,093	318,210	28,566	158,524
Total liabilities and fund equity	\$ 14,638	61,753	665	10,804	4,511	273,093	318,210	28,566	158,524

See accompanying independent auditor's report.

Revenue												
Flood and Erosion	Urban Renewal Revenue	Bent Tree Water-line	Animal Shelter Donations	County Attorney Drug Forfeiture	Special Law Enforcement	Hitchcock Nature Area	District Enhancement Area East	Conservation Land Acquisition	Community Improvement To Increase Economic Stability	Restoration Initiative - Hitchcock	Capital Projects	Total
40,704	822,739	65,928	4,063	5,449	1,000	95,704	31,199	2,470	5,000	153,422	2,487	2,050,264
-	243,000	-	-	-	-	-	-	-	-	-	-	243,000
-	-	-	17	-	-	-	-	-	-	-	-	5,544
-	-	-	-	-	-	-	-	-	-	-	-	50
-	2,117	-	-	-	-	-	-	-	-	-	-	4,892
-	-	-	-	10,907	-	-	-	-	-	-	-	53,220
40,704	1,067,856	65,928	4,080	16,356	1,000	95,704	31,199	2,470	5,000	153,422	2,487	2,356,970
-	-	-	-	8,371	-	-	-	-	-	1,811	-	12,905
1,410	-	-	-	-	-	-	-	-	-	-	-	1,410
-	243,000	-	-	-	-	-	-	-	-	-	-	243,000
-	-	-	-	-	-	-	-	-	-	-	-	50
1,410	243,000	-	-	8,371	-	-	-	-	-	1,811	-	257,365
39,294	824,856	65,928	4,080	7,985	1,000	95,704	31,199	2,470	5,000	151,611	-	2,097,118
-	-	-	-	-	-	-	-	-	-	-	2,487	2,487
39,294	824,856	65,928	4,080	7,985	1,000	95,704	31,199	2,470	5,000	151,611	2,487	2,099,605
40,704	1,067,856	65,928	4,080	16,356	1,000	95,704	31,199	2,470	5,000	153,422	2,487	2,356,970

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

Year ended June 30, 2007

	Special								
	Resource Enhance- ment and Protection	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Juvenile Diversion	Soil Con- servation District East	Soil Con- servation District West	Conservation Foundation	Industrial Develop- ment Site
Revenues:									
Property and other county tax	\$ -	-	-	-	-	141,907	141,908	-	-
Intergovernmental	21,030	-	-	-	1,112	-	-	-	-
Charges for service	-	21,069	-	-	-	-	-	-	-
Use of money and property	1,507	2,118	24	-	-	-	-	134	51,986
Miscellaneous	3,554	-	-	-	-	400	-	76,165	-
Total revenues	26,091	23,187	24	-	1,112	142,307	141,908	76,299	51,986
Expenditures:									
Operating:									
Public safety and legal services	-	-	-	-	-	-	-	-	-
Physical health and social services	-	-	-	-	483	-	-	-	-
County environment and education	23,831	-	-	-	-	76,384	79,693	70,908	-
Governmental services to residents	-	18,188	-	-	-	-	-	-	-
Administration	-	-	-	-	-	-	-	-	393,581
Total expenditures	23,831	18,188	-	-	483	76,384	79,693	70,908	393,581
Excess (deficiency) of revenues over (under) expenditures	2,260	4,999	24	-	629	65,923	62,215	5,391	(341,595)
Other financing sources (uses):									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	(50,000)	-	-	-	-	(9,000)	-	-	-
Special item - sale of land	-	-	-	-	-	-	-	-	393,581
Total other financing sources (uses)	(50,000)	-	-	-	-	(9,000)	-	-	393,581
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(47,740)	4,999	24	-	629	56,923	62,215	5,391	51,986
Fund balances beginning of year	59,655	56,754	641	10,754	3,882	216,170	255,995	23,175	106,538
Fund balances end of year	\$ 11,915	61,753	665	10,754	4,511	273,093	318,210	28,566	158,524

See accompanying independent auditor's report.

Revenue												
Flood and Erosion	Urban Renewal Revenue	Bent Tree Water-line	Animal Shelter Donations	County Attorney Drug Forfeiture	Special Law Enforcement	Hitchcock Nature Area	District Enhancement Area East	Conservation Land Acquisition	Community Improvement To Increase Economic Stability	Restoration Initiative - Hitchcock	Capital Projects	Total
-	423,981	-	-	-	-	-	-	-	-	-	-	707,796
-	4,434	-	-	46,304	-	90,000	-	-	-	122,220	-	285,100
-	-	-	-	-	-	-	-	-	-	-	-	21,069
-	25,363	-	-	-	-	-	-	-	-	-	91	81,223
-	-	-	3,757	-	-	205,799	-	3,695	847,492	125,000	-	1,265,862
-	453,778	-	3,757	46,304	-	295,799	-	3,695	847,492	247,220	91	2,361,050
-	-	-	-	140,142	-	-	-	-	-	-	-	140,142
-	-	-	-	-	-	-	-	-	-	-	-	483
100,726	-	-	3,050	-	-	636,715	2,662	10,081	847,183	95,609	-	1,946,842
-	-	-	-	-	-	-	-	-	-	-	-	18,188
-	-	-	-	-	-	-	-	-	-	-	-	393,581
100,726	-	-	3,050	140,142	-	636,715	2,662	10,081	847,183	95,609	-	2,499,236
(100,726)	453,778	-	707	(93,838)	-	(340,916)	(2,662)	(6,386)	309	151,611	91	(138,186)
120,000	-	-	-	-	-	400,000	9,000	-	-	-	-	529,000
-	(488,980)	-	-	-	-	-	-	-	-	-	-	(547,980)
-	-	-	-	-	-	-	-	-	-	-	-	393,581
120,000	(488,980)	-	-	-	-	400,000	9,000	-	-	-	-	374,601
19,274	(35,202)	-	707	(93,838)	-	59,084	6,338	(6,386)	309	151,611	91	236,415
20,020	860,058	65,928	3,373	101,823	1,000	36,620	24,861	8,856	4,691	-	2,396	1,863,190
39,294	824,856	65,928	4,080	7,985	1,000	95,704	31,199	2,470	5,000	151,611	2,487	2,099,605

Pottawattamie County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpor- ations
Assets						
Cash and pooled investments:						
County Treasurer	\$ -	2,595	391,730	674,735	28,073	636,696
Other County officials	108,622	-	-	-	-	-
Receivables:						
Property tax:						
Delinquent	-	721	4,998	218,342	9,041	188,558
Succeeding year	-	189,000	1,216,000	47,977,000	2,680,000	42,348,000
Accounts	9,136	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Drainage assessments	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Total assets	\$ 117,758	192,316	1,612,728	48,870,077	2,717,114	43,173,254
Liabilities						
Accounts payable	\$ -	-	9,901	-	-	-
Salaries and benefits payable	-	-	13,462	-	-	-
Due to other governments	96,252	192,316	1,507,667	48,870,077	2,717,114	43,173,254
Trusts payable	21,506	-	-	-	-	-
Compensated absences	-	-	81,698	-	-	-
Total liabilities	\$ 117,758	192,316	1,612,728	48,870,077	2,717,114	43,173,254

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
6,664	72,154	197,902	429,252	1,104,808	1,564,561	331,545	5,440,715
-	-	-	2,500	-	-	-	111,122
2,794	-	-	-	-	-	56	424,510
682,000	-	-	-	-	-	14,000	95,106,000
-	-	-	45	87,476	-	5,011	101,668
-	555,110	5,999,638	-	-	-	-	6,554,748
-	-	-	-	-	-	5,607	5,607
-	-	-	237,733	27,719	-	65,641	331,093
-	-	-	41,147	-	-	4,576	45,723
691,458	627,264	6,197,540	710,677	1,220,003	1,564,561	426,436	108,121,186
-	-	-	6,016	2,939	-	132	18,988
-	-	-	14,978	-	-	2,630	31,070
691,458	627,264	-	674,924	1,217,064	1,564,561	409,501	101,741,452
-	-	6,197,540	-	-	-	672	6,219,718
-	-	-	14,759	-	-	13,501	109,958
691,458	627,264	6,197,540	710,677	1,220,003	1,564,561	426,436	108,121,186

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

Year ended June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpora- tions
Assets and Liabilities						
Balances beginning of year	\$ 104,964	184,705	1,394,768	45,989,753	1,988,882	39,171,555
Additions:						
Property and other county tax	-	188,920	1,216,945	47,907,223	2,679,983	42,525,671
E911 surcharge	-	-	-	-	-	-
State tax credits	-	6,877	36,933	1,540,538	66,059	1,172,306
Office fees and collections	2,121,273	-	134	-	-	-
Electronic transaction fees	-	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	2,302,630	-	-	-	-	-
Miscellaneous	-	66	6,602	25,643	1,014	25,190
Total additions	4,423,903	195,863	1,260,614	49,473,404	2,747,056	43,723,167
Deductions:						
Agency remittances:						
To other funds	1,216,994	-	-	-	-	-
To other governments	925,850	188,252	1,042,654	46,593,080	2,018,824	39,721,468
Trusts paid out	2,268,265	-	-	-	-	-
Total deductions	4,411,109	188,252	1,042,654	46,593,080	2,018,824	39,721,468
Balances end of year	\$ 117,758	192,316	1,612,728	48,870,077	2,717,114	43,173,254

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	
	699,896	637,081	6,803,080	718,395	1,059,546	1,455,347	-	474,102	100,682,074
	669,020	-	-	-	-	-	12,385	95,200,147	
	-	-	-	-	620,096	-	-	620,096	
	26,528	-	-	-	-	-	408	2,849,649	
	-	-	-	-	-	-	-	2,121,407	
	-	-	-	-	-	-	20,958	20,958	
	-	-	-	-	-	18,399,620	-	18,399,620	
	-	480,575	666,137	-	-	-	-	1,146,712	
	-	-	-	-	-	2,107,228	-	4,409,858	
	134	-	-	1,417,408	39,686	-	-	408,245	1,923,988
	695,682	480,575	666,137	1,417,408	659,782	18,399,620	2,107,228	441,996	126,692,435
	-	-	-	-	-	630,414	-	-	1,847,408
	704,120	490,392	-	1,425,126	499,325	17,659,992	-	489,662	111,758,745
	-	-	1,271,677	-	-	-	2,107,228	-	5,647,170
	704,120	490,392	1,271,677	1,425,126	499,325	18,290,406	2,107,228	489,662	119,253,323
	691,458	627,264	6,197,540	710,677	1,220,003	1,564,561	-	426,436	108,121,186

Pottawattamie County
Schedule of Revenues By Source and Expenditures By Function -
All Governmental Funds
For the Last Eight Years

	Modified Accrual Basis				
	2007	2006	2005	2004	2003
Revenues:					
Property and other county tax	\$ 29,750,484	28,511,268	26,568,821	25,112,918	23,754,832
Interest and penalty on property tax	367,473	324,973	424,956	319,773	284,825
Intergovernmental	19,200,492	14,796,318	14,894,659	15,286,787	15,499,143
Licenses and permits	79,260	77,036	80,369	81,539	71,929
Charges for service	2,329,394	2,474,318	2,357,948	2,961,916	2,184,911
Use of money and property	1,517,486	1,199,544	785,044	352,015	353,651
Fines, forfeitures and defaults	-	-	-	-	-
Miscellaneous	1,815,332	1,979,269	1,027,912	1,263,788	684,433
Total	\$ 55,059,921	49,362,726	46,139,709	45,378,736	42,833,724
Expenditures:					
Operating:					
Public safety and legal services	\$ 15,730,880	15,344,223	14,629,633	13,554,635	12,419,508
Physical health and social services	2,661,811	2,726,533	2,573,703	2,449,827	2,752,435
Mental health	8,235,723	7,583,258	7,208,328	7,266,366	7,276,003
County environment and education	4,546,987	4,597,686	2,815,719	2,613,891	1,991,358
Roads and transportation	9,896,065	9,090,186	7,654,396	8,916,835	7,829,915
Governmental services to residents	1,505,405	2,007,331	1,387,910	1,345,719	1,224,597
Administration	6,613,224	4,967,738	5,769,591	4,948,132	5,935,402
Debt service	1,654,668	1,848,183	1,978,668	1,900,241	1,593,806
Capital projects	3,121,579	1,602,230	1,368,193	1,803,575	2,746,406
Total	\$ 53,966,342	49,767,368	45,386,141	44,799,221	43,769,430

See accompanying independent auditor's report.

2002	2001	2000
21,958,824	20,993,555	20,104,555
290,890	253,539	237,271
15,783,786	15,809,815	18,472,170
76,834	59,905	110,065
2,191,613	2,102,604	2,002,230
586,955	1,325,140	1,074,895
87,214	79,100	26,339
824,062	508,229	579,753
41,800,178	41,131,887	42,607,278
11,534,828	10,777,226	9,503,567
2,433,614	2,454,465	2,031,026
7,720,098	7,486,497	7,291,045
1,800,478	1,437,882	2,618,285
7,662,124	8,439,884	10,013,741
1,207,924	1,018,643	1,090,992
5,804,890	4,473,172	3,449,166
1,576,937	1,576,418	2,091,182
3,821,070	1,809,795	5,808,148
43,561,963	39,473,982	43,897,152

Schedule 6

Pottawattamie County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expendi- tures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Breakfast Program	10.553		\$ 5,809
National School Lunch Program	10.555		8,697
			<u>14,506</u>
Iowa Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5886A052	105,202
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5887A052	302,895
			<u>408,097</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		<u>37,301</u>
Iowa Department of Agriculture and Land Stewardship:			
WIC Farmers' Market Nutrition Program (FMNP)	10.572	1191-05-52	<u>1,414</u>
U.S. Department of Justice:			
Iowa Department of Human Rights:			
Juvenile Accountability Incentive Block Grant	16.523	35-JD04-F505	19,056
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	CJJP-05-B6-001	16,944
			<u>36,000</u>
Governor's Office of Drug Control Policy:			
Part E - Developing, Testing and Demonstrating Promising New Programs	16.541	05-OJJPDP01	5,255
Part E - Developing, Testing and Demonstrating Promising New Programs	16.541	06-OJJPDP01	14,708
			<u>19,963</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO78(146)--8J-78	<u>199,314</u>
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 07-02,Task14	<u>5,795</u>
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		<u>2,335</u>

Pottawattamie County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2007

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expendi- tures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Promoting Safe and Stable Families	93.556		40,862
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		50,634
Refugee and Entrant Assistance-State Administered Programs	93.566		89
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		11,199
Foster Care - Title IV-E	93.658		27,813
Adoption Assistance	93.659		5,639
State Children's Insurance Program	93.767		326
Medical Assistance Program	93.778		65,850
Social Services Block Grant	93.667		33,284
Social Services Block Grant	93.667		373,219
			406,503
Iowa Department of Public Health:			
National Bioterrorism Hospital Preparedness Program	93.889	5887EM177	6,042
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1705-DR-IA	161,479
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-3275-DR-IA	100,509
			261,988
Emergency Management Performance Grants	97.042		10,980
Homeland Security Grant Program	97.067	2005-GE-T5-0056 (HSGP)	9,761
Homeland Security Grant Program	97.067	2005-GE-T5-0056 (CCP)	4,835
Homeland Security Grant Program	97.067	2005-GE-T5-0056 (Equipment)	23,898
Homeland Security Grant Program	97.067	0001-EOD-2005	44,853
			83,347
Total			\$ 1,695,997

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 on 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

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

To the Officials of Pottawattamie County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pottawattamie County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 31, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including a deficiency we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Pottawattamie County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Pottawattamie County's financial statements that is more than inconsequential will not be prevented or detected by Pottawattamie County's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Pottawattamie County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A 07 is a material weakness.

Compliance and Other Matters

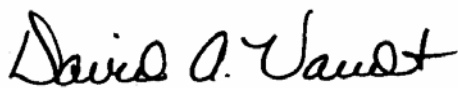
As part of obtaining reasonable assurance about whether Pottawattamie County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 that 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, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

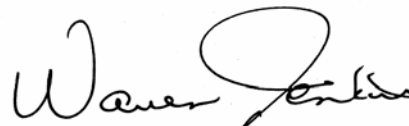
Pottawattamie County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Pottawattamie County's responses and, accordingly, we express no opinion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

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 31, 2008

**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

Pottawattamie County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Officials of Pottawattamie County:

Compliance

We have audited the compliance of Pottawattamie County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Pottawattamie County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Pottawattamie County's management. Our responsibility is to express an opinion on Pottawattamie County's compliance based on our audit.

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

In our opinion, Pottawattamie County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance


The management of Pottawattamie County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Pottawattamie County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in the County's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

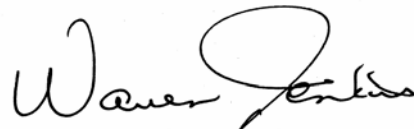
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 31, 2008

Pottawattamie County
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 10.557 – Special Supplemental Nutrition Program for Women, Infants and Children.
 - CFDA Number 20.205 – Highway Planning and Construction.
 - CFDA Number 93.667 – Social Services Block 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, 2007

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-07 Financial Reporting – Material amounts of receivables, payables and capital asset additions were not recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

Responses –

Auditor – Pottawattamie County will implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the County’s financial statements.

Treasurer – We will again discuss with all the departments the importance of identifying all accrual amounts on the miscellaneous receipts they prepare to ensure all receivables are accounted for.

Engineer – Transportation related capital assets are recorded by the Secondary Roads Department. The project in question was not recorded timely since it was constructed as a Federal Aviation Administration (FAA) mitigation project; it was completed; and opened without final costs being provided to the County. The associated costs of other Council Bluffs Airport Authority (CBAA) developments under the same grant agreement made the final costs irreconcilable. The 28E Agreement that established the cost share on this mitigation road was rewritten and approved on July 9, 2007. That 28E agreement established the project costs at “approximately \$3,000,000” of which the County would repay the CBAA \$1,000,000 over a 10-year period.

Conclusion – Responses accepted.

II-B-07 Board of Supervisors – Thirteen claims tested did not include documentation of Board of Supervisor approval.

Recommendation – The Board of Supervisors should implement procedures to ensure all claims contain documentation of their approval.

Response – The Board has reviewed our procedures and has talked to all personnel involved to resolve this matter.

Conclusion – Response accepted.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

- II-C-07 County Sheriff Accounts – Bank reconciliations, including outstanding check listings, were not properly prepared during the year ended June 30, 2007 for the civil department. Small variances between book and bank balances existed which were not investigated and resolved.

Recommendation – The civil account bank reconciliations, including outstanding check listings, should be prepared at the end of each month. All variances between book and bank balances should be investigated and resolved in a timely manner.

Variances between the inmate account bank and book balances should be investigated and resolved in a timely manner. Individual inmate account balances should be listed at the end of each month and reconciled to the inmate account book balance.

Response – The civil department, as of June 30, 2008, will no longer be utilizing the old computer system. All accounting will be processed through the new software.

Conclusion – Response accepted.

- II-D-07 Prisoner Room and Board – For part of the fiscal year ended June 30, 2007, the County contracted with an outside agency for billing and collecting prisoner room and board fees. At June 30, 2007, the County was not contracting with this company, resulting in billings not being made.

Recommendation – The County should continue billing individuals for room and board fees as required.

Response – This provision, under Chapter 356.6 of the Code of Iowa, is optional and not required. However, this office does plan to re-implement collections of these monies.

Conclusion – Response acknowledged. Since the Board of Supervisors has approved the assessment of the fees, all prisoners should be consistently billed.

- II-E-07 Information Systems – The County does not have a written disaster recovery plan.

Recommendation – A written disaster recovery plan should be developed.

Response – We acknowledge the above item of concern, agree with the recommendation, and are currently working to address the item to ensure compliance with the recommendation. Pottawattamie County Information Technologies is committed to address and rectify any appropriate outside audit conclusions to ensure security, stability and data assurance with Pottawattamie County Electronic Data Processing Systems.

Conclusion – Response accepted.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

II-F-07 County Treasurer – Certain state warrants received by various County offices (Emergency Management Agency, County Engineer, Community Services, County Attorney and Public Health – Visiting Nurses Association) were not remitted to the County Treasurer on a timely basis to be deposited. In addition, the Visiting Nurses Association received County public health nursing grant funds from the State of Iowa and did not remit two warrants to the County as required. The warrants were deposited directly to their bank account so the activity was not recorded by the County.

Recommendation – The County should ensure all funds are receipted intact and deposited on a timely basis. In addition, all County grant funds should be receipted by the County to properly record all transactions.

Response – The Treasurer’s office receipts all funds on a daily basis. In the past we have communicated with all departments the importance of remitting collections to us on a timely basis, but we will do this again. Also, we will add to our discussion any funds belonging to the County be remitted to the County on a miscellaneous receipt they prepare.

Conclusion – Response accepted.

II-G-07 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, 2007, three of five employees tested had vacation balances in excess of the maximum carryover at the employee’s anniversary date. In addition, two of two employees tested had a compensatory time balance 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 union contracts.

Response – Pottawattamie County will limit the carryover of employee’s vacation and compensatory time hours as prescribed by County policy and union contracts. Payroll has been instructed in this matter, and all departments will be informed.

Conclusion – Response accepted.

II-H-07 County Recorder – Records management fee receipts are not deposited intact since the fees are remitted to the County Treasurer in cash rather than depositing the collections in the County Recorder’s bank account.

Recommendation – All receipts should be deposited intact. Fees should be remitted to the County Treasurer by check.

Response – Beginning January 8, 2008, we now remit to the County Treasurer monthly by check.

Conclusion – Response accepted.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

II-I-07 E911 Agency – One claim was paid in advance of the services or equipment being provided or received and the payment was based on a quote.

Recommendation – The E911 agency should implement procedures to ensure all claims paid are based on an invoice and the services or equipment have already been received or provided.

Response – Pottawattamie County will work with E-911 to ensure all claims paid are based on an invoice and the services or equipment have already been received or provided.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Pottawattamie County
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

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

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted by function. However, disbursements in one department exceeded the amount appropriated and certain departments exceeded the amounts appropriated prior to appropriation amendments.

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

Response – Pottawattamie County will carefully follow the resolution to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases will be made before disbursements are allowed to exceed the appropriation.

Conclusion – Response accepted.

IV-B-07 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-07 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-07 Business Transactions – business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Kay Mocha, Director of Planning and Development, husband is part owner of Mocha & Sons Construction	Supplies	\$ 150

In accordance with Chapter 331.342(10) of the Code of Iowa, the above transactions do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the year.

IV-E-07 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

- IV-F-07 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

The County's publication of Board proceedings includes summaries of resolutions passed 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.

Although claims were published, the purpose was not properly published as required by Chapter 349.18 of the Code of Iowa.

Recommendation – Publication of minutes should include the complete text of resolutions adopted by the Board and claims should be published as required.

Response – The Board will discuss this recommendation after we talk to the six legal newspapers regarding the charges per print inch. Claims publications have been changed to include the purpose of the claims.

Conclusion – Response accepted.

- IV-G-07 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-07 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-07 Solid Waste Fees – During the year ended June 30, 2007, the County retained \$4,500 of the solid waste fees in accordance with Chapter 455B.30 of the Code of Iowa.

- IV-J-07 Deficit Cash Balance – The Special Revenue, Flood and Erosion Fund had a deficit cash balance during the year ended June 30, 2007, which appears to violate Chapter 331.476 of the Code of Iowa.

Recommendation – Claims should not be approved for payment when cash balances are not available unless the debt is authorized by resolution of the Board of Supervisors and takes the form of anticipatory warrants, loans from other county funds or other formal short-term debt instruments or obligations.

Response – Claims will not be approved for payment when cash balances are not available unless a board resolution authorizes the same and takes the form of anticipatory warrants, loans from other County funds or other formal short-term debt instruments or obligations.

Conclusion – Response accepted.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

IV-K-07 County Sheriff – Chapter 331.902 of the Code of Iowa requires the Sheriff to file a quarterly report with the Board of Supervisors and pay the fees collected to the County Treasurer at least quarterly. Due to computer software changes, the County Sheriff was unable to determine and did not report and remit the civil fees collected for the quarter ended June 30, 2007.

Recommendation – To comply with the Code of Iowa, the civil fees should be determined, reported and remitted for the quarter ended June 30, 2007.

Response – We are working on conversion to the new system and by June 30, 2008, all funds will be reported and remitted for civil fees every month.

Conclusion – Response accepted.

IV-L-07 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.

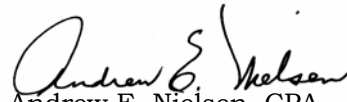
Disbursements during the year ended June 30, 2007 for the East County Extension Office and the West County Extension Office did not exceed the amounts budgeted.

Pottawattamie County

Staff

This audit was performed by:

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