



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

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ January 29, 2004 \_\_\_\_\_

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

The County has implemented new reporting standards for the year ended June 30, 2003, with significant changes in content and structure of the financial statements. The new financial statements include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Also included is Management's Discussion and Analysis of the County's financial statements.

The County had local tax revenue of \$95,837,316 for the year ended June 30, 2003, and included \$4,076,357 in tax credits from the state. The County forwarded \$75,892,567 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$19,944,749 of the local tax revenue to finance County operations. Other revenues included charges for service of \$6,716,869, operating grants and contributions of \$9,285,880, capital grants and contributions of \$1,001,460, local option sales tax of \$2,619,414, pari-mutuel and gaming wager tax of \$2,040,394, unrestricted investment earnings of \$292,454 and other general revenues of \$1,204,180.

Expenses for County operations totaled \$39,597,500, and included \$12,742,152 for public safety and legal services, \$7,868,500 for roads and transportation, and \$7,259,838 for mental health.

A copy of the audit report is available for review in the Office of Auditor of State and the County Auditor's office.

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**POTTAWATTAMIE COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2003**

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**Pottawattamie County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2003)		
Betty Moats	Board of Supervisors	Jan 2003
Tim Wichman	Board of Supervisors	Jan 2003
Robert M. Williams	Board of Supervisors	Jan 2003
Melvyn Houser	Board of Supervisors	Jan 2005
Delbert King	Board of Supervisors	Jan 2005
Marilyn Jo Drake	County Auditor	Jan 2005
Judy Ann Miller	County Treasurer	Jan 2003
John F. Sciortino	County Recorder	Jan 2003
Jeffrey Danker	County Sheriff	Jan 2005
Rick Crawl	County Attorney	Jan 2003
James O'Neill	County Assessor	Jan 2004
(After January 2003)		
Melvyn Houser	Board of Supervisors	Jan 2005
Delbert King	Board of Supervisors	Jan 2005
Betty Moats	Board of Supervisors	Jan 2007
Loren Knauss	Board of Supervisors	Jan 2007
Lynn Leaders	Board of Supervisors	Jan 2007
Marilyn Jo Drake	County Auditor	Jan 2005
Judy Ann Miller	County Treasurer	Jan 2007
John F. Sciortino	County Recorder	Jan 2007
Jeffrey Danker	County Sheriff	Jan 2005
Matthew Wilber	County Attorney	Jan 2007
James O'Neill	County Assessor	Jan 2004

**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, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic 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, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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 that our audit provides a reasonable basis for our opinions.

The County did not determine the amount of materials and supplies inventory pertaining to the Secondary Roads Fund, a major fund, at July 1, 2002, although required by U.S. generally accepted accounting principles. As a result, the net assets of the governmental activities and the fund balance of the Secondary Roads Fund are understated at the beginning of the year, and the expenses of the governmental activities are understated and the increase in the reserve for inventories in the Secondary Roads Fund is overstated for the year ended June 30, 2003 by the same amount. These amounts are not reasonably determinable.

In our opinion, except for the effects of the omission of the materials and supplies inventory for the Secondary Roads Fund at July 1, 2002 on the governmental activities and the Secondary Roads Fund, as described above, the financial statements referred to above present fairly, in all material respects, the changes in financial position of the governmental activities and the Secondary Roads Fund of Pottawattamie County for the year ended June 30, 2003 in conformity with U.S. general accepted accounting principles.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Pottawattamie County as of June 30, 2003, and the respective changes in financial position of the General Fund, Mental Health Fund, Rural Services Fund, Debt Service Fund and the aggregate remaining fund information thereof for the year ended June 30, 2003 in conformity with U.S. generally accepted accounting principles.

As described in Note 14 to the financial statements, during the year ended June 30, 2003, Pottawattamie County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated December 5, 2003 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 grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management’s Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 44 through 47 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed 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, 2002 (none of which are presented herein) and expressed qualified opinions on those financial statements for the omission of the general fixed assets account group and materials and supplies inventory, pertaining primarily to the Special Revenue Funds. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, 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

December 5, 2003



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

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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, 2003. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Because this is the first year that requires activities to be reported on a full accrual basis, a comprehensive comparison to the prior year is not possible. Efforts have been made to provide comparison to prior year data when such data is available. In subsequent years, comparison to prior year data will be provided for all key financial information.

### **2003 FINANCIAL HIGHLIGHTS**

- Pottawattamie County governmental funds revenue increased approximately \$1 million from fiscal year 2002 (FY02). Property taxes for FY03 increased approximately \$1.4 million over FY02.
- Pottawattamie County governmental fund expenditures remained consistent at \$44 million in both in FY03 and FY02.
- Pottawattamie County began renovation of the courthouse and annex building in 2001. The 5<sup>th</sup> floor renovation project was completed in FY02. The annex project and 3<sup>rd</sup> and 4<sup>th</sup> floor renovation projects were completed in FY03. The projects were financed by gaming wager tax dollars.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements, as well 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 that is essential to a full understanding of the data provided in the basic financial statements. The statements are followed by a section of Required Supplementary Information that 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 Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

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

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

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

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

The statement of activities presents information showing how the County's net assets changed during the 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. Therefore, 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 presented 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 other non-program activities. Property tax and state and federal grants finance most of these activities.

### *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 establishes 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) Special Revenue Funds such as Mental Health, Rural Services, and Secondary Roads, 3) Debt Service Fund and 4) Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general 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 financial statements required 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 drainage districts, emergency management services and the county assessor, to name a few.

The financial statements required for fiduciary funds include a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide 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 for FY03 totaled approximately \$33.8 million. This compares to FY02 at \$30.3 million.

Net Assets of Governmental Activities	
	June 30, 2003
Current and other assets	\$ 38,614,497
Capital assets	34,824,562
Total assets	<u>73,439,059</u>
Long-term debt liabilities	16,542,174
Other liabilities	23,098,723
Total liabilities	<u>39,640,897</u>
Net assets:	
Invested in capital assets, net of related debt	22,119,650
Restricted	8,850,479
Unrestricted	2,855,033
Total net assets	<u>\$ 33,825,162</u>

Net assets of Pottawattamie County's governmental activities increased by \$3,507,900 from FY02. The largest portion of the County's net assets is the 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 sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutions 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, is \$2,855,033.

Changes in Net Assets of Governmental Activities	
	June 30, 2003
Revenues:	
Program revenues:	
Charges for service	\$ 6,716,869
Operating grants and contributions	9,285,880
Capital grants and contributions	1,001,460
General revenues:	
Property tax	18,834,762
Penalty and interest on property tax	209,060
State tax credits	1,109,987
Local option sales tax	2,619,414
Unrestricted investment earnings	292,454
Pari-mutuel wagering tax	751,800
Gaming wager tax	1,288,594
Tax increment financing	381,565
Gain on sale of capital assets	140,966
Other general revenues	472,589
<b>Total revenues</b>	<b>43,105,400</b>
Program expenses:	
Public safety and legal services	12,742,152
Physical health and social services	2,777,797
Mental health	7,259,838
County environment and education	1,978,818
Roads and transportation	7,868,500
Government services to residents	1,261,048
Administration	4,596,487
Non-program	232,510
Interest on long-term debt	880,320
<b>Total expenses</b>	<b>39,597,470</b>
Increase in net assets	3,507,930
Net assets beginning of year, as restated	30,317,262
Net assets end of year	<b>\$ 33,825,192</b>

Pottawattamie County increased property tax rates by \$.14 per \$1,000 of valuation in the rural levy and \$.30 per \$1,000 of valuation in the countywide levy. The rural assessed property taxable valuation decreased by \$18,152,263. The countywide assessed property taxable valuation increased by \$78,681,437.

#### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Pottawattamie County completed the year, its governmental funds reported a total fund balance of \$15,144,388, which is less than the \$15,172,668 total fund balance of FY02. The General Fund balance decreased \$2.7 million and the Mental Health and Secondary Roads Fund balances increased \$1.4 million and \$523 thousand, respectively.

The General Fund, the operating fund for Pottawattamie County, ended FY03 with a balance of \$6,273,244, down from FY02's ending balance of \$8,958,977. The FY02 General Fund ending fund balance included the gaming tax dollars reserved for ongoing construction and remodeling of the courthouse and other county buildings. The taxable property valuation increased from \$2,728,644,001 in FY02 to \$2,807,325,438 in FY03. The total General Fund levy

rate decrease from \$4.66963 per \$1,000 of taxable valuation in FY02 to \$4.16578 per \$1,000 of taxable valuation in FY03 allowed for an increase in the mental health levy. The lower General Fund levy and loss of State funding resulted in a \$571,226 revenue decrease. Public safety and legal services expenditures increased \$1,297,018, most falling within the sheriff and jail offices. Employee wage increases, health insurance premium increases, the addition of a GIS department and a general updating of the IT department explain the remainder of the expenditure increases.

Pottawattamie County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund. FY03 ended with a \$1,892,241 fund balance, whereas FY02 ended with a fund balance of \$508,918. FY03 non-property tax revenues were consistent with FY02 while FY03 expenditures decreased \$444,095. An increase in the FY03 mental health levy rate of \$1.45429 per \$1,000 of taxable valuation from a FY02 levy rate of \$.63998 per \$1,000 of taxable valuation, along with the decrease in expenditures, resulted in the fund balance increase.

The Rural Services Fund ended with a \$110,445 balance compared to the prior year ending fund balance of \$346,429. Property tax revenue for the Rural Services Fund increased from \$2,449,289 in FY02 to \$2,535,451 in FY03 and local option sales tax revenue increased by approximately \$39,000 in FY03 from FY02. Other revenues within the Rural Services Fund remained virtually unchanged. The planning department budget was moved to the Rural Services Fund for FY03 and animal shelter expenses resulted in increased expenditures and a decrease in the fund balance.

The Secondary Roads Fund ended FY03 with a \$5,147,324 balance compared to the prior year ending fund balance of \$3,763,855. Capital project expenditures in FY03 decreased by \$905,884 from FY02. Total Secondary Roads Fund expenditures decreased \$738,093, local option sales tax revenue increased by \$181,703 and highway planning and construction revenue increased by \$350,540 resulting in the fund balance increase. Pottawattamie County maintained 1,500 miles of gravel, dirt, and paved roads with the resources of this fund.

The Debt Service Fund ended FY03 with a \$926,930 balance compared to the prior year ending fund balance of \$836,007. Bond payments increased by approximately \$17,000 in FY03 according to the bond maturity schedule. However, Pottawattamie County is in the process of refinancing jail notes which will result in lower note payments on the 1996A general obligation notes in FY04.

## **BUDGETARY HIGHLIGHTS**

Pottawattamie County amended the budget once in June of 2003.

The completion of the renovation of the 3<sup>rd</sup> and 4<sup>th</sup> floor courthouse projects and the annex building were the major accomplishments.

Pottawattamie County began a major project for GIS, which included re-flying the aerial maps and GIS equipment.

A complete updating of equipment, wiring and software for the IT department, along with a \$305,191 software expenditure for the County Sheriff's Office, are reflected in the General Fund. The County Sheriff's Office software allows the deputies to interact with the City of Council Bluffs Police Department and the Pottawattamie County Attorney's Office. This a state of the art update.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of FY03, Pottawattamie County had approximately \$47.2 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads, and bridges.

Pottawattamie County had depreciation expense of \$1,821,278 in FY03 and total accumulated depreciation of \$12,365,340 at June 30, 2003. Additional information about the County's capital assets is included in Note 5 to the financial statements.

### **Long-term Debt**

At the end of FY 03, Pottawattamie County had \$12,245,000 in general obligation capital loan notes outstanding compared to \$12,860,000 at the end of FY02.

Also, at the end of FY 03, Pottawattamie County had \$3,100,000 in urban renewal revenue capital loan notes outstanding compared to \$3,195,000 at the end of FY02.

Pottawattamie County has outstanding debt of \$12,245,000 for the Pottawattamie County jail and Sheriff department building, \$1,825,000 for the Bent Tree Urban Renewal project and \$1,275,000 for the Oakland Foods (OSI) Urban Renewal project. In November 2003, Pottawattamie County received an A1 general obligation bond/note 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 that 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 \$144,381,610. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

## **ECONOMIC FACTS AND NEXT YEAR'S BUDGETS AND RATES**

Pottawattamie County's elected and appointed officials and citizens consider many factors when setting the county budget, tax rates, and fees that apply for the various county services. General Fund levies for FY04 were set at \$4.64032 per \$1,000 of taxable valuation.

Pottawattamie County is not experiencing the economic downtrend of many of Iowa's counties. The City of Council Bluffs continues to experience excellent economic growth, bringing in several new businesses, including a sports area convention center and a new strip shopping mall accompanying that center.

The location of Pottawattamie County at the center of the crossroads for I-80 and I-29 allows for a continuing increase in the gaming tax resources from the three casinos located in the City of Council Bluffs. Pottawattamie County's annual share of these gaming tax resources amounts to over two million dollars. The Pottawattamie County Board of Supervisors have dedicated these dollars to reducing expenditures from the General Fund tax levy by setting them aside for capital expenditures. This includes remodeling, the purchase of land and equipment.

## **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 Marilyn Jo Drake or Cheryl Ross at the Pottawattamie County Auditor's Office, by mail at 227 S. 6<sup>th</sup> Street, Council Bluffs, Iowa 51501, or by telephone at (712) 328-5700.

**Pottawattamie County**

**Exhibit A**

Pottawattamie County  
Statement of Net Assets  
June 30, 2003

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 14,828,003
Receivables:	
Property tax:	
Delinquent	231,831
Succeeding year	20,537,000
Interest and penalty on property tax	65,110
Accounts	393,074
Accrued interest	353
Due from other governments	1,496,437
Inventories	844,194
Prepaid items	245,495
Capital assets (net of accumulated depreciation) (note 5)	34,824,562
<b>Total assets</b>	<u>73,466,059</u>
<b>Liabilities</b>	
Accounts payable	1,173,228
Accrued interest payable	71,973
Salaries and benefits payable	673,640
Due to other governments	642,882
Deferred revenue:	
Succeeding year property tax	20,537,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
General obligation capital loan notes	665,000
Urban renewal revenue capital loan notes	160,000
Mortgage loan	23,885
Capital lease purchase agreement	382
Compensated absences	390,223
Portion due or payable after one year:	
General obligation capital loan notes	11,580,000
Urban renewal revenue capital loan notes	2,940,000
Mortgage loan	435,645
Compensated absences	347,039
<b>Total liabilities</b>	<u>39,640,897</u>



Pottawattamie County  
Statement of Net Assets  
June 30, 2003

	<u>Governmental Activities</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	22,119,650
Restricted for:	
Mental health purposes	1,920,233
Secondary roads purposes	5,140,014
Debt service	888,070
Other purposes	902,162
Unrestricted	<u>2,855,033</u>
<b>Total net assets</b>	<u><u>\$ 33,825,162</u></u>

See notes to financial statements.

**Pottawattamie County**

Pottawattamie County

Statement of Activities

Year ended June 30, 2003

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Service	Operating Grants and Contributions		Capital Grants and Contributions
<b>Functions / Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 12,742,152	4,048,389	157,236	-	(8,536,527)
Physical health and social services	2,777,797	167,515	733,605	-	(1,876,677)
Mental health	7,259,838	705,418	3,940,995	-	(2,613,425)
County environment and education	1,978,818	222,732	740	55,633	(1,699,713)
Roads and transportation	7,868,500	183,855	4,453,304	945,827	(2,285,514)
Governmental services to residents	1,261,078	1,145,749	-	-	(115,329)
Administration	4,596,487	243,211	-	-	(4,353,276)
Non-program	232,510	-	-	-	(232,510)
Interest on long-term debt	880,320	-	-	-	(880,320)
<b>Total</b>	<b>\$ 39,597,500</b>	<b>6,716,869</b>	<b>9,285,880</b>	<b>1,001,460</b>	<b>(22,593,291)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					17,584,593
Debt service					1,250,169
Penalty and interest on property tax					209,060
Tax increment financing revenue					381,565
State tax credits					1,109,987
Local option sales tax					2,619,414
Unrestricted investment earnings					292,454
Pari-mutuel wagering tax					751,800
Gaming wager tax					1,288,594
Gain on sale of capital assets					140,966
Miscellaneous					472,589
<b>Total general revenues</b>					<b>26,101,191</b>
Change in net assets					3,507,900
Net assets beginning of year, as restated (note 14)					30,317,262
Net assets end of year					<b>\$ 33,825,162</b>

See notes to financial statements.

Pottawattamie County

Balance Sheet  
Governmental Funds

June 30, 2003

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 6,086,618	2,693,514	93,669	4,175,433
Receivables:				
Property tax:				
Delinquent	145,911	36,316	35,555	-
Succeeding year	12,864,000	3,202,000	2,671,000	-
Interest and penalty on property tax	65,110	-	-	-
Accounts	210,738	99,895	669	81,772
Accrued interest	353	-	-	-
Due from other funds	-	-	-	-
Due from other governments	664,754	21,476	58,655	629,230
Inventories	-	-	-	844,194
Prepaid items	230,105	-	-	15,390
<b>Total assets</b>	<b>\$ 20,267,589</b>	<b>6,053,201</b>	<b>2,859,548</b>	<b>5,746,019</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 326,122	329,236	32,935	456,391
Salaries and benefits payable	517,790	32,053	9,629	111,393
Due to other funds	-	-	-	-
Due to other governments	39,948	535,189	354	1,108
Deferred revenue:				
Succeeding year property tax	12,864,000	3,202,000	2,671,000	-
Other	246,485	62,482	35,185	29,803
Total liabilities	13,994,345	4,160,960	2,749,103	598,695
Fund balances:				
Reserved for:				
Inventories	-	-	-	844,194
Prepaid items	230,105	-	-	15,390
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	6,043,139	-	-	-
Special revenue funds	-	1,892,241	110,445	4,287,740
Capital projects fund	-	-	-	-
Total fund balances	6,273,244	1,892,241	110,445	5,147,324
<b>Total liabilities and fund balances</b>	<b>\$ 20,267,589</b>	<b>6,053,201</b>	<b>2,859,548</b>	<b>5,746,019</b>

See notes to financial statements.

Debt Service	Other Nonmajor Governmental	Total
822,407	956,362	14,828,003
14,049	-	231,831
1,257,000	543,000	20,537,000
-	-	65,110
-	-	393,074
-	-	353
104,399	-	104,399
-	122,322	1,496,437
-	-	844,194
-	-	245,495
<u>2,197,855</u>	<u>1,621,684</u>	<u>38,745,896</u>
-	28,544	1,173,228
-	2,775	673,640
-	104,399	104,399
-	66,283	642,882
1,257,000	543,000	20,537,000
13,925	82,479	470,359
<u>1,270,925</u>	<u>827,480</u>	<u>23,601,508</u>
-	-	844,194
-	-	245,495
926,930	-	926,930
-	-	6,043,139
-	761,733	7,052,159
-	32,471	32,471
<u>926,930</u>	<u>794,204</u>	<u>15,144,388</u>
<u>2,197,855</u>	<u>1,621,684</u>	<u>38,745,896</u>

**Pottawattamie County**

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

June 30, 2003

**Total governmental fund balances (page 19)** \$ 15,144,388

***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 \$47,189,902 and the accumulated depreciation is \$12,365,340. 34,824,562

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 470,359

Long-term liabilities, including notes payable, mortgage loan payable, capital lease purchase agreement payable, accrued interest payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (16,614,147)

**Net assets of governmental activities (page 15)** \$ 33,825,162

See notes to financial statements.

Pottawattamie County

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

Year ended June 30, 2003

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 13,239,162	3,866,845	2,928,403	1,832,933
Interest and penalty on property tax	284,825	-	-	-
Intergovernmental	5,186,445	4,683,968	174,600	5,372,844
Licenses and permits	3,278	-	63,240	5,411
Charges for service	1,867,440	108,034	62,911	116,768
Use of money and property	283,273	-	158	1,750
Miscellaneous	521,633	479	213	102,500
Total revenues	21,386,056	8,659,326	3,229,525	7,432,206
Expenditures:				
Operating:				
Public safety and legal services	12,368,087	-	-	-
Physical health and social services	2,674,549	-	76,847	-
Mental health	-	7,276,003	-	-
County environment and education	1,053,966	-	509,302	-
Roads and transportation	-	-	-	7,829,915
Governmental services to residents	1,220,237	-	4,360	-
Administration	5,794,147	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	2,746,406
Total expenditures	23,110,986	7,276,003	590,509	10,576,321
Excess (deficiency) of revenues over (under) expenditures	(1,724,930)	1,383,323	2,639,016	(3,144,115)
Other financing sources (uses):				
Operating transfers in	-	-	-	3,668,000
Operating transfers out	(1,018,020)	-	(2,875,000)	-
Total other financing sources (uses)	(1,018,020)	-	(2,875,000)	3,668,000
Net change in fund balances	(2,742,950)	1,383,323	(235,984)	523,885
Fund balances beginning of year, as restated (note 14)	8,958,977	508,918	346,429	3,763,855
Increase (decrease) in reserve for:				
Inventories	-	-	-	844,194
Prepaid items	57,217	-	-	15,390
Fund balances end of year	\$ 6,273,244	1,892,241	110,445	5,147,324

See notes to financial statements.



Debt Service	Other Nonmajor Governmental	Total
1,244,075	643,414	23,754,832
-	-	284,825
54,422	26,864	15,499,143
-	-	71,929
-	29,758	2,184,911
12,665	55,805	353,651
-	59,608	684,433
<u>1,311,162</u>	<u>815,449</u>	<u>42,833,724</u>
-	51,421	12,419,508
-	1,039	2,752,435
-	-	7,276,003
-	428,090	1,991,358
-	-	7,829,915
-	-	1,224,597
-	141,255	5,935,402
1,593,806	-	1,593,806
-	-	2,746,406
<u>1,593,806</u>	<u>621,805</u>	<u>43,769,430</u>
<u>(282,644)</u>	<u>193,644</u>	<u>(935,706)</u>
373,567	242,617	4,284,184
-	(391,164)	(4,284,184)
<u>373,567</u>	<u>(148,547)</u>	<u>-</u>
90,923	45,097	(935,706)
836,007	758,482	15,172,668
-	-	844,194
-	(9,375)	63,232
<u>926,930</u>	<u>794,204</u>	<u>15,144,388</u>

## Pottawattamie County

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

Year ended June 30, 2003

**Net change in fund balances - Total governmental funds (page 23)** \$ (935,706)

**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 outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 4,364,446	
Depreciation expense	(1,821,278)	2,543,168

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.

140,966

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	110,612	
Other	20,103	130,715

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

757,991

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 governmental funds, as follows:

Compensated absences	(47,437)	
Interest on long-term debt	10,777	(36,660)

Prepaid expenditures and inventories in the governmental funds have been recorded as expenditures when paid. However, the Statement of Activities reports these items as expenses in the period the corresponding net asset is exhausted.

907,426

**Change in net assets of governmental activities (page 17)**

**\$ 3,507,900**

See notes to financial statements.

Pottawattamie County  
Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2003

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 4,098,494
Other County officials	64,141
Receivables:	
Property tax:	
Delinquent	791,197
Succeeding year	72,835,000
Accounts	125,570
Special assessments	2,964,000
Drainage assessments:	
Delinquent	6,266
Succeeding year	10,062
Due from other governments	223,418
Prepaid items	36,238
Total assets	<u>81,154,386</u>

**Liabilities**

Accounts payable	8,850
Salaries and benefits payable	60,866
Drainage warrants payable	12,726
Due to other governments	78,146,927
Trusts payable	2,814,955
Compensated absences	110,062
Total liabilities	<u>81,154,386</u>

**Net assets** \$ -

See notes to financial statements.

Pottawattamie County

Notes to Financial Statements

June 30, 2003

**(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 would be used to purchase items that are 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 debt attributed 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 that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 that are 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 and contributions that are 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 other 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 that are 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 expenses, the fixed charges and the capital improvement costs that are 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.

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. The government-wide financial statements are reported using 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 judgements 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-reimbursements 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 balance sheets:

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, 2001 assessed property valuations; is for the tax accrual period July 1, 2002 through June 30, 2003 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2002.

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 assessments receivable represents remaining assessments which are payable, but not yet due.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2003, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. In the governmental fund financial statements, the cost is recorded as an expenditure at the time individual inventory items are purchased and reported inventories are equally offset by a fund balance reserve which indicates they are not available to liquidate current obligations.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at 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.

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



Property and equipment of the County is depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
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 represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current 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 receivables and other receivables not collected within sixty days after year end.

Deferred revenue on 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 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 that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2003. 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.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2003, disbursements did not exceed the amounts budgeted or the amounts appropriated.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2003 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's investments are categorized to give an indication of the level of risk assumed by the County at year end. The County's investments are all Category 2, which means that the investments are collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The County's investments at June 30, 2003 are as follows:

Type	Fair Value
Repurchase Agreements	<u>\$15,325,000</u>

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

The detail of interfund receivables and payables at June 30, 2003 is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service	Special Revenue: Bent Tree Urban Renewal Revenue	<u>\$ 104,399</u>

This transaction results from the deficit balance in the Special Revenue, Bent Tree Urban Renewal Revenue Fund which is not generating enough revenue to pay the note principal and interest payments. However, the Debt Service, Bent Tree Urban Renewal Reserve Fund had a sufficient balance to make the note principal and interest payment.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2003 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 793,000
	Special Revenue:	
	Rural Services	<u>2,875,000</u>
		<u>3,668,000</u>
Flood and Erosion	General	<u>75,020</u>
Hitchcock Nature Area	General	<u>150,000</u>
District Enhancement Area East	Special Revenue: Soil Conservation District East	<u>17,597</u>
Debt Service	Special Revenue: Oakland Foods Urban Renewal Revenue	217,464
	Bent Tree Urban Renewal Revenue	<u>156,103</u>
		<u>373,567</u>
Total		<u>\$ 4,284,184</u>

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

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2003 was as follows:

	Balance Beginning of Year (as restated, note 14)	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,845,796	-	-	2,845,796
Construction in progress	3,801,465	1,893,379	3,590,017	2,104,827
Total capital assets not being depreciated	<u>6,647,261</u>	<u>1,893,379</u>	<u>3,590,017</u>	<u>4,950,623</u>
Capital assets being depreciated:				
Buildings	25,127,153	2,082,585	-	27,209,738
Improvements other than buildings	741,777	-	-	741,777
Machinery and equipment	10,390,506	1,084,463	667,335	10,807,634
Infrastructure, road network	-	3,096,130	-	3,096,130
Infrastructure, other	384,000	-	-	384,000
Total capital assets being depreciated	<u>36,643,436</u>	<u>6,263,178</u>	<u>667,335</u>	<u>42,239,279</u>
Less accumulated depreciation for:				
Buildings	5,311,110	544,195	-	5,855,305
Improvements other than buildings	320,023	37,564	-	357,587
Machinery and equipment	5,462,576	1,172,002	606,207	6,028,371
Infrastructure, road network	-	56,937	-	56,937
Infrastructure, other	56,560	10,580	-	67,140
Total accumulated depreciation	<u>11,150,269</u>	<u>1,821,278</u>	<u>606,207</u>	<u>12,365,340</u>
Total capital assets being depreciated, net	<u>25,493,167</u>	<u>4,441,900</u>	<u>61,128</u>	<u>29,873,939</u>
Governmental activities capital assets, net	<u>\$ 32,140,428</u>	<u>6,335,279</u>	<u>3,651,145</u>	<u>34,824,562</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 585,458
Physical health and social services	28,672
Mental health	1,172
County environment and education	68,578
Roads and transportation	734,655
Governmental services to residents	4,550
Administration	165,683
Non-program	<u>232,510</u>
Total depreciation expense - governmental activities	<u>\$ 1,821,278</u>

As permitted by U.S. generally accepted accounting principles, the County will add prior year road infrastructure during the next four years.

**(6) Due to Other Governments**

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

Fund	Description	Amount
General	Services	\$ 39,948
Special Revenue:		
Mental Health	Services	535,189
Rural Services	Services	354
Secondary Roads	Services	1,108
Community Development		
Block Grant	Services	66,283
		<u>602,934</u>
Total for governmental funds		<u>\$ 642,882</u>
Agency:		
County Assessor	Collections	\$ 1,150,760
Schools		39,136,604
Community Colleges		2,130,067
Corporations		31,743,343
Townships		584,079
Auto License and Use Tax		1,522,572
SWI Juvenile Emergency Services Board		683,841
All other		1,195,661
Total for agency funds		<u>\$ 78,146,927</u>

**(7) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2003 is as follows:

	General Obligation Capital Loan Notes	Urban Renewal Revenue Capital Loan Notes	Mortgage Loan	Capital Lease Purchase Agreements	Conservation Foundation Real Estate Contract	Compen- sated Absences	Total
Balance beginning of year, as restated (note 14)	\$ 12,860,000	3,195,000	474,371	10,471	23,061	689,825	17,252,728
Increase	-	-	-	-	-	879,099	879,099
Decreases	615,000	95,000	14,841	10,089	23,061	831,662	1,589,653
Balance end of year	<u>\$ 12,245,000</u>	<u>3,100,000</u>	<u>459,530</u>	<u>382</u>	<u>-</u>	<u>737,262</u>	<u>16,542,174</u>
Due within one year	\$ 665,000	160,000	23,885	382	-	390,223	1,239,490

General Obligation Capital Loan Notes:

On December 19, 1996, the County issued \$9,800,000 and \$2,400,000 of general obligation capital loan notes, series 1996A and series 1996B, respectively, to construct the County jail. On December 18, 1997, the County issued \$2,700,000 of general obligation capital loan notes, series 1997, to complete construction of the County jail. The notes are payable from a continuing annual levy of taxes against all taxable property of the County. Annual debt service requirements to maturity of the general obligation capital loan notes are as follows:

General Obligation Capital Loan Notes						
Year Ending June 30,	Series 1996A			Series 1996B		
	Issued December 19, 1996			Issued December 19, 1996		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2004	5.20%	\$ 380,000	512,705	6.30%	\$ 170,000	10,710
2005	5.20	580,000	492,945	-	-	-
2006	5.20	605,000	462,785	-	-	-
2007	5.20	640,000	431,325	-	-	-
2008	5.20	675,000	398,045	-	-	-
2009	5.20	710,000	362,945	-	-	-
2010	5.25	750,000	326,025	-	-	-
2011	5.25	790,000	286,650	-	-	-
2012	5.25	835,000	245,175	-	-	-
2013	5.25	880,000	201,338	-	-	-
2014	5.25	930,000	155,138	-	-	-
2015	5.25	985,000	106,313	-	-	-
2016	5.25	1,040,000	54,600	-	-	-
2017		-	-	-	-	-
Total		\$ 9,800,000	4,035,989		\$ 170,000	10,710

General Obligation Capital Loan Notes						
Year Ending June 30,	Series 1997			Total General Obligation Capital Loan Notes Payable		
	Issued December 18, 1997					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2004	4.80%	\$ 115,000	110,015	\$ 665,000	633,430	1,298,430
2005	4.80	125,000	104,495	705,000	597,440	1,302,440
2006	4.80	130,000	98,495	735,000	561,280	1,296,280
2007	4.80	135,000	92,255	775,000	523,580	1,298,580
2008	4.80	140,000	85,775	815,000	483,820	1,298,820
2009	4.80	145,000	79,055	855,000	442,000	1,297,000
2010	4.85	155,000	72,023	905,000	398,048	1,303,048
2011	4.85	160,000	64,505	950,000	351,155	1,301,155
2012	4.85	170,000	56,745	1,005,000	301,920	1,306,920
2013	4.85	180,000	48,500	1,060,000	249,838	1,309,838
2014	4.85	190,000	39,770	1,120,000	194,908	1,314,908
2015	4.85	200,000	30,555	1,185,000	136,868	1,321,868
2016	4.85	210,000	20,855	1,250,000	75,455	1,325,455
2017	4.85	220,000	10,670	220,000	10,670	230,670
Total		\$ 2,275,000	913,713	\$ 12,245,000	4,960,412	17,205,412

During the year ended June 30, 2003, \$615,000 of general obligation capital loan notes were retired.

Urban Renewal Revenue Capital Loan Notes:

During the year ended June 30, 2000, the County issued \$1,470,000 and \$1,825,000 of urban renewal revenue capital loan notes to finance economic development at Oakland Foods and improvements for the Airport/Bent Tree development, respectively. The notes are payable from the establishment of urban renewal districts in certain areas of the County from the taxes from those areas. Annual payment requirements to maturity of the urban renewal revenue capital loan notes are as follows:

Urban Renewal Revenue Capital Loan Notes										
		Series 1999			Series 2000			Total Urban Renewal		
Year		Issued December 1, 1999			Issued March 1, 2000			Revenue Capital Loan Notes Payable		
Ending	Interest	Principal	Interest	Interest	Principal	Interest	Principal	Interest	Total	
June 30,	Rates			Rates						
2004	5.35%	\$ 130,000	71,482	6.30%	\$ 30,000	122,383	\$ 160,000	193,865	353,865	
2005	5.45	165,000	64,528	6.40	80,000	120,492	245,000	185,020	430,020	
2006	5.55	175,000	55,535	6.50	120,000	115,373	295,000	170,908	465,908	
2007	5.60	185,000	45,823	6.55	180,000	107,572	365,000	153,395	518,395	
2008	5.65	195,000	35,462	6.60	220,000	95,783	415,000	131,245	546,245	
2009	5.70	205,000	24,445	6.65	250,000	81,262	455,000	105,707	560,707	
2010	5.80	220,000	12,760	6.75	270,000	64,638	490,000	77,398	567,398	
2011		-	-	6.85	325,000	46,412	325,000	46,412	371,412	
2012		-	-	6.90	350,000	24,150	350,000	24,150	374,150	
Total		\$ 1,275,000	310,035		\$ 1,825,000	778,065	\$ 3,100,000	1,088,100	4,188,100	

The resolutions providing for the issuance of the urban renewal revenue capital loan notes include 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 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.

During the year ended June 30, 2003, the County was in compliance with the revenue note provisions.

Also, during the year ended June 30, 2003, \$95,000 of urban renewal revenue capital loan notes were retired.

Mortgage Loan:

On February 4, 1993, the County borrowed \$600,000 from the US Bank and used the proceeds to acquire land for an industrial development site. The loan is 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 due March 1, 2003, including principal and interest. The loan was

refinanced on March 24, 2003 and requires nine semi-annual payments of \$20,404 beginning September 1, 2003, including interest at 3.97% per annum, with a final balloon payment of \$355,197 on March 1, 2008. At June 30, 2003, the loan balance was \$459,530. The loan payments are paid from the Special Revenue, Industrial Development Site Fund.

Capital Lease Purchase Agreement:

The County has leased a copy machine under a non-cancelable lease purchase agreement. The interest rate is 11.365% per annum. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreement in effect at June 30, 2003:

Year Ending June 30,	Communication Center Copy Machine
2004	\$ 393
Total minimum lease payments	393
Less amount representing interest	(11)
Present value of net minimum lease payments	\$ 382

Payments under this agreement and other lease-purchase agreements that were paid in full totaled \$11,268 for the year ended June 30, 2003.

Conservation Foundation Real Estate Contract:

On January 12, 1998, the Pottawattamie Conservation Foundation entered into a real estate contract for 80 acres of land at a cost of \$101,500. A down payment of \$1,500 was required at the time the contract was signed. The contract required five annual payments of \$25,377 beginning on January 1, 1999, including interest at 8.5% per annum. The contract was paid off at June 30, 2003.

**(8) 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.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages are 5.37% and 8.05%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$874,803, \$846,793, and \$804,771, respectively, equal to the required contributions for each year.



**(9) 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 with over 400 members from 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 and inland marine. 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 annual contributions to the Pool for the year ended June 30, 2003 were \$321,348.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks are also 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 that 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 that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2003, no liability has been recorded in the County's financial statements. As of June 30, 2003, 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 \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) 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, 2003:

Additions:		
Reimbursements from Counties:		
Pottawattamie County	\$ 732,920	
Shelby County	40,834	
Harrison County	47,732	
Cass County	23,367	
Audubon County	9,496	
Mills County	49,581	
Montgomery County	55,179	
Fremont County	30,838	
Page County	38,585	\$ 1,028,532
National school lunch program		7,823
School breakfast program		5,433
Interest on investments		4,799
State direct receiving grant		25,200
Iowa detention services grant		197,029
Adult waived juvenile fees		49,500
Miscellaneous		496
Total additions		<u>1,318,812</u>
Deductions:		
Salaries	569,621	
Employee benefits	157,234	
Commodities and nutrition services	39,720	
Office supplies	6,017	
Communications and transportation	5,562	
Professional services	9,413	
Utilities	18,065	
Building repair and maintenance	15,247	
Insurance	40,335	
Refunds to counties	308,373	
Miscellaneous	1,557	1,171,144
		<u>1,171,144</u>
Net		147,668
Balance beginning of year		<u>583,938</u>
Balance end of year		<u><u>\$ 731,606</u></u>

**(11) Industrial Development Revenue Bonds**

The County has issued a total of \$38,950,000 of industrial development revenue 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 County.

**(12) 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 received \$733,385 for the Commission during the year ended June 30, 2003.

**(13) Construction Commitment**

The County has entered into major contracts totaling \$3,033,336 for renovation of the third and fourth floors of the courthouse, a secondary roads shop and bridge construction. As of June 30, 2003, costs of \$1,790,401 on the projects have been incurred. The balance remaining on the projects at June 30, 2003 of \$1,242,935 will be paid as work on the projects progress.

**(14) Accounting Change**

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2003. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented during the year ended June 30, 2003. The statements create new financial statements for reporting the County’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Other non major governmental funds are presented in total in one column.

The government-wide financial statements report the County’s governmental activities. Beginning net assets for governmental activities has been restated to include capital assets and the changes in assets and liabilities at July 1, 2002 resulting from the conversion to the accrual basis of accounting, as follows:

	<u>Total</u>
Net assets, June 30, 2002, as previously reported	\$ 14,978,207
GASB Interpretation 6 adjustments	194,461
Net assets, July 1, 2002, as restated for governmental funds	<u>15,172,668</u>
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$11,150,269	32,140,428
Change in long-term liabilities	(17,335,478)
Change in deferral of long-term assets	339,644
	<u>339,644</u>
Net assets, July 1, 2002, as restated	<u>\$ 30,317,262</u>

**(15) Litigation**

The County is involved in several lawsuits as of June 30, 2003. The probability of loss, if any, is undeterminable.

**(16) Deficit Fund Balances**

The Special Revenue, Bent Tree Urban Renewal Revenue Fund had a deficit balance of \$104,399 at June 30, 2003. As of December 2003, the deficit balance has been eliminated.

The Special Revenue, Community Development Block Grant Fund had a deficit balance of \$69,034 at June 30, 2003. The deficit will be eliminated through the collection of future revenues.

**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, 2003

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 23,843,694	-
Intergovernmental	14,602,042	-
Licenses and permits	73,443	-
Charges for service	2,366,007	-
Use of money and property	356,664	945
Miscellaneous	1,611,895	42,189
Total receipts	<u>42,853,745</u>	<u>43,134</u>
Disbursements:		
Public safety and legal services	12,368,226	-
Physical health and social services	2,647,687	-
Mental health	7,373,480	-
County environment and education	1,947,558	85,494
Roads and transportation	7,700,028	-
Governmental services to residents	1,248,673	-
Administration	6,287,067	-
Debt service	1,593,806	-
Capital projects	3,187,766	-
Total disbursements	<u>44,354,291</u>	<u>85,494</u>
Deficiency of receipts under disbursements	(1,500,546)	(42,360)
Other financing sources, net	-	-
Deficiency of receipts and other financing sources under disbursements and other financing uses	(1,500,546)	(42,360)
Balance beginning of year	<u>16,328,549</u>	<u>93,242</u>
Balance end of year	<u>\$ 14,828,003</u>	<u>50,882</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
23,843,694	23,792,269	23,865,069	(21,375)
14,602,042	15,692,346	14,305,450	296,592
73,443	67,560	67,560	5,883
2,366,007	2,126,040	2,227,132	138,875
355,719	626,838	644,838	(289,119)
1,569,706	74,700	1,478,579	91,127
42,810,611	42,379,753	42,588,628	221,983
12,368,226	12,568,758	12,866,037	497,811
2,647,687	2,951,113	2,916,113	268,426
7,373,480	7,926,496	7,926,496	553,016
1,862,064	1,800,489	2,144,563	282,499
7,700,028	9,299,210	9,099,210	1,399,182
1,248,673	1,347,707	1,356,207	107,534
6,287,067	7,066,231	7,231,331	944,264
1,593,806	1,609,626	1,609,626	15,820
3,187,766	3,585,000	4,385,000	1,197,234
44,268,797	48,154,630	49,534,583	5,265,786
(1,458,186)	(5,774,877)	(6,945,955)	5,487,769
-	600	600	(600)
(1,458,186)	(5,774,277)	(6,945,355)	5,487,169
16,235,307	12,737,341	12,737,341	3,497,966
14,777,121	6,963,064	5,791,986	8,985,135

Pottawattamie County  
 Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2003

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 42,853,745	(20,021)	42,833,724
Expenditures	44,354,291	(584,861)	43,769,430
Net	(1,500,546)	564,840	(935,706)
Beginning fund balances, as restated	16,328,549	(1,155,881)	15,172,668
Increase in reserve for:			
Inventories	-	844,194	844,194
Prepaid items	-	63,232	63,232
Ending fund balances	\$ 14,828,003	316,385	15,144,388

See accompanying independent auditor's report.



Pottawattamie County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2003

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 or fund type. 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, special revenue funds, debt service fund and capital projects funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$1,379,953. This 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 Offices by the County Agricultural Extension Councils, 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, 2003, disbursements did not exceed the amounts budgeted or the amounts appropriated.

**Pottawattamie County**

**Other Supplementary Information**

Pottawattamie County  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2003

	Resource Enhance- ment and Protection	County Recorder's Records Management	Drainage Districts	Juvenile Diversion	Soil Con- servation District East	Soil Con- servation District West	Conservation Foundation	Special Industrial Develop- ment Site
<b>Assets</b>								
Cash and pooled investments	\$ 46,355	33,895	10,754	2,598	254,674	236,927	40,128	57,597
Receivables:								
Succeeding year property tax	-	-	-	-	-	-	-	-
Due from other governments	739	-	-	-	19,552	19,552	-	-
<b>Total assets</b>	<b>\$ 47,094</b>	<b>33,895</b>	<b>10,754</b>	<b>2,598</b>	<b>274,226</b>	<b>256,479</b>	<b>40,128</b>	<b>57,597</b>
<b>Liabilities and Fund Equity</b>								
Liabilities:								
Accounts payable	\$ 1,473	-	-	-	15,704	8,616	-	-
Salaries and benefits payable	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-	-
Deferred revenue:								
Succeeding year property tax	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total liabilities	1,473	-	-	-	15,704	8,616	-	-
Fund equity:								
Unreserved fund balances, reported in:								
Special revenue funds	45,621	33,895	10,754	2,598	258,522	247,863	40,128	57,597
Capital projects fund	-	-	-	-	-	-	-	-
Total fund equity	45,621	33,895	10,754	2,598	258,522	247,863	40,128	57,597
<b>Total liabilities and fund equity</b>	<b>\$ 47,094</b>	<b>33,895</b>	<b>10,754</b>	<b>2,598</b>	<b>274,226</b>	<b>256,479</b>	<b>40,128</b>	<b>57,597</b>

See accompanying independent auditor's report.

Revenue										
Flood and Erosion	Oakland Foods Urban Renewal Revenue	Bent Tree Urban Renewal Revenue	Bent Tree Water-line	Community Development Block Grant	County Attorney Drug Forfeiture	Hitchcock Nature Area	District Enhancement Area East	Conservation Land Acquisition Trust	Capital Projects	Total
13,918	35,485	-	44,204	-	2,085	126,610	17,222	1,439	32,471	956,362
-	337,000	206,000	-	-	-	-	-	-	-	543,000
-	-	-	-	69,034	-	13,445	-	-	-	122,322
13,918	372,485	206,000	44,204	69,034	2,085	140,055	17,222	1,439	32,471	1,621,684
-	-	-	-	2,751	-	-	-	-	-	28,544
2,775	-	-	-	-	-	-	-	-	-	2,775
-	-	104,399	-	-	-	-	-	-	-	104,399
-	-	-	-	66,283	-	-	-	-	-	66,283
-	337,000	206,000	-	-	-	-	-	-	-	543,000
-	-	-	-	69,034	-	13,445	-	-	-	82,479
2,775	337,000	310,399	-	138,068	-	13,445	-	-	-	827,480
11,143	35,485	(104,399)	44,204	(69,034)	2,085	126,610	17,222	1,439	-	761,733
-	-	-	-	-	-	-	-	-	32,471	32,471
11,143	35,485	(104,399)	44,204	(69,034)	2,085	126,610	17,222	1,439	32,471	794,204
13,918	372,485	206,000	44,204	69,034	2,085	140,055	17,222	1,439	32,471	1,621,684

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

Year ended June 30, 2003

	Resource Enhance- ment and Protection	County Recorder's Records Management	Drainage Districts	Juvenile Diversion	Soil Con- servation District East	Soil Con- servation District West	Conservation Foundation	Special Industrial Develop- ment Site
Revenues:								
Property and other county tax	\$ -	-	-	-	130,924	130,924	-	-
Intergovernmental	1,308	-	-	1,445	-	-	-	-
Charges for service	-	29,758	-	-	-	-	-	-
Use of money and property	487	469	-	-	-	-	945	48,006
Miscellaneous	-	524	-	-	-	-	42,188	-
Total revenues	1,795	30,751	-	1,445	130,924	130,924	43,133	48,006
Expenditures:								
Operating:								
Public safety and legal services	-	-	-	-	-	-	-	-
Physical health and social services	-	-	-	1,039	-	-	-	-
County environment and education	5,473	-	-	-	133,964	111,469	85,493	-
Administration	-	26,488	-	-	-	-	-	45,733
Total expenditures	5,473	26,488	-	1,039	133,964	111,469	85,493	45,733
Excess (deficiency) of revenues over (under) expenditures	(3,678)	4,263	-	406	(3,040)	19,455	(42,360)	2,273
Other financing sources (uses):								
Operating transfers in	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	(17,597)	-	-	-
Total other financing sources (uses)	-	-	-	-	(17,597)	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(3,678)	4,263	-	406	(20,637)	19,455	(42,360)	2,273
Fund balances beginning of year, as restated (note 14)	49,299	29,632	10,754	2,192	279,159	228,408	82,488	55,324
Decrease in reserve for prepaid items	-	-	-	-	-	-	-	-
Fund balances end of year	\$ 45,621	33,895	10,754	2,598	258,522	247,863	40,128	57,597

See accompanying independent auditor's report.

**Schedule 2**

Revenue											
Flood and Erosion	Oakland Foods Urban Renewal Revenue	Bent Tree Urban Renewal Revenue	Bent Tree Water-line	Community Development Block Grant	County Attorney Drug Forfeiture	Special Law Enforcement	Hitchcock Nature Area	District Enhancement Area East	Conservation Land Acquisition Trust	Capital Projects	Total
-	263,326	118,240	-	-	-	-	-	-	-	-	643,414
-	-	1,155	4,400	-	14,293	4,263	-	-	-	-	26,864
-	-	-	-	-	-	-	-	-	-	-	29,758
-	-	5,875	-	-	-	-	-	-	-	23	55,805
-	-	-	-	-	-	15,571	-	-	1,325	-	59,608
-	263,326	125,270	4,400	-	14,293	19,834	-	-	1,325	23	815,449
-	-	-	-	-	31,006	20,415	-	-	-	-	51,421
-	-	-	-	-	-	-	-	-	-	-	1,039
67,716	-	-	-	-	-	-	23,390	375	210	-	428,090
-	-	-	-	69,034	-	-	-	-	-	-	141,255
67,716	-	-	-	69,034	31,006	20,415	23,390	375	210	-	621,805
(67,716)	263,326	125,270	4,400	(69,034)	(16,713)	(581)	(23,390)	(375)	1,115	23	193,644
75,020	-	-	-	-	-	-	150,000	17,597	-	-	242,617
-	(217,464)	(156,103)	-	-	-	-	-	-	-	-	(391,164)
75,020	(217,464)	(156,103)	-	-	-	-	150,000	17,597	-	-	(148,547)
7,304	45,862	(30,833)	4,400	(69,034)	(16,713)	(581)	126,610	17,222	1,115	23	45,097
3,839	(10,377)	(73,566)	39,804	-	18,798	581	-	-	324	41,823	758,482
-	-	-	-	-	-	-	-	-	-	(9,375)	(9,375)
11,143	35,485	(104,399)	44,204	(69,034)	2,085	-	126,610	17,222	1,439	32,471	794,204

Pottawattamie County

Combining Schedule of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2003

	County Offices		Agricultural	County Assessor
	County Recorder	County Sheriff	Extension Education	
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ -	-	2,918	280,922
Other County officials	46,642	14,999	-	-
Receivables:				
Property tax:				
Delinquent	-	-	1,781	11,145
Succeeding year	-	-	181,000	982,000
Accounts	19,172	-	-	-
Special assessments	-	-	-	-
Drainage assessments:				
Delinquent	-	-	-	-
Succeeding years	-	-	-	-
Due from other governments	-	-	-	-
Prepaid items	-	-	-	-
<b>Total assets</b>	<b>65,814</b>	<b>14,999</b>	<b>185,699</b>	<b>1,274,067</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	-	3,370
Salaries and benefits payable	-	-	-	27,133
Drainage warrants payable	-	-	-	-
Due to other governments	65,814	257	185,699	1,150,760
Trusts payable	-	14,742	-	-
Compensated absences	-	-	-	92,804
<b>Total liabilities</b>	<b>\$ 65,814</b>	<b>14,999</b>	<b>185,699</b>	<b>1,274,067</b>



Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication	Drainage Districts
600,348	33,242	515,742	6,616	1,522,572	173	51,321
-	-	-	-	-	-	-
437,256	22,825	310,601	7,463	-	126	-
38,099,000	2,074,000	30,917,000	570,000	-	11,000	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	6,266
-	-	-	-	-	-	10,062
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<b>39,136,604</b>	<b>2,130,067</b>	<b>31,743,343</b>	<b>584,079</b>	<b>1,522,572</b>	<b>11,299</b>	<b>67,649</b>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	12,726
39,136,604	2,130,067	31,743,343	584,079	1,522,572	11,299	54,923
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<b>39,136,604</b>	<b>2,130,067</b>	<b>31,743,343</b>	<b>584,079</b>	<b>1,522,572</b>	<b>11,299</b>	<b>67,649</b>

Pottawattamie County

Combining Schedule of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2003

	Emergency Management Services	City Special Assessment	Special Assessments	SWI Juvenile Emergency Services Board
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	105,909	85,526	100,213	482,166
Other County officials	-	-	-	2,500
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	11,964
Special assessments	-	264,000	2,700,000	-
Drainage assessments:				
Delinquent	-	-	-	-
Succeeding years	-	-	-	-
Due from other governments	24,680	-	-	198,738
Prepaid items	-	-	-	36,238
<b>Total assets</b>	<b>130,589</b>	<b>349,526</b>	<b>2,800,213</b>	<b>731,606</b>
<b>Liabilities</b>				
Accounts payable	150	-	-	4,416
Salaries and benefits payable	4,251	-	-	29,482
Drainage warrants payable	-	-	-	-
Due to other governments	122,797	349,526	-	683,841
Trusts payable	-	-	2,800,213	-
Compensated absences	3,391	-	-	13,867
<b>Total liabilities</b>	<b>130,589</b>	<b>349,526</b>	<b>2,800,213</b>	<b>731,606</b>

See accompanying independent auditor's report.

E911 Com- munication Equipment	E911 Surcharge	Payroll Clearing	Advance Tax	Bankruptcy Holding	Monies and Credits	Total
40,005	229,620	513	38,659	2,029	-	4,098,494
-	-	-	-	-	-	64,141
-	-	-	-	-	-	791,197
-	-	-	-	-	1,000	72,835,000
-	94,434	-	-	-	-	125,570
-	-	-	-	-	-	2,964,000
-	-	-	-	-	-	6,266
-	-	-	-	-	-	10,062
-	-	-	-	-	-	223,418
-	-	-	-	-	-	36,238
40,005	324,054	513	38,659	2,029	1,000	81,154,386
-	914	-	-	-	-	8,850
-	-	-	-	-	-	60,866
-	-	-	-	-	-	12,726
40,005	323,140	513	38,659	2,029	1,000	78,146,927
-	-	-	-	-	-	2,814,955
-	-	-	-	-	-	110,062
40,005	324,054	513	38,659	2,029	1,000	81,154,386

Pottawattamie County

Combining Schedule of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year ended June 30, 2003

	County Offices			Agricultural	County
	Board of Supervisors	County Recorder	County Sheriff	Extension Education	Assessor
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 6,258	196,365	140,013	184,656	1,186,142
Additions:					
Property and other county tax	-	-	-	179,343	980,856
E911 surcharge	-	-	-	-	-
State tax credits	-	-	-	8,435	40,083
State allocation	-	-	-	-	9,761
Office fees and collections	-	1,505,382	433,944	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	1,978,335	-	-
Miscellaneous	-	-	5,870	-	3,907
Total additions	-	1,505,382	2,418,149	187,778	1,034,607
Deductions:					
Agency Remittances:					
To other funds	-	1,000,069	539,664	-	-
To other governments	-	635,864	1,042	186,735	946,682
Trusts paid out	6,258	-	2,002,457	-	-
Total deductions	6,258	1,635,933	2,543,163	186,735	946,682
Balances end of year	\$ -	65,814	14,999	185,699	1,274,067

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication	Drainage Districts
37,777,012	2,144,021	29,665,881	542,567	1,418,695	11,274	36,822
38,033,121	2,064,726	31,098,500	558,110	-	10,694	-
-	-	-	-	-	-	-
1,615,962	90,481	1,186,470	24,467	-	472	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	17,814,140	-	-
-	-	-	-	-	-	28,914
-	-	-	-	-	-	-
-	-	-	-	-	-	-
39,649,083	2,155,207	32,284,970	582,577	17,814,140	11,166	28,914
-	-	-	-	577,909	-	-
38,289,491	2,169,161	30,207,508	541,065	17,132,354	11,141	10,813
-	-	-	-	-	-	-
38,289,491	2,169,161	30,207,508	541,065	17,710,263	11,141	10,813
39,136,604	2,130,067	31,743,343	584,079	1,522,572	11,299	54,923

Pottawattamie County  
 Combining Schedule of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year ended June 30, 2003

<b>Assets and Liabilities</b>	Emergency Management Services	City Special Assessments	Special Assessments	SWI Juvenile Emergency Services Board	E911 Com- munication Equipment
Balances beginning of year	116,085	236,958	3,358,922	583,938	75,218
Additions:					
Property and other county tax	-	-	-	-	-
E911 surcharge	-	-	-	-	-
State tax credits	-	-	-	-	-
State allocation	-	-	-	-	-
Office fees and collections	-	-	-	-	-
Auto licenses, use tax and postage Assessments	-	374,861	302,251	-	-
Trusts	-	-	-	-	-
Miscellaneous	135,407	-	-	1,318,812	24,706
Total additions	135,407	374,861	302,251	1,318,812	24,706
Deductions:					
Agency Remittances:					
To other funds	-	-	-	-	-
To other governments	120,903	262,293	-	-	-
Trusts paid out	-	-	860,960	1,171,144	59,919
Total deductions	120,903	262,293	860,960	1,171,144	59,919
Balances end of year	130,589	349,526	2,800,213	731,606	40,005

See accompanying independent auditor's report.

E911 Surcharge	Payroll Clearing	Tax Sale Redemption	Advance Tax	Bankruptcy Holding	Monies and Credits	Total
171,452	6,068	-	32,000	1,213	2,000	77,893,560
-	-	-	-	-	847	72,926,197
288,408	-	-	-	-	-	288,408
-	-	-	-	-	-	2,966,370
-	-	-	-	-	-	9,761
-	-	-	-	-	-	1,939,326
-	-	-	-	-	-	17,814,140
-	-	-	-	-	-	706,026
-	-	1,678,987	6,659	-	-	3,663,981
-	150,109	-	-	816	-	1,639,627
288,408	150,109	1,678,987	6,659	816	847	101,953,836
-	-	-	-	-	-	2,117,642
135,806	155,664	-	-	-	1,847	90,808,369
-	-	1,678,987	-	-	-	5,779,725
135,806	155,664	1,678,987	-	-	1,847	98,705,736
324,054	513	-	38,659	2,029	1,000	81,141,660

**Schedule 5**

## Pottawattamie County

Schedule of Revenues By Source and Expenditures By Function –  
All Governmental Fund Types

For the Last Four Years

	Modified Accrual Basis			
	2003	2002	2001	2000
<b>Revenues:</b>				
Property and other county tax	\$ 23,754,832	21,958,824	20,993,555	20,104,555
Interest and penalty on property tax	284,825	290,890	253,539	237,271
Intergovernmental	15,499,143	15,783,786	15,809,815	18,472,170
Licenses and permits	71,929	76,834	59,905	110,065
Charges for service	2,184,911	2,191,613	2,102,604	2,002,230
Use of money and property	353,651	586,955	1,325,140	1,074,895
Fines, forfeitures and defaults	-	87,214	79,100	26,339
Miscellaneous	684,433	824,062	508,229	579,753
<b>Total</b>	<b>\$ 42,833,724</b>	<b>41,800,178</b>	<b>41,131,887</b>	<b>42,607,278</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 12,419,508	11,534,828	10,777,226	9,503,567
Physical health and social services	2,752,435	2,433,614	2,454,465	2,031,026
Mental health	7,276,003	7,720,098	7,486,497	7,291,045
County environment and education	1,991,358	1,800,478	1,437,882	2,618,285
Roads and transportation	7,829,915	7,662,124	8,439,884	10,013,741
Governmental services to residents	1,224,597	1,207,924	1,018,643	1,090,992
Administration	5,935,402	5,804,890	4,473,172	3,449,166
Debt service	1,593,806	1,576,937	1,576,418	2,091,182
Capital projects	2,746,406	3,821,070	1,809,795	5,808,148
<b>Total</b>	<b>\$ 43,769,430</b>	<b>43,561,963</b>	<b>39,473,982</b>	<b>43,897,152</b>

See accompanying independent auditor's report.



**Pottawattamie County**

**Schedule 6**

Pottawattamie County  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2003

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expendi- tures
Direct:			
U.S. Department of Agriculture: Wildlife Habitat Incentive Program	10.914		\$ 10,672
U.S. Department of Justice: Public Safety Partnership and Community Policing Grants	16.710	2001UMX0049	54,589
Bulletproof Vest Partnership Program	16.607	02-010-330	<u>3,637</u>
Total direct			<u>68,898</u>
Indirect:			
U.S. Department of Agriculture: Iowa Department of Public Health: Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5882A052	105,845
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5883A052	<u>224,497</u>
			<u>330,342</u>
Iowa Department of Agriculture and Land Stewardship: WIC Farmers' Market Nutrition Program (FMNP)	10.572	1191-02-52	<u>2,199</u>
Iowa Department of Education: National School Lunch Program	10.555		7,700
School Breakfast Program	10.553		<u>5,337</u>
			<u>13,037</u>
Iowa Department of Human Services: Human Services Administrative Reimbursements: State Administrative Matching Grants for Food Stamp Program	10.561		<u>27,569</u>
U.S. Fish and Wildlife Service/DeSoto National Wildlife Refuge: Golden Hills Resource Conservation and Development, Inc.: Cooperative Forestry Assistance	10.664	31811G022	<u>6,575</u>
U.S. Department of the Interior: Iowa Department of Natural Resources: Outdoor Recreation Acquisition, Development and Planning	15.916		<u>13,445</u>

Pottawattamie County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2003

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expendi- tures
Indirect (continued):			
U.S. Department of Justice:			
Governor's Alliance on Drug Control Policy:			
Violence Against Women Formula Grants	16.588	01V-0220	<u>39,350</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative			
Reimbursements:			
Medical Assistance Program	93.778		<u>39,708</u>
Temporary Assistance for Needy			
Families	93.558		<u>40,776</u>
Foster Care - Title IV-E	93.658		<u>13,932</u>
Refugee and Entrant Assistance-State			
Administered Programs	93.566		<u>119</u>
Adoption Assistance	93.659		<u>4,630</u>
Child Care Mandatory and Matching			
Funds of the Child Care and			
Development Fund	93.596		<u>7,855</u>
Social Services Block Grant	93.667		<u>26,927</u>
Social Services Block Grant	93.667		<u>391,175</u>
			<u>418,102</u>
Iowa Department of Public Health:			
Immunization Grants	93.268	5882I440	657
Immunization Grants	93.268	5883I440	<u>2,050</u>
			<u>2,707</u>
State Rural Hospital Flexibility Program	93.241	5883EM74	<u>3,975</u>
Federal Emergency Management Agency:			
Iowa Department of Public Defense:			
Emergency Management Division:			
Emergency Management Performance			
Grants	83.552		<u>20,113</u>
Hazard Mitigation Grant	83.548	F007-78-00	<u>4,442</u>
State and Local All Hazards Emergency			
Operations Planning	83.562		<u>2,712</u>
Citizens Corps	83.564		<u>2,148</u>

**Schedule 6**

Pottawattamie County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2003

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expendi- tures
Indirect (continued):			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-78(125)--8J-78	315,483
Highway Planning and Construction	20.205	BROS-78(126)--8J-78	280,388
Highway Planning and Construction	20.205	BROS-78(127)--8J-78	320,153
Highway Planning and Construction	20.205	BROS-78(130)--8J-78	29,803
			<u>945,827</u>
The Omaha-Council Bluffs Metropolitan Area Planning Agency:			
State Planning and Research	20.515		<u>60,000</u>
Iowa Department of Public Defense:			
Emergency Management Division:			
Interagency Hazardous Materials Public Sector Training and Planning Grant	20.703		<u>7,038</u>
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 02-02, Task 24	2,418
State and Community Highway Safety	20.600	PAP 03-02, Task 24	1,677
			<u>4,095</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/ State's Program	14.228	98-DF-012	<u>69,034</u>
Total indirect			<u>2,079,730</u>
Total			<u>\$ 2,148,628</u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Pottawattamie County and is presented on the modified accrual basis of accounting. The information 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.



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Officials of Pottawattamie County:

We have audited the financial statements of Pottawattamie County, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 5, 2003. A qualified opinion was issued on the financial statements due to the omission of material and supplies inventory pertaining to the Secondary Roads Fund at July 1, 2002. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance 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, 2003 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. Prior year statutory comments have been resolved except for items IV-E-03, IV-J-03, IV-M-03 and IV-N-03.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pottawattamie County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Pottawattamie County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items II-A-03 and II-B-03 are material weaknesses. Prior year reportable conditions have been resolved except for items II-A-03, II-B-03 and II-C-03.

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. 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

December 5, 2003

**Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and Internal Control over Compliance**

**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 Internal Control over Compliance

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, 2003. 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 grants 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, Chapter 11 of the Code of Iowa, 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 provisions 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 that 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, 2003.

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 grants applicable to federal programs. In planning and performing our audit, we considered Pottawattamie County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

December 5, 2003

Pottawattamie County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2003

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

- (a) A qualified opinion was issued on the financial statements due to the omission of material and supplies inventory pertaining to the Secondary Roads Fund at July 1, 2002.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (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 disclosed no 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 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, 2003

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

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

II-A-03 Segregation of Duties – During our review of internal control, the existing activities are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements.

Generally, one or two individuals in the Sheriff's office may have control over the collecting, depositing, posting and daily reconciling of receipts for the civil department. In addition, the accounting procedures manual for the jail department does not cover all financial aspects of office operations.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Sheriff should review the operating procedures of his office to obtain the maximum internal control possible under the circumstances. The Sheriff should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Also, the accounting procedures manual should address all financial aspects of the office operations in order to provide a guide for all employees to follow daily, weekly, monthly and at year end.

Response –

- (1) We will have Pam review Pat's books on a monthly basis and sign off.
- (2) The manual will be changed to cover the new software which should be in place the first part of next year.

Conclusion – Response accepted.

II-B-03 County Sheriff – Inmate account bank reconciliations were prepared using financial accounting software. However, the reconciliations were not prepared timely each month. Also, the bank reconciliations include old outstanding checks, monthly variances (\$1,252 long at June 30, 2003) which were not investigated and resolved, and some receipts that were received on June 30 but not included in the deposit in transit.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Individual inmate account balances are maintained on a separate computer program and the receipt and disbursement transactions are not reconciled between the two software programs. Receipts for the inmate account balances were not totaled monthly and reconciled to bank deposits. Disbursements for the inmate account balances were not totaled monthly. Also, the inmate account balances included some balances for inmates that had been released.

Recommendation – Inmate account bank reconciliations should be prepared timely each month. Also, book and bank balances should be reconciled as of the end of each month. All variances and reconciling items should be investigated and resolved.

Individual inmate account balances at the end of the month should be listed, retained and reconciled to the inmate account balance recorded in the financial accounting software program. Receipts should be totaled monthly and reconciled to bank deposits. Disbursements should be totaled monthly. Any released inmate balances should be removed from the inmate accounts timely to ensure proper cut-off.

Response – Our newly purchased software should be in place the first part of next year. This will hopefully solve these problems that have been mentioned the past few years.

Conclusion – Response accepted.

II-C-03 Information Systems – During our review of internal control, the existing control activities in the County's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- password privacy and confidentiality.
- ensuring that software not licensed to the County is not installed.
- training of employees regarding emergency situations and the computer system.
- logging off terminals when unattended and to prevent terminals from being logged on overnight or through the weekend.

Recommendation – The County should develop written policies addressing the above items in order to improve the County's control over computer based systems.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Response – We acknowledge the above items of concern, agree with the recommendations, and are currently working to address each item to ensure compliancy with the recommendations of this audit. 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.

- II-D-03 Chart of Accounts – Certain revenues were not classified to the proper account number from the Uniform Chart of Accounts for Iowa County Governments. This matter was resolved for audit purposes.

Recommendation – To provide better financial information and control the County should follow the Uniform Chart of Accounts for Iowa County Governments.

Response – By means of department head meeting we will stress the importance of the correct numbers to be on the miscellaneous receipt.

Conclusion – Response accepted.

- II-E-03 Receivables and Payables – Certain receivables and payables were not properly identified. This matter was resolved for audit purposes.

Recommendation – Receivables and payables should be identified for proper reporting in the County's financial statements.

Response –

County Auditor – Receivables and payables will be identified and reviewed by the various departments to ensure the proper amounts for accrual adjustments at the end of the fiscal year.

County Treasurer – Prior to year end we will hold a department head meeting and inform the offices the importance of the correct number and identification of the receivables.

Conclusion – Response accepted.

Pottawattamie County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2003

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

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

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

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

- IV-A-03 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year June 30, 2003.
- IV-B-03 Certified Budget – Disbursements during the year ended June 30, 2003 did not exceed the amounts budgeted.
- IV-C-03 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion dated April 25, 1979 were noted.
- IV-D-03 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-E-03 Business Transactions – The following business transaction between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Kay Mocha, Director of Planning and Development, husband is part owner of Mocha & Sons Construction	Grading for a County Conservation project, not bid	\$ 5,000
	Precinct rent for election, not bid	50
David Fisher, Conservation employee, owner of Fisher Construction	Dirt work, not bid	455
Tim Wichman, Pottawattamie County Board of Supervisors, brother is owner of C & J Enterprises	Provides floor mat services for the County, per bid	2,025

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with C & J Enterprises totaling \$2,025 do not appear to represent a conflict of interest since they were entered into through competitive bidding and the transactions with Fisher Construction totaling \$455 also do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year. The transactions with Mocha & Sons Construction totaling \$5,050 may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa since total transactions were greater than \$1,500 during the fiscal year.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.



Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Response – For the current fiscal year, we have bid projects that Mocha & Sons are involved in.

Conclusion – Response acknowledged. The County should consult legal counsel regarding transactions during the year ended June 30, 2003.

IV-F-03 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 insure that the coverage is adequate for current operations.

IV-G-03 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-H-03 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-I-03 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-J-03 Deficit Cash and Deficit Fund Balances – Six funds had deficit cash balances during the year ended June 30, 2003 and one fund had a deficit cash balance at June 30, 2003, which appears to violate Chapter 331.476 of the Code of Iowa.

Also, the Special Revenue, Bent Tree Urban Renewal Revenue Fund and the Special Revenue, Community Development Block Grant Fund had deficit fund balances of \$104,399 and \$69,034, respectively, at June 30, 2003.

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.

Also, the County should investigate alternatives to return these funds to a sound financial position.

Response – Claims will 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.

As of December 2003 the deficit balance in the Special Revenue, Bent Tree Urban Renewal Revenue Fund has been eliminated. Also, the Special Revenue, Community Development Block Grant Fund deficit will be eliminated with the collection of future revenues.

Conclusion – Response accepted.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

IV-K-03 County Assessor's Payroll – The Conference Board approves a fiscal year salary for employees and the annual salary is divided by 26 payrolls to calculate an employee's biweekly salary. 26 payrolls times ten working days in a biweekly period means that there are 260 working days in a fiscal year. The actual number of working days in a fiscal year varies from 260 to 262 working days. There were 261 actual working days in fiscal year 2003.

Recommendation – The approved salary should be divided by the actual number of working days in the fiscal year times 10 working days to calculate a biweekly salary for employees.

Response – I agree with the above statement and recommendation. It will be implemented next fiscal year.

Conclusion – Response accepted.

IV-L-03 County Employee Compensation – A county employee was paid for overtime of \$582 without working in excess of forty hours in a week. According to the County's personnel policy employees should only be paid overtime for work in excess of forty hours in a week.

Recommendation – The County should only pay employees overtime for work in excess of forty hours in a week in accordance with its personnel policy. The County should consult legal counsel to determine the disposition of this matter.

Response – Payroll review and approval procedures will be reviewed and revised if necessary to determine compliance with payroll policies. The County Auditor will consult with the Board of Supervisors liaison to determine the disposition of the additional comp time pay. Pottawattamie County will also consult with the County Attorney.

Conclusion – Response accepted.

IV-M-03 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The County retains cancelled checks through electronic image, but the County Sheriff and the West County Extension do not obtain an image of the back of each cancelled check as required.

Recommendation – The County should obtain and retain an image of both the front and back of each cancelled check as required.

Response –

County Sheriff – We will contact the bank and they will comply.

West County Extension – I will re-contact our financial institution and have them include these with the bank statement.

Conclusion – Response accepted.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

IV-N-03 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, 2003 for the East County Extension Office and the West County Extension Office did not exceed the amounts budgeted.

The minutes of the West County Extension Office were not always signed.

Recommendation – All minutes of the West County Extension Office should be signed to authenticate the action taken.

Response – The West County Extension Council Secretary will sign all minutes.

Conclusion – Response accepted.

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Pottawattamie County

Staff

This audit was performed by:

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