



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

David A. Vaudt, CPA  
Auditor of State

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ February 10, 2005

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$98,421,623 for the year ended June 30, 2004, which included \$3,641,878 in tax credits from the state. The County forwarded \$77,689,161 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$20,732,462 of the local tax revenue to finance County operations, a 4 percent increase over the prior year. Other revenues included charges for service of \$7,348,945, operating grants, contributions and restricted interest of \$9,410,162, capital grants, contributions and restricted interest of \$4,683,436, local option sales tax of \$2,531,583, pari-mutuel and gaming wager tax of \$2,114,291, unrestricted investment earnings of \$183,956 and other general revenues of \$1,939,164.

Expenses for County operations totaled \$42,013,106, a 6 percent increase over the prior year. Expenses included \$14,013,593 for public safety and legal services, \$8,942,070 for roads and transportation and \$7,271,188 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, 2004**

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**Pottawattamie County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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
Steve Palm	County Assessor	Jan 2010

**Pottawattamie County**



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Independent Auditor's Report

To the Officials of Pottawattamie County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pottawattamie County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Pottawattamie County's management. Our responsibility is to express opinions on these financial statements based on our audit.

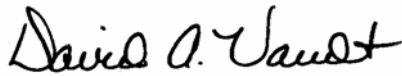
We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Pottawattamie County at June 30, 2004, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

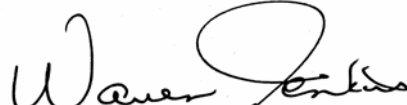
In accordance with Government Auditing Standards, we have also issued our reports dated December 6, 2004 on our consideration of Pottawattamie County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports 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 13 and 42 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 four years ended June 30, 2003 (which are not presented herein) and expressed qualified opinions on those financial statements for the omission of general fixed assets or capital assets and materials and supplies inventory for the Secondary Roads Fund. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, 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 6, 2004

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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, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2004 FINANCIAL HIGHLIGHTS

- Pottawattamie County's governmental funds revenue increased approximately \$2.55 million from fiscal year 2003 (FY03). This included a property tax revenue increase of approximately \$1.1 million.
- Pottawattamie County's governmental activities expenses increased from \$39.6 million in FY03 to \$42.0 million in fiscal year 2004 (FY04).
- Pottawattamie County's net assets increased approximately \$6.9 million from FY03.
- As of the close of FY04, Pottawattamie County had ending fund balances of \$7,118,762 in the General Fund, \$1,961,809 in the Mental Health Fund, \$282,227 in the Rural Services Fund and \$4,602,927 in the Secondary Roads Fund.

### USING THIS ANNUAL REPORT

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

- *Management's Discussion and Analysis* introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The *Government-wide Financial Statements* consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Pottawattamie County as a whole and present an overall view of the County's finances.
- The *Fund Financial Statements* tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Pottawattamie County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Pottawattamie County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- *Notes to Financial Statements* provide additional information essential to a full understanding of the data provided in the basic financial statements.
- *Required Supplementary Information* further explains and supports the financial statements with a comparison of the County's budget for the year.
- *Other Supplementary Information* provides detailed information about the nonmajor governmental and the individual fiduciary funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.



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

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

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

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

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

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

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

### *The Fund Financial Statements*

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

The County has two kinds of funds:

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Pottawattamie County's net assets for FY04 totaled approximately \$40.8 million. This compares to FY03 at \$33.8 million. The analysis that follows focuses on the changes of the net assets for our governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2004	2003
Current and other assets	\$ 49,393,252	38,614,497
Capital assets	39,979,180	34,824,562
Total assets	<u>89,372,432</u>	<u>73,439,059</u>
Long-term debt liabilities	24,721,335	16,542,174
Other liabilities	23,895,042	23,098,723
Total liabilities	<u>48,616,377</u>	<u>39,640,897</u>
Net assets:		
Invested in capital assets, net of related debt	25,293,535	22,119,650
Restricted	8,873,860	8,850,479
Unrestricted	6,588,660	2,855,033
Total net assets	<u>\$ 40,756,055</u>	<u>33,825,162</u>

Net assets of Pottawattamie County's governmental activities increased by approximately \$7.0 million from FY03. 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, since they are unavailable for future spending. Restricted net assets represent resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements—is \$6.589 million.

Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2004	2003
Revenues:		
Program revenues:		
Charges for service	\$ 7,348,945	6,716,869
Operating grants, contributions and restricted interest	9,410,162	9,285,880
Capital grants, contributions and restricted interest	4,683,436	1,001,460
General revenues:		
Property tax	19,928,096	18,834,762
Penalty and interest on property tax	560,974	209,060
State tax credits	804,366	1,109,987
Local option sales tax	2,531,583	2,619,414
Unrestricted investment earnings	183,956	292,454
Gaming and wager tax	2,114,291	2,040,394
Tax increment financing	503,548	381,565
Gain on sale of capital assets	130,042	140,966
Other general revenues	744,600	472,589
Total revenues	48,943,999	43,105,400
Program expenses:		
Public safety and legal services	14,013,593	12,742,152
Physical health and social services	2,466,323	2,777,797
Mental health	7,271,188	7,259,838
County environment and education	1,988,999	1,978,818
Roads and transportation	8,942,070	7,868,500
Governmental services to residents	1,376,999	1,261,078
Administration	4,906,289	4,596,487
Non-program	-	232,510
Interest on long-term debt	1,047,645	880,320
Total expenses	42,013,106	39,597,500
Increase in net assets	6,930,893	3,507,900
Net assets beginning of year	33,825,162	30,317,262
Net assets end of year	\$ 40,756,055	33,825,162

Pottawattamie County decreased property tax levy rates by \$.00761 per \$1,000 of valuation in the rural levy and increased property tax levy rates by \$.16153 per \$1,000 of valuation in the countywide levy for a total levy increase of \$.15392 in FY04. This was multiplied by the increase in rural assessed property valuation of \$15,782,227 and countywide assessed property valuation of \$78,230,270.

**INDIVIDUAL MAJOR FUND ANALYSIS**

As Pottawattamie County completed the year, its governmental funds reported a combined fund balance of \$24,810,334, which is greater than the \$15,144,388 combined fund balance of FY03. This difference is due mainly to the balance within the Debt Service Fund and General Fund. The general supplemental levy was increased and the mental health levy decreased.

The General Fund, as the operating fund for Pottawattamie County, ended FY04 with a \$7,118,762 ending balance. This was an improvement over FY03's ending balance of \$6,273,244. The General Fund balance includes the gaming dollars reserved for ongoing construction and remodeling of the courthouse and other county buildings along with economic development and capital projects. FY04 saw an increase in property valuation from \$2,888,813,135 in FY03 to \$2,967,043,405 in FY04. The levy rate increased from \$4.16408 in FY03 to \$4.64032 in FY04.

Pottawattamie County continues to effectively manage the cost of mental health services. Mental health expenditures decreased \$9,637 in FY04 from FY03. The Mental Health Fund ending balance for FY04 was \$1,961,809, reflecting a \$69,568 increase over FY03. The \$1.15495 FY04 tax levy was lowered \$.30 from the FY03 levy rate of \$1.45370. Other state tax replacements in FY04 were \$549,621 less than FY03.

The Rural Services Fund ended FY04 with a \$282,227 balance compared to the prior year ending balance of \$110,445. Property tax revenue for the Rural Services Fund showed an increase of \$78,000. Local option sales tax revenue decreased to \$357,737 in FY04. Other revenues within the Rural Services Fund created an increase in the ending fund balance. Planning and sanitation expenses showed slight increases and animal control expenditures grew by \$36,000 in FY04, while transfers to the Secondary Roads Fund decreased by \$240,000.

The Secondary Roads Fund ended FY04 with a \$4.60 million balance compared to the prior year ending balance of \$5.15 million. Capital project expenditures in FY04 decreased \$973,014 from FY03. The Department maintained 1500 miles of gravel, dirt and paved roads during the year and continued work on construction projects. The non-capital expenditures of Secondary Roads increased by \$1.1 million.

The Debt Service Fund ended FY04 with a \$9,666,313 balance compared to the prior year ending balance of \$926,930 due to the issuance of a crossover refunding bond. In a crossover refunding, liabilities for both the old and new debt, as well as the U.S. Treasury Securities on deposit with the escrow agent, are reported in the government-wide financial statements. However, only the U.S. Treasury Securities are reported in the fund financial statements since the liabilities are not a fund liability.

### **General Fund Budgetary Highlights**

Over the course of the year, Pottawattamie County amended the General Fund budget twice. The amendments were made in May and June of 2004 for Federal and State grants, county attorney expenditures funded by drug forfeiture funds, Bent Tree Tax Increment Urban Renewal, conservation park projects, Board of Health and GIS expenditures, animal control and IT department expansions and medical examiner fees.

Pottawattamie County applied for and received a grant for the GIS Department to remonument the section corners of the county. Pottawattamie County is also working in alliance with Douglas, Sarpy and Washington Counties in Nebraska to share the cost of aerial photography to update our records.

Pottawattamie County continues to experience a steadily increasing valuation. The County also receives gaming dollars which increases in amount each year. Our location at the crossroads of I-80 and I-29 is attractive to the gaming industry and, consequently, this attracts many other businesses and colleges, which spurs our economic growth. A combined hotel/water park has just announced it will build next to the Bluffs Run Casino in the City of Council Bluffs. Bluffs Run has been approved for a huge expansion which includes the addition of 800 new gaming machines. Pottawattamie County has elected to use the gaming dollars for tax relief for the General Fund and a capital plan supporting courthouse remodeling, land and equipment purchases, and the ability to expand the County's economic development.

Pottawattamie County is supporting the expansion of the Council Bluffs Airport with a monetary involvement in the building and re-locating of surrounding roads. Estimated cost is \$2,000,000 over ten years.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of FY04, Pottawattamie County had approximately \$53.7 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount is an increase of approximately \$6.5 million from FY03.

Pottawattamie County had depreciation expense of \$2.2 million in FY04 and total accumulated depreciation of \$13.7 million on the capital assets. This is an increase in FY03's depreciation expense of \$.4 million and total accumulated depreciation of \$1.4 million.

### **Debt**

At the end of FY04, Pottawattamie County had \$22,245,000 in general obligation bonds and notes outstanding compared to \$12,245,000 at the end of FY03.

Also at the end of FY04, Pottawattamie County had \$1.1 million in urban renewal revenue capital loan notes outstanding compared to \$3.1 million at the end of FY03. \$1,825 million was refinanced during the year as general obligation bonds.

Outstanding debt increased as a result of the general obligation crossover refunding bond issue. Both debt issues are recorded in the financial statements until the crossover date. Pottawattamie County's general obligation bond rating continues to carry the A1 rating assigned by Moody's Investors Service, a national rating agency. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the county's corporate limits. Pottawattamie County's outstanding general obligation debt is significantly below its constitutional debt limit of \$148 million.

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

Pottawattamie County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and fees that apply for the various County services. One of those factors is the economy.

The economy and unemployment indicators were taken into account when adopting the General Fund budget for fiscal year 2005. Amounts available for appropriation in the General Fund are approximately \$25,839,339, an increase of \$2,504,992 over the final 2004 budget. Property taxes are a portion of this increase. Pottawattamie County will use the increase in receipts to finance programs currently offered to offset the effect inflation has on program costs. Expansion of the animal control program and IT departments, IT department relocation construction and county employee wage adjustments represent the largest portion of the increased expenses. The elected officials of Pottawattamie County received a 5% increase in salary, and pay plan staff received a 2.5% raise effective 7/1/04.

If estimates are realized, Pottawattamie County's budgetary General Fund balance is expected to decrease from \$6,846,490 at the end of FY04 to approximately \$3,651,425 by the close of 2005.

## **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 Cheryll 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**

## **Basic Financial Statements**



**Exhibit A**

Pottawattamie County  
Statement of Net Assets  
June 30, 2004

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 14,634,072
U.S. Treasury Securities on deposit with escrow agent	9,025,769
Receivables:	
Property tax:	
Delinquent	210,117
Succeeding year	21,765,000
Interest and penalty on property tax	311,273
Accounts	438,935
Due from other governments	1,749,525
Inventories	948,731
Prepaid insurance	309,830
Capital assets (net of accumulated depreciation)	<u>39,979,180</u>
<b>Total assets</b>	<u>89,372,432</u>
<b>Liabilities</b>	
Accounts payable	635,730
Accrued interest payable	64,377
Salaries and benefits payable	846,135
Due to other governments	583,800
Deferred revenue:	
Succeeding year property tax	21,765,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan notes	705,000
Urban renewal revenue capital loan notes	165,000
General obligation refunding bonds	70,000
Mortgage loan	23,746
Compensated absences	563,412
Portion due or payable after one year:	
General obligation capital loan notes	10,875,000
Urban renewal revenue capital loan notes	980,000
General obligation refunding bonds	10,595,000
Mortgage loan	411,899
Compensated absences	<u>332,278</u>
<b>Total liabilities</b>	<u>48,616,377</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	25,293,535
Restricted for:	
Supplemental levy purposes	819,279
Mental health purposes	1,987,387
Secondary roads purposes	4,417,963
Debt service	472,732
Capital projects	2,311
Other purposes	1,174,188
Unrestricted	<u>6,588,660</u>
<b>Total net assets</b>	<u>\$ 40,756,055</u>

See notes to financial statements.

Pottawattamie County

Statement of Activities

Year ended June 30, 2004

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions / Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 14,013,593	4,420,395	442,036	-	(9,151,162)
Physical health and social services	2,466,323	359,387	653,004	-	(1,453,932)
Mental health	7,271,188	81,467	4,034,189	-	(3,155,532)
County environment and education	1,988,999	289,034	61,725	913,114	(725,126)
Roads and transportation	8,942,070	67,724	4,118,183	3,770,322	(985,841)
Governmental services to residents	1,376,999	1,794,107	362	-	417,470
Administration	4,906,289	336,831	1,395	-	(4,568,063)
Interest on long-term debt	1,047,645	-	99,268	-	(948,377)
<b>Total</b>	<b>42,013,106</b>	<b>7,348,945</b>	<b>9,410,162</b>	<b>4,683,436</b>	<b>(20,570,563)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					18,676,407
Debt service					1,251,689
Penalty and interest on property tax					560,974
Tax increment financing					503,548
State tax credits					804,366
Local option sales tax					2,531,583
Grants and contributions not restricted to specific purpose					316,005
Unrestricted investment earnings					183,956
Pari-mutuel and gaming wager tax					2,114,291
Gain on sale of capital assets					130,042
Miscellaneous					428,595
<b>Total general revenues</b>					<b>27,501,456</b>
Change in net assets					6,930,893
Net assets beginning of year					33,825,162
Net assets end of year					<b>\$ 40,756,055</b>

See notes to financial statements.

Pottawattamie County

Balance Sheet  
Governmental Funds

June 30, 2004

	Special Revenue		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash and pooled investments	\$ 6,846,490	2,629,064	237,399
U.S. Treasury Securities on deposit with escrow agent	-	-	-
Receivables:			
Property tax:			
Delinquent	140,552	31,875	26,586
Succeeding year	14,068,000	3,190,000	2,650,000
Interest and penalty on property tax	311,273	-	-
Accounts	203,556	132,969	9,044
Due from other governments	917,981	22,754	64,559
Inventories	-	-	-
Prepaid insurance	266,048	-	-
	<u>22,753,900</u>	<u>6,006,662</u>	<u>2,987,588</u>
<b>Total assets</b>			
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 265,363	194,502	14,491
Salaries and benefits payable	654,041	40,822	14,284
Due to other governments	27,811	555,811	-
Deferred revenue:			
Succeeding year property tax	14,068,000	3,190,000	2,650,000
Other	619,923	63,718	26,586
Total liabilities	<u>15,635,138</u>	<u>4,044,853</u>	<u>2,705,361</u>
Fund balances:			
Reserved for:			
Supplemental levy purposes	789,555	-	-
Debt service	-	-	-
Unreserved, reported in:			
General fund	6,329,207	-	-
Special revenue funds	-	1,961,809	282,227
Capital projects fund	-	-	-
Total fund balances	<u>7,118,762</u>	<u>1,961,809</u>	<u>282,227</u>
	<u>\$ 22,753,900</u>	<u>6,006,662</u>	<u>2,987,588</u>
<b>Total liabilities and fund balances</b>			

See notes to financial statements.

Secondary Roads	Debt Service	Nonmajor Governmental	Total
3,138,940	639,137	1,143,042	14,634,072
-	9,025,769	-	9,025,769
-	11,104	-	210,117
-	1,154,000	703,000	21,765,000
-	-	-	311,273
62,221	-	31,145	438,935
704,885	1,098	38,248	1,749,525
948,731	-	-	948,731
43,782	-	-	309,830
<b>4,898,559</b>	<b>10,831,108</b>	<b>1,915,435</b>	<b>49,393,252</b>
130,459	-	30,915	635,730
133,764	-	3,224	846,135
178	-	-	583,800
-	1,154,000	703,000	21,765,000
31,231	10,795	-	752,253
<b>295,632</b>	<b>1,164,795</b>	<b>737,139</b>	<b>24,582,918</b>
-	-	-	789,555
-	9,666,313	-	9,666,313
-	-	-	6,329,207
4,602,927	-	1,175,985	8,022,948
-	-	2,311	2,311
<b>4,602,927</b>	<b>9,666,313</b>	<b>1,178,296</b>	<b>24,810,334</b>
<b>4,898,559</b>	<b>10,831,108</b>	<b>1,915,435</b>	<b>49,393,252</b>

**Pottawattamie County**

Pottawattamie County

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

June 30, 2004

**Total governmental fund balances (page 19)** \$ 24,810,334

***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 \$53,721,605 and the accumulated depreciation is \$13,742,425. 39,979,180

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 752,253

Long-term liabilities, including notes, bonds, mortgage loan payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (24,785,712)

**Net assets of governmental activities (page 16)** \$ 40,756,055

See notes to financial statements.

Pottawattamie County

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

Year ended June 30, 2004

	General	Special Mental Health
Revenues:		
Property and other county tax	\$ 15,123,266	3,203,476
Interest and penalty on property tax	319,773	-
Intergovernmental	5,338,530	4,163,344
Licenses and permits	6,938	-
Charges for service	2,699,006	75,225
Use of money and property	222,715	-
Miscellaneous	779,218	-
Total revenues	24,489,446	7,442,045
Expenditures:		
Operating:		
Public safety and legal services	13,476,919	-
Physical health and social services	2,352,989	-
Mental health	-	7,266,366
County environment and education	1,283,273	-
Roads and transportation	-	-
Governmental services to residents	1,316,376	-
Administration	4,904,824	-
Debt service	-	-
Capital projects	-	-
Total expenditures	23,334,381	7,266,366
Excess (deficiency) of revenues over (under) expenditures	1,155,065	175,679
Other financing sources (uses):		
Sale of capital assets	46,942	-
Operating transfers in	106,111	-
Operating transfers out	(462,600)	(106,111)
Refunding debt issued	-	-
Premium on bonds	-	-
Payment to refunding escrow agent	-	-
Total other financing sources (uses)	(309,547)	(106,111)
Net change in fund balances	845,518	69,568
Fund balances beginning of year	6,273,244	1,892,241
Fund balances end of year	\$ 7,118,762	1,961,809

See notes to financial statements.

Revenue				
Rural Services	Secondary Roads	Debt Service	Nonmajor Governmental	Total
3,002,545	1,772,108	1,254,818	756,705	25,112,918
-	-	-	-	319,773
181,059	5,076,504	49,726	477,624	15,286,787
73,891	710	-	-	81,539
105,018	3,341	-	79,326	2,961,916
486	1,500	72,357	54,957	352,015
2,754	252,415	21,944	207,457	1,263,788
3,365,753	7,106,578	1,398,845	1,576,069	45,378,736
-	-	-	77,716	13,554,635
96,338	-	-	500	2,449,827
-	-	-	-	7,266,366
557,290	-	-	773,328	2,613,891
-	8,916,835	-	-	8,916,835
3,168	-	-	26,175	1,345,719
2,500	-	-	40,808	4,948,132
-	-	1,900,241	-	1,900,241
-	1,773,392	-	30,183	1,803,575
659,296	10,690,227	1,900,241	948,710	44,799,221
2,706,457	(3,583,649)	(501,396)	627,359	579,515
-	116,977	-	-	163,919
100,000	2,922,275	318,267	75,000	3,521,653
(2,634,675)	-	-	(318,267)	(3,521,653)
-	-	10,715,000	-	10,715,000
-	-	32,512	-	32,512
-	-	(1,825,000)	-	(1,825,000)
(2,534,675)	3,039,252	9,240,779	(243,267)	9,086,431
171,782	(544,397)	8,739,383	384,092	9,665,946
110,445	5,147,324	926,930	794,204	15,144,388
282,227	4,602,927	9,666,313	1,178,296	24,810,334



**Exhibit F**

## 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, 2004

<b>Net change in fund balances - Total governmental funds (page 23)</b>			\$ 9,665,946
<b>Amounts reported for governmental activities in the Statement of Activities are different because:</b>			
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation in the current year, as follows:			
Expenditures for capital assets	\$	4,241,401	
Capital assets contributed by the Iowa Department of Transportation and others		3,104,303	
Depreciation expense		<u>(2,157,209)</u>	5,188,495
In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources.			
			(33,877)
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		(24,711)	
Other		<u>306,606</u>	281,895
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:			
Issued		(10,715,000)	
Repaid		<u>2,694,267</u>	(8,020,733)
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		(158,428)	
Interest on long-term debt		<u>7,595</u>	<u>(150,833)</u>
<b>Change in net assets of governmental activities (page 17)</b>			<u>\$ 6,930,893</u>

See notes to financial statements.

Pottawattamie County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2004

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 4,406,342
Other County officials	99,785
Receivables:	
Property tax:	
Delinquent	731,126
Succeeding year	74,695,000
Accounts	210,726
Special assessments	2,405,537
Drainage assessments:	
Delinquent	6,364
Succeeding year	494
Due from other governments	83,387
Prepaid items	57,441
<b>Total assets</b>	<b>82,696,202</b>

**Liabilities**

Accounts payable	12,721
Salaries and benefits payable	70,982
Drainage warrants payable	593
Due to other governments	80,328,097
Trusts payable	2,185,984
Compensated absences	97,825
<b>Total liabilities</b>	<b>82,696,202</b>

<b>Net assets</b>	<b>\$ -</b>
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See notes to financial statements.

Pottawattamie County

Notes to Financial Statements

June 30, 2004

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

Pottawattamie County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Pottawattamie County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Pottawattamie County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

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

Financial information of the individual drainage districts can be obtained from the Pottawattamie County Auditor's Office.

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

Additionally, the County reports the following funds:

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

#### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2003.

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

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

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

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (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 or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.



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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted or appropriated.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2004 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 U.S. Treasury Securities are classified as Category 1, which means the investments are insured or registered or the securities are held by the County or its agent in the County's name. The repurchase agreement is Category 2, which means 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, 2004 are as follows:

Type	Fair Value
U.S. Treasury Securities	\$9,025,769
Repurchase Agreement	800,000
Total	<u>\$9,825,769</u>

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Mental Health	\$ 106,111
Special Revenue: Flood & Erosion	General	75,000
Secondary Roads	General	287,600
	Special Revenue: Rural Services	2,634,675
Rural Services	General	100,000
Debt Service	Special Revenue: Oakland Foods Urban Renewal Revenue	254,774
	Bent Tree Urban Renewal Revenue	63,493
Total		<u>\$ 3,521,653</u>

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

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,845,796	3,083,330	-	5,929,126
Construction in progress	2,104,827	1,556,625	(2,666,927)	994,525
Total capital assets not being depreciated	<u>4,950,623</u>	<u>4,639,955</u>	<u>(2,666,927)</u>	<u>6,923,651</u>
Capital assets being depreciated:				
Buildings	27,209,738	2,884,214	-	30,093,952
Improvements other than buildings	741,777	46,400	-	788,177
Equipment and vehicles	10,807,634	1,927,792	(892,607)	11,842,819
Infrastructure, road network	3,096,130	592,876	-	3,689,006
Infrastructure, other	384,000	-	-	384,000
Total capital assets being depreciated	<u>42,239,279</u>	<u>5,451,282</u>	<u>(892,607)</u>	<u>46,797,954</u>
Less accumulated depreciation for:				
Buildings	5,855,305	601,879	-	6,457,184
Improvements other than buildings	357,587	39,884	-	397,471
Equipment and vehicles	6,028,371	1,358,319	(780,124)	6,606,566
Infrastructure, road network	56,937	146,547	-	203,484
Infrastructure, other	67,140	10,580	-	77,720
Total accumulated depreciation	<u>12,365,340</u>	<u>2,157,209</u>	<u>(780,124)</u>	<u>13,742,425</u>
Total capital assets being depreciated, net	<u>29,873,939</u>	<u>3,294,073</u>	<u>(112,483)</u>	<u>33,055,529</u>
Governmental activities capital assets, net	<u>\$ 34,824,562</u>	<u>7,934,028</u>	<u>(2,779,410)</u>	<u>39,979,180</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 727,212
Physical health and social services		40,314
Mental health		1,172
County environment and education		65,257
Roads and transportation		1,032,838
Governmental services to residents		4,551
Administration		<u>285,865</u>
Total depreciation expense - governmental activities		<u><u>\$ 2,157,209</u></u>

As permitted by U.S. generally accepted accounting principles, the County will add road infrastructure prior to July 1, 2002 during the next three years.

**(5) Due to Other Governments**

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

Fund	Description	Amount
General	Services	<u>\$ 27,811</u>
Special Revenue:		
Mental Health	Services	555,811
Secondary Roads	Services	178
		<u>555,989</u>
Total for governmental funds		<u><u>\$ 583,800</u></u>
Agency:		
County Assessor	Collections	\$ 1,128,085
Schools		39,348,337
Community Colleges		2,049,053
Corporations		33,582,060
Auto License and Use Tax		1,577,253
All other		<u>2,643,309</u>
Total for agency funds		<u><u>\$ 80,328,097</u></u>

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

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	General Obligation Capital Loan Notes	Urban Renewal Revenue Capital Loan Notes	General Obligation Refunding Bonds	Mortgage Loan	Capital Lease Purchase Agreements	Compen- sated Absences	Total
Balance beginning of year	\$ 12,245,000	3,100,000	-	459,530	382	737,262	16,542,174
Increase	-	-	10,715,000	-	-	980,011	11,695,011
Decreases	<u>665,000</u>	<u>1,955,000</u>	<u>50,000</u>	<u>23,885</u>	<u>382</u>	<u>821,583</u>	<u>3,515,850</u>
Balance end of year	<u>\$ 11,580,000</u>	<u>1,145,000</u>	<u>10,665,000</u>	<u>435,645</u>	<u>-</u>	<u>895,690</u>	<u>24,721,335</u>
Due within one year	<u>\$ 705,000</u>	<u>165,000</u>	<u>70,000</u>	<u>23,746</u>	<u>-</u>	<u>563,412</u>	<u>1,527,158</u>

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 for the general obligation capital loan notes are as follows:

General Obligation Capital Loan Notes									
		Series 1996A			Series 1997				
Year		Issued December 19, 1996			Issued December 18, 1997			Total	
Ending	Interest			Interest					
June 30,	Rates	Principal	Interest	Rates	Principal	Interest	Principal	Interest	
2005	5.20%	\$ 580,000	492,945	4.80%	\$ 125,000	104,495	705,000	597,440	
2006	5.20	605,000	462,785	4.80	130,000	98,495	735,000	561,280	
2007	5.20	640,000	431,325	4.80	135,000	92,255	775,000	523,580	
2008	5.20	675,000	398,045	4.80	140,000	85,775	815,000	483,820	
2009	5.20	710,000	362,945	4.80	145,000	79,055	855,000	442,000	
2010-2014	5.25	4,185,000	1,214,326	4.85	855,000	281,543	5,040,000	1,495,869	
2015-2017	5.25	2,025,000	160,913	4.85	630,000	62,080	2,655,000	222,993	
Total		\$ 9,420,000	3,523,284		\$ 2,160,000	803,698	11,580,000	4,326,982	

During the year ended June 30, 2004, \$665,000 of general obligation capital loan notes were retired. The series 1996B notes were repaid in full at June 30, 2004.

Urban Renewal Revenue Capital Loan Notes:

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

Urban Renewal Revenue Capital Loan Note			
Series 1999			
Issued December 1, 1999			
Year	Interest		
Ending	Rates	Principal	Interest
June 30,			
2005	5.45%	\$ 165,000	64,528
2006	5.55	175,000	55,535
2007	5.60	185,000	45,823
2008	5.65	195,000	35,462
2009	5.70	205,000	24,445
2010	5.80	220,000	12,760
Total		\$ 1,145,000	238,553

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

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

During the year ended June 30, 2004, the County was in compliance with the revenue note provisions.

Also, during the year ended June 30, 2004, \$130,000 of urban renewal revenue capital loan notes were retired.

General Obligation Refunding Bonds

On December 1, 2003, the County issued \$1,575,000 of general obligation refunding bonds, with interest rates ranging from 2.00% to 3.00%, for a current refunding of the urban renewal revenue capital loan notes issued March 1, 2000.

On January 1, 2004, the County issued \$9,140,000 of general obligation refunding bonds, with interest rates ranging from 1.75% to 3.70%, for a crossover refunding of a portion of the general obligation capital loan notes issued December 19, 1996. The County entered in to an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying the \$8,840,000 principal on the refunded general obligation capital loan notes when they become callable on December 1, 2005 and the interest from January 1, 2004 to and including December 1, 2005 on the refunding bonds. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the County. The transactions, balances and liabilities of the escrow account are recorded by the County since the refunded debt is not considered extinguished.

The County refunded the bonds to reduce its total debt service payments by approximately \$686,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$546,000. Annual debt service requirements to maturity of the general obligation refunding bonds are as follows:

Year Ending June 30,	General Obligation Refunding Bonds								
	Issued December 1, 2003			Issued January 1, 2004			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2005	2.00%	\$ 70,000	41,373		\$ -	292,262	70,000	333,635	403,635
2006	2.00	105,000	39,973	1.75%	640,000	292,263	745,000	332,236	1,077,236
2007	2.25	160,000	37,873	3.15	725,000	281,062	885,000	318,935	1,203,935
2008	2.50	195,000	34,272	3.15	750,000	258,225	945,000	292,497	1,237,497
2009	2.80	215,000	29,397	3.15	775,000	234,600	990,000	263,997	1,253,997
2010-2014	3.00	780,000	49,432	3.15-3.40	4,300,000	785,968	5,080,000	835,400	5,915,400
2015-2017		-	-	3.50-3.70	1,950,000	107,250	1,950,000	107,250	2,057,250
Total		\$ 1,525,000	232,320		\$ 9,140,000	2,251,630	10,665,000	2,483,950	13,148,950

During the year ended June 30, 2004, \$50,000 of general obligation refunding bonds were retired.

Mortgage Loan:

On February 4, 1993, the County borrowed \$600,000 from US Bank and used the proceeds to acquire land for an industrial development site. The loan 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 originally due on 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 due on March 1, 2008. At June 30, 2004, the loan balance was \$435,645. The loan payments are paid from the Special Revenue, Industrial Development Site Fund.

**(7) Pension and Retirement Benefits**

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

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 for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$956,337, \$874,803 and \$846,793, respectively, equal to the required contributions for each year.

**(8) Risk Management**

Pottawattamie County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 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 contributions to the Pool for the year ended June 30, 2004 were \$328,292.

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 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, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, 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.

**(9) Construction Commitment**

The County has entered into major contracts totaling \$805,025 for renovation of the mezzanine of the courthouse and construction of a secondary roads bridge. As of June 30, 2004, costs of \$588,390 on the projects have been incurred. The balance remaining on the projects at June 30, 2004 of \$216,635 will be paid as work on the projects progress.s

**(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, 2004:

Additions:

Reimbursements from Counties:

Pottawattamie County	\$ 707,337	
Shelby County	41,936	
Harrison County	57,383	
Cass County	27,311	
Audubon County	12,203	
Mills County	50,846	
Montgomery County	51,282	
Fremont County	33,413	
Page County	34,720	\$ 1,016,431
State lunch and breakfast program		292
National school lunch program		11,199
School breakfast program		6,267
Interest on investments		4,611
State direct receiving grant		37,800
Adult waived juvenile fees		37,125
Miscellaneous		5,572
Total additions		<u>1,119,297</u>

Deductions:

Salaries	596,233	
Employee benefits	172,570	
Commodities and nutrition services	41,114	
Office supplies	6,805	
Communications and transportation	6,302	
Professional services	635	
Utilities	20,413	
Building repair and maintenance	17,682	
Insurance	46,022	
Refunds to counties	452,669	
Miscellaneous	11,082	1,371,527
		<u>1,371,527</u>

Net (252,230)

Balance beginning of year 731,606

Balance end of year \$ 479,376



**(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 \$747,911 for the Commission during the year ended June 30, 2004.

**(13) Litigation**

The County is involved in several lawsuits as of June 30, 2004. The probability of loss, if any, is undetermined.

**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, 2004

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 25,107,926	-	25,107,926
Interest and penalty on property tax	319,773	-	319,773
Intergovernmental	14,949,351	-	14,949,351
Licenses and permits	78,294	-	78,294
Charges for service	3,022,766	-	3,022,766
Use of money and property	349,193	413	348,780
Miscellaneous	1,310,286	53,517	1,256,769
Total receipts	<u>45,137,589</u>	<u>53,930</u>	<u>45,083,659</u>
<b>Disbursements:</b>			
Public safety and legal services	13,455,211	-	13,455,211
Physical health and social services	2,507,003	-	2,507,003
Mental health	7,371,710	-	7,371,710
County environment and education	2,621,377	39,788	2,581,589
Roads and transportation	9,188,664	-	9,188,664
Governmental services to residents	1,335,925	-	1,335,925
Administration	5,042,883	-	5,042,883
Debt service	1,900,242	-	1,900,242
Capital projects	1,969,167	-	1,969,167
Total disbursements	<u>45,392,182</u>	<u>39,788</u>	<u>45,352,394</u>
Excess (deficiency) of receipts over (under) disbursements	(254,593)	14,142	(268,735)
Other financing sources, net	9,086,431	-	9,086,431
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	8,831,838	14,142	8,817,696
Balance beginning of year	14,828,003	50,882	14,777,121
Balance end of year	<u>\$ 23,659,841</u>	<u>65,024</u>	<u>23,594,817</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
24,412,526	24,412,526	695,400
232,000	232,000	87,773
13,782,937	14,117,471	831,880
69,700	69,700	8,594
1,909,104	2,329,104	693,662
313,516	313,516	35,264
1,044,150	3,672,796	(2,416,027)
<u>41,763,933</u>	<u>45,147,113</u>	<u>(63,454)</u>
13,386,848	13,789,924	334,713
2,843,367	2,939,007	432,004
8,177,868	8,177,868	806,158
2,279,889	2,953,503	371,914
9,941,490	11,356,490	2,167,826
1,391,869	1,420,869	84,944
5,951,010	6,268,146	1,225,263
1,655,796	3,604,550	1,704,308
1,270,000	2,350,000	380,833
<u>46,898,137</u>	<u>52,860,357</u>	<u>7,507,963</u>
(5,134,204)	(7,713,244)	7,444,509
100	100	9,086,331
(5,134,104)	(7,713,144)	16,530,840
<u>11,038,334</u>	<u>11,038,334</u>	<u>3,738,787</u>
<u>5,904,230</u>	<u>3,325,190</u>	<u>20,269,627</u>

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Pottawattamie County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 45,137,589	241,147	45,378,736
Expenditures	45,392,182	(592,961)	44,799,221
Net	(254,593)	834,108	579,515
Other financing sources, net	9,086,431	-	9,086,431
Beginning fund balances	14,828,003	316,385	15,144,388
Ending fund balances	\$ 23,659,841	1,150,493	24,810,334

See accompanying independent auditor's report.

Pottawattamie County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$5,962,220. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted or appropriated.

**Pottawattamie County**

**Other Supplementary Information**



Pottawattamie County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2004

	Resource Enhance- ment and Protection	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Juvenile Diversion	Soil Con- servation District East	Soil Con- servation District West	Conservation Foundation
<b>Assets</b>								
Cash and pooled investments	\$ 67,522	33,680	22,782	10,754	3,273	212,390	285,060	54,270
Receivables:								
Succeeding year property tax Accounts	-	-	-	-	-	-	-	-
Due from other governments	392	-	-	-	-	18,888	18,888	-
<b>Total assets</b>	<b>\$ 67,914</b>	<b>36,273</b>	<b>51,134</b>	<b>10,754</b>	<b>3,273</b>	<b>231,278</b>	<b>303,948</b>	<b>54,270</b>
<b>Liabilities and Fund Equity</b>								
Liabilities:								
Accounts payable	\$ 8,100	-	-	-	105	3,049	842	-
Salaries and benefits payable	-	-	-	-	-	-	-	-
Deferred revenue:								
Succeeding year property tax	-	-	-	-	-	-	-	-
Total liabilities	8,100	-	-	-	105	3,049	842	-
Fund equity:								
Unreserved fund balances, reported in:								
Special revenue funds	59,814	36,273	51,134	10,754	3,168	228,229	303,106	54,270
Capital projects fund	-	-	-	-	-	-	-	-
Total fund equity	59,814	36,273	51,134	10,754	3,168	228,229	303,106	54,270
<b>Total liabilities and fund equity</b>	<b>\$ 67,914</b>	<b>36,273</b>	<b>51,134</b>	<b>10,754</b>	<b>3,273</b>	<b>231,278</b>	<b>303,948</b>	<b>54,270</b>

See accompanying independent auditor's report.

**Schedule 1**

Special Revenue											
Industrial Develop-ment Site	Flood and Erosion	Urban Renewal Revenue	Bent Tree Water-line	Community Development Block Grant	County Attorney Drug Forfeiture	Special Law Enforce-ment	Hitchcock Nature Area	District Enhancement Area East	Conservation Land Acquisition Trust	Capital Projects	Total
65,491	10,624	123,540	51,448	-	163,441	1,000	19,602	15,504	350	2,311	1,143,042
-	-	703,000	-	-	-	-	-	-	-	-	703,000
-	-	-	-	-	-	-	-	-	200	-	31,145
-	-	-	-	-	80	-	-	-	-	-	38,248
65,491	10,624	826,540	51,448	-	163,521	1,000	19,602	15,504	550	2,311	1,915,435
-	-	-	-	-	7,344	-	11,304	171	-	-	30,915
-	3,224	-	-	-	-	-	-	-	-	-	3,224
-	-	703,000	-	-	-	-	-	-	-	-	703,000
-	3,224	703,000	-	-	7,344	-	11,304	171	-	-	737,139
65,491	7,400	123,540	51,448	-	156,177	1,000	8,298	15,333	550	-	1,175,985
-	-	-	-	-	-	-	-	-	-	2,311	2,311
65,491	7,400	123,540	51,448	-	156,177	1,000	8,298	15,333	550	2,311	1,178,296
65,491	10,624	826,540	51,448	-	163,521	1,000	19,602	15,504	550	2,311	1,915,435

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

Year ended June 30, 2004

	Resource Enhance- ment and Protection	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Juvenile Diversion	Soil Con- servation District East	Soil Con- servation District West	Conservation Foundation
Revenues:								
Property and other county tax	\$ -	-	-	-	-	126,579	126,579	-
Intergovernmental	41,325	-	-	-	1,070	-	-	-
Charges for service	-	28,285	51,041	-	-	-	-	-
Use of money and property	490	268	93	-	-	-	-	413
Miscellaneous	-	-	-	-	-	-	-	53,517
Total revenues	<u>41,815</u>	<u>28,553</u>	<u>51,134</u>	<u>-</u>	<u>1,070</u>	<u>126,579</u>	<u>126,579</u>	<u>53,930</u>
Expenditures:								
Operating:								
Public safety and legal services	-	-	-	-	-	-	-	-
Physical health and social services	-	-	-	-	500	-	-	-
County environment and education	27,622	-	-	-	-	156,872	71,336	39,788
Governmental services to residents	-	26,175	-	-	-	-	-	-
Administration	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Total expenditures	<u>27,622</u>	<u>26,175</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>156,872</u>	<u>71,336</u>	<u>39,788</u>
Excess (deficiency) of revenues over (under) expenditures	14,193	2,378	51,134	-	570	(30,293)	55,243	14,142
Other financing sources (uses):								
Operating transfers in	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	14,193	2,378	51,134	-	570	(30,293)	55,243	14,142
Fund balances beginning of year	45,621	33,895	-	10,754	2,598	258,522	247,863	40,128
Fund balances end of year	<u>\$ 59,814</u>	<u>36,273</u>	<u>51,134</u>	<u>10,754</u>	<u>3,168</u>	<u>228,229</u>	<u>303,106</u>	<u>54,270</u>

See accompanying independent auditor's report.

**Schedule 2**

Special Revenue											
Industrial Development Site	Flood and Erosion	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
-	-	503,547	-	-	-	-	-	-	-	-	756,705
-	-	2,206	7,244	69,034	231,808	-	124,937	-	-	-	477,624
-	-	-	-	-	-	-	-	-	-	-	79,326
48,702	-	4,968	-	-	-	-	-	-	-	23	54,957
-	-	-	-	-	-	1,000	150,800	-	2,140	-	207,457
48,702	-	510,721	7,244	69,034	231,808	1,000	275,737	-	2,140	23	1,576,069
-	-	-	-	-	77,716	-	-	-	-	-	77,716
-	-	-	-	-	-	-	-	-	-	-	500
-	78,743	-	-	-	-	-	394,049	1,889	3,029	-	773,328
-	-	-	-	-	-	-	-	-	-	-	26,175
40,808	-	-	-	-	-	-	-	-	-	-	40,808
-	-	-	-	-	-	-	-	-	-	30,183	30,183
40,808	78,743	-	-	-	77,716	-	394,049	1,889	3,029	30,183	948,710
7,894	(78,743)	510,721	7,244	69,034	154,092	1,000	(118,312)	(1,889)	(889)	(30,160)	627,359
-	75,000	-	-	-	-	-	-	-	-	-	75,000
-	-	(318,267)	-	-	-	-	-	-	-	-	(318,267)
-	75,000	(318,267)	-	-	-	-	-	-	-	-	(243,267)
7,894	(3,743)	192,454	7,244	69,034	154,092	1,000	(118,312)	(1,889)	(889)	(30,160)	384,092
57,597	11,143	(68,914)	44,204	(69,034)	2,085	-	126,610	17,222	1,439	32,471	794,204
65,491	7,400	123,540	51,448	-	156,177	1,000	8,298	15,333	550	2,311	1,178,296

Pottawattamie County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	3,203	294,926	668,911	35,550
Other county officials	97,285	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,698	9,408	382,122	19,564
Succeeding year	-	178,000	942,000	38,259,000	1,992,000
Accounts	20,477	-	-	-	-
Special assessments	-	-	-	-	-
Drainage assessments:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Due from other governments	-	167	933	38,304	1,939
Prepaid items	-	-	-	-	-
<b>Total assets</b>	<b>\$ 117,762</b>	<b>183,068</b>	<b>1,247,267</b>	<b>39,348,337</b>	<b>2,049,053</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	5,260	-	-
Salaries and benefits payable	-	-	32,498	-	-
Drainage warrants payable	-	-	-	-	-
Due to other governments	94,110	183,068	1,128,085	39,348,337	2,049,053
Trusts payable	23,652	-	-	-	-
Compensated absences	-	-	81,424	-	-
<b>Total liabilities</b>	<b>\$ 117,762</b>	<b>183,068</b>	<b>1,247,267</b>	<b>39,348,337</b>	<b>2,049,053</b>

See accompanying independent auditor's report.

Corporations	Townships	City Special Assessments	Special Assessments	SWI Juvenile Emergency Services Board	E911 Surcharge	Auto License and Use Tax	Other	Total
470,094	11,652	28,548	115,840	415,882	433,734	1,577,253	350,749	4,406,342
-	-	-	-	2,500	-	-	-	99,785
313,159	5,069	-	-	-	-	-	106	731,126
32,763,000	549,000	-	-	-	-	-	12,000	74,695,000
-	-	-	-	19,790	157,494	-	12,965	210,726
-	-	359,045	2,046,492	-	-	-	-	2,405,537
-	-	-	-	-	-	-	6,364	6,364
-	-	-	-	-	-	-	494	494
35,807	288	-	-	1,509	-	-	4,440	83,387
-	-	-	-	39,695	17,746	-	-	57,441
<b>33,582,060</b>	<b>566,009</b>	<b>387,593</b>	<b>2,162,332</b>	<b>479,376</b>	<b>608,974</b>	<b>1,577,253</b>	<b>387,118</b>	<b>82,696,202</b>
-	-	-	-	1,498	2,804	-	3,159	12,721
-	-	-	-	33,371	-	-	5,113	70,982
-	-	-	-	-	-	-	593	593
33,582,060	566,009	387,593	-	432,432	606,170	1,577,253	373,927	80,328,097
-	-	-	2,162,332	-	-	-	-	2,185,984
-	-	-	-	12,075	-	-	4,326	97,825
<b>33,582,060</b>	<b>566,009</b>	<b>387,593</b>	<b>2,162,332</b>	<b>479,376</b>	<b>608,974</b>	<b>1,577,253</b>	<b>387,118</b>	<b>82,696,202</b>

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

Year ended June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpora- tions
<b>Assets and Liabilities</b>						
Balances beginning of year	\$ 80,813	185,699	1,274,067	39,136,604	2,130,067	31,743,343
Additions:						
Property and other county tax	-	176,682	941,143	38,227,422	1,984,646	32,973,075
E911 surcharge	-	-	-	-	-	-
State tax credits	-	7,859	39,597	1,522,731	81,108	1,161,884
Office fees and collections	1,982,073	-	-	-	-	-
Electronic transaction fee	-	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	2,567,370	-	-	-	-	-
Miscellaneous	380	-	263	-	-	-
Total additions	4,549,823	184,541	981,003	39,750,153	2,065,754	34,134,959
Deductions:						
Agency remittances:						
To other funds	1,251,083	-	-	-	-	-
To other governments	704,357	187,172	1,007,803	39,538,420	2,146,768	32,296,242
Trusts paid out	2,557,434	-	-	-	-	-
Total deductions	4,512,874	187,172	1,007,803	39,538,420	2,146,768	32,296,242
Balances end of year	\$ 117,762	183,068	1,247,267	39,348,337	2,049,053	33,582,060

See accompanying independent auditor's report.

Townships	City Special Assess- ments	Special Assess- ments	SWI Juvenile Emergency Services Board	E911 Surcharge	Auto License and Use Tax	Tax Sale Redemption	Other	Total	
	584,079	349,526	2,800,213	731,606	324,054	1,522,572	-	279,017	81,141,660
	536,272	-	-	-	-	-	12,409	74,851,649	
	-	-	-	-	570,045	-	-	570,045	
	23,886	-	-	-	-	-	447	2,837,512	
	-	-	-	-	-	-	-	1,982,073	
	-	-	-	-	-	-	97,675	97,675	
	-	-	-	-	-	18,236,326	-	18,236,326	
	-	447,797	253,974	-	-	-	12,368	714,139	
	-	-	-	-	-	-	1,790,951	45,835	4,404,156
	-	-	-	1,119,297	-	-	-	389,114	1,509,054
	560,158	447,797	253,974	1,119,297	570,045	18,236,326	1,790,951	557,848	105,202,629
	-	-	-	-	-	591,674	-	-	1,842,757
	578,228	409,730	-	-	285,125	17,589,971	-	450,340	95,194,156
	-	-	891,855	1,371,527	-	-	1,790,951	-	6,611,767
	578,228	409,730	891,855	1,371,527	285,125	18,181,645	1,790,951	450,340	103,648,680
	566,009	387,593	2,162,332	479,376	608,974	1,577,253	-	386,525	82,695,609



**Schedule 5**

## Pottawattamie County

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

For the Last Five Years

	Modified Accrual Basis				
	2004	2003	2002	2001	2000
Revenues:					
Property and other county tax	\$ 25,112,918	23,754,832	21,958,824	20,993,555	20,104,555
Interest and penalty on property tax	319,773	284,825	290,890	253,539	237,271
Intergovernmental	15,286,787	15,499,143	15,783,786	15,809,815	18,472,170
Licenses and permits	81,539	71,929	76,834	59,905	110,065
Charges for service	2,961,916	2,184,911	2,191,613	2,102,604	2,002,230
Use of money and property	352,015	353,651	586,955	1,325,140	1,074,895
Fines, forfeitures and defaults	-	-	87,214	79,100	26,339
Miscellaneous	1,263,788	684,433	824,062	508,229	579,753
Total	\$ 45,378,736	42,833,724	41,800,178	41,131,887	42,607,278
Expenditures:					
Operating:					
Public safety and legal services	\$ 13,554,635	12,419,508	11,534,828	10,777,226	9,503,567
Physical health and social services	2,449,827	2,752,435	2,433,614	2,454,465	2,031,026
Mental health	7,266,366	7,276,003	7,720,098	7,486,497	7,291,045
County environment and education	2,613,891	1,991,358	1,800,478	1,437,882	2,618,285
Roads and transportation	8,916,835	7,829,915	7,662,124	8,439,884	10,013,741
Governmental services to residents	1,345,719	1,224,597	1,207,924	1,018,643	1,090,992
Administration	4,948,132	5,935,402	5,804,890	4,473,172	3,449,166
Debt service	1,900,241	1,593,806	1,576,937	1,576,418	2,091,182
Capital projects	1,803,575	2,746,406	3,821,070	1,809,795	5,808,148
Total	\$ 44,799,221	43,769,430	43,561,963	39,473,982	43,897,152

See accompanying independent auditor's report.

**Pottawattamie County**

**Schedule 6**

Pottawattamie County  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expendi- tures
Direct:			
U.S. Department of Agriculture: Wildlife Habitat Incentive Program	10.914		\$ 2,430
U.S. Department of the Interior: Partners for Fish and Wildlife	15.631		20,000
U.S. Department of Justice: Public Safety Partnership and Community Policing Grants	16.710	2001UMWX0049	35,213
Total direct			<u>57,643</u>
Indirect:			
U.S. Department of Agriculture: Iowa Department of Public Health: Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5883A052	113,230
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5884A052	236,491
			<u>349,721</u>
Iowa Department of Agriculture and Land Stewardship: WIC Farmers' Market Nutrition Program (FMNP)	10.572	1191-02-52	2,241
Iowa Department of Education: School Breakfast Program	10.553		6,246
National School Lunch Program	10.555		11,218
			<u>17,464</u>
Iowa Department of Human Services: Human Services Administrative Reimbursements: State Administrative Matching Grants for Food Stamp Program	10.561		32,205
Hungry Canyons Alliance: Soil and Water Conservation	10.902		61,669
U.S. Department of the Interior: Iowa Department of Natural Resources: Outdoor Recreation - Acquisition, Development and Planning	15.916		124,937
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction	20.205	BROS-CO78(130)--8J-78	432,870
Iowa Department of Public Safety: State and Community Highway Safety	20.600	PAP 04-410, Task 33	6,995

Pottawattamie County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2004

Grantor / Program	CFDA Number	Agency or Pass-through Number	Program Expendi- tures
Indirect (continued):			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		3,041
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		41,594
Refugee and Entrant Assistance-State Administered Programs	93.566		142
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		7,515
Foster Care - Title IV-E	93.658		19,100
Adoption Assistance	93.659		5,056
Medical Assistance Program	93.778		41,712
Social Services Block Grant	93.667		27,352
Social Services Block Grant	93.667		372,650
			400,002
Iowa Department of Public Health:			
Immunization Grants	93.268	58831440	757
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management:			
State Domestic Preparedness Equipment Support Program	97.004		1,508
State and Local Homeland Security Training Program	97.005		537
Emergency Management Performance Grants	97.042		22,653
State and Local All Hazards Emergency Operations Planning	97.051		6,126
Citizens Corps	97.053		3,950
Community Emergency Response Teams	97.054		3,658
Total indirect			1,585,453
Total			\$ 1,643,096

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

See accompanying independent auditor's report.

**Pottawattamie County**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Compliance  
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, 2004, and have issued our report thereon dated December 6, 2004. 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, 2004 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-J-04, IV-K-04 and IV-L-04.

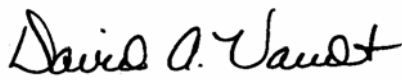
Internal Control Over Financial Reporting

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.

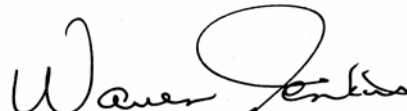
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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-04 and II-B-04 are material weaknesses. Prior year reportable conditions have been resolved except for items II-A-04, II-B-04 and II-C-04.

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 6, 2004

**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, 2004. 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 program 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 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.

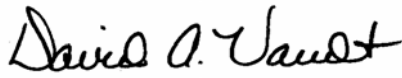
In our opinion, Pottawattamie County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.


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.

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 non-compliance 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. Our consideration of the internal control over compliance 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. 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 6, 2004

Pottawattamie County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2004

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

- (a) Unqualified opinions were issued on the financial statements.
- (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 did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 10.557 – Special Supplemental Nutrition Program for Women, Infants and Children.
  - CFDA Number 20.205 – Highway Planning and Construction.
  - CFDA Number 93.667 – Social Services Block Grant.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Pottawattamie County did not qualify as a low-risk auditee.

Pottawattamie County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2004

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

- II-A-04 Segregation of Duties – During our review of internal control, the existing activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

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 segregation of duties is difficult with a limited number of office employees. 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 – Pottawattamie County Sheriff's Office will have the employee in the Civil Division that does the reviewing, initial and date the document. This includes the receipting and depositing.

The accounting procedures manual in our Civil division will be reviewed and updated.

New accounting software and methods were recently implemented in the Jail Division. The accounting procedures manual is being revised to reflect the changes in the new accounting system.

Conclusion – Response accepted.

- II-B-04 County Sheriff – Inmate account bank reconciliations were prepared using financial accounting software. The bank reconciliations include numerous old outstanding checks and monthly variances (\$2,888 short at June 30, 2004) with the book balances which were not investigated and resolved.

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

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

were not totaled monthly and reconciled to bank deposits. Disbursements for the inmate account balances were not totaled monthly. Also, the inmate account balances at June 30, 2004 did not include some balances for inmates that had not yet been released due to problems with cut-off at fiscal year end.

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 along with any inmates entering the system.

Response – New accounting software and methods were recently implemented in the Jail Division. An accounting firm has been retained to assist in migrating to the new accounting system. Bank and book balances will be reconciled each month and variances/reconciling items investigated and resolved. Receipts and disbursements will be totaled monthly. Cut-offs will coincide with bank, vendor and fiscal year dates.

Conclusion – Response accepted.

II-C-04 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 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:

- segregation of duties over system design, application programming, systems programming and quality assurance testing within the IS department when IS programmers would be writing the software programming.
- ensuring changes to master files are performed outside the IS department.
- restricting the new set up of new user/login ID names to only one person.
- requiring users to change their password every 60 to 90 days.

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- requiring generic passwords for new employees to be changed in at least 30 days.
- uniform systems development or change policy (including acceptance testing) for all new programs and for all changes to existing programs.
- requiring vendor purchased software to include up-to-date documentation of systems flowcharts, record and report layouts and program change sheets.
- the active participation of users in important phases of acquisition, including final approval regarding the selection of vendor software.
- a security awareness program including precautions covering email.

Also, the County does not have a written disaster recovery plan.

Recommendation – The County’s written policies should address the above items in order to improve the County’s control over computer based systems. A written disaster recovery plan should be developed.

Response – The County IT Department will take your recommendations under advisement and review our policies accordingly.

Conclusion – Response accepted.

II-D-04

Credit and Charge Cards – Various County employees use County issued credit cards and charge cards. The County has not adopted a formal policy to regulate the use of these cards and to establish procedures for the proper accounting of card charges. In addition, adequate supporting documentation was not being provided to support card charges prior to Board approval.

Recommendation – The County should adopt a formal written policy regulating the use of County credit and charge cards. The policy, at a minimum, should address who controls the cards, who is authorized to use the cards, the types of expenses allowed to be charged, as well as the types of supporting documentation required to substantiate charges. Board policy should also prohibit the use of County-owned credit cards and charge cards for personal expenses.

Response – The Board of Supervisors is working with the Human Resources Director to implement policies and procedures regarding County issued credit cards and charge cards used for County business.

Conclusion – Response accepted.

Pottawattamie County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2004

**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  
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 Year ended June 30, 2004

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

- IV-A-04 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, 2004.
- IV-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted.
- IV-C-04 Questionable Expenditures – Certain expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not clearly documented. These expenditures are detailed as follows:

<u>Paid for</u>	<u>Purpose</u>	<u>Amount</u>
Employee Christmas party held at Grisanti’s by the County Attorney’s office	Christmas party	<u>\$ 934</u>

Recommendation – According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper proper purpose is very thin.

The Board of Supervisors should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including the requirement for proper documentation.

Response – It is not the current policy, nor will it become the policy of the Pottawattamie County Board of Supervisors to allow department Christmas parties to be paid for out of the county budget.

However, after investigating the claim, it is my belief that this event was a special circumstance, and did serve a public purpose by improving his department, and should be funded through the drug forfeiture fund as the County Attorney requested.

Conclusion – Response accepted.

- IV-D-04 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

Pottawattamie County

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Year ended June 30, 2004

IV-E-04 Business Transactions – The following business transaction between the County and County officials or employees was noted:

Name, Title and Business Connection	Transaction Description	Amount
David Fisher, Conservation employee, owner of Fisher Construction	Dirt and construction work, not bid	\$ 455

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

IV-F-04 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-G-04 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-H-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

IV-I-04 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-04 Deficit Cash Balances – Nine funds had deficit cash balances during the year ended June 30, 2004, which appears to violate Chapter 331.476 of the Code of Iowa.

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

Response – Claims will not be approved for payment when cash balances are not available unless the debt is authorized by resolution of the Board of Supervisors and takes the form of anticipatory warrants, or loans from other funds. The deficit may be reduced by a loan from the Gaming Fund.

Conclusion – Response accepted.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

IV-K-04 Electronic Check Retention – Chapter 554D.4114 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 West County Extension Office did not obtain an image of the back of each cancelled check as required.

Recommendation – The West Pottawattamie County Extension Office should obtain and retain an image of both the front and back of each cancelled check

Response – We will contact our bank of deposit and request backs of checks be included on bank statements sent to our office.

Conclusion – Response accepted.

IV-L-04 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, 2004 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 – We have developed a form with signature line on the form to make sure a formal signature is secured for the record.

Conclusion – Response accepted.

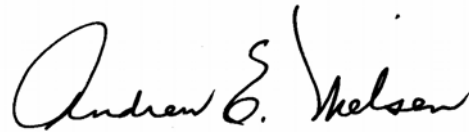
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Pottawattamie County

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager  
Nancy F. Curtis, CPA, Senior Auditor II  
Steven O. Fuqua, CPA, Senior Auditor  
Sarah D. McFadden, CPA, Staff Auditor  
Stephanie A. Bernard, Assistant Auditor  
Michael J. Gentry Jr., Assistant Auditor  
Donna R. Neubauer, Assistant Auditor  
Janet M. Tiefenthaler, Assistant Auditor  
Trisha M. Dirks, Auditor Intern

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and a distinct 'E'.

Andrew E. Nielsen, CPA  
Deputy Auditor of State