



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

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NEWS RELEASE

FOR RELEASE _____ March 27, 2006 _____

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

The County had local tax revenue of \$104,551,390 for the year ended June 30, 2005, which included \$3,732,930 in tax credits from the state. The County forwarded \$82,706,476 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$21,844,914 of the local tax revenue to finance County operations, a 5 percent increase over the prior year. Other revenues included charges for service of \$6,303,538, operating grants, contributions and restricted interest of \$10,713,991, capital grants, contributions and restricted interest of \$3,190,705, local option sales tax of \$2,548,453, pari-mutuel and gaming wager tax of \$2,277,728, tax increment financing of \$650,117, unrestricted investment earnings of \$504,451 and other general revenues of \$565,569.

Expenses for County operations totaled \$45,381,102, an 8 percent increase over the prior year. Expenses included \$15,139,659 for public safety and legal services, \$9,779,076 for roads and transportation and \$7,224,615 for mental health.

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

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POTTAWATTAMIE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005

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Pottawattamie County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2005)		
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
Steve Palm	County Assessor	Jan 2010
(After January 2005)		
Betty Moats	Board of Supervisors	Jan 2007
Loren Knauss	Board of Supervisors	Jan 2007
Lynn Leaders	Board of Supervisors	Jan 2007
Melvyn Houser	Board of Supervisors	Jan 2009
Delbert King	Board of Supervisors	Jan 2009
Marilyn Jo Drake	County Auditor	Jan 2009
Judy Ann Miller	County Treasurer	Jan 2007
John F. Sciortino	County Recorder	Jan 2007
Jeffrey Danker	County Sheriff	Jan 2009
Matthew Wilber	County Attorney	Jan 2007
Steve Palm	County Assessor	Jan 2010

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, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Pottawattamie County's management. Our responsibility is to express opinions on these financial statements based on our audit.

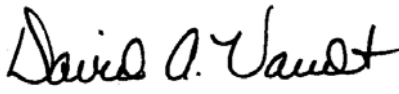
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

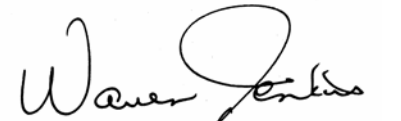
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Pottawattamie County at June 30, 2005, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2005 on our consideration of Pottawattamie County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 44 through 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pottawattamie County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2003 (which are not presented herein) and expressed qualified opinions on those financial statements due to the omission of general fixed assets or capital assets and supplies inventory for the Secondary Roads Fund. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 20, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pottawattamie County provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

During fiscal year 2005, the County retroactively reported road infrastructure acquired prior to July 1, 2002, not previously reported. The County had delayed reporting this infrastructure as permitted by U.S. generally accepted accounting principles. This restatement increased the beginning balance in governmental activities by \$23,296,766. To facilitate and enhance comparability in this discussion and analysis, fiscal year 2004 amounts have been revised to reflect the changes as if they had been made in the prior year.

2005 FINANCIAL HIGHLIGHTS

- Pottawattamie County's governmental funds revenue decreased approximately \$345 thousand from fiscal year 2004 (FY04). This included a property tax revenue increase of approximately \$1.07 million and a decrease of capital grants, contributions and restricted interest of approximately \$1.5 million.
- Pottawattamie County's governmental activities expenses increased from \$42.0 million in FY04 to \$45.4 million in fiscal year 2005 (FY05).
- Pottawattamie County's net assets increased approximately \$3.2 million from FY04.
- As of the close of FY05, Pottawattamie County had ending fund balances of \$6,570,535 in the General Fund, \$1,827,760 in the Mental Health Fund, \$281,431 in the Rural Services Fund and \$6,032,952 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 at the end of FY05 totaled approximately \$67.3 million. This compares to FY04 at \$64.1 million. The analysis that follows focuses on the changes of the net assets for our governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2005	2004
Current and other assets	\$ 53,307,624	49,393,252
Capital assets	65,152,747	63,275,946
Total assets	<u>118,460,371</u>	<u>112,669,198</u>
Long-term debt liabilities	25,792,686	24,721,335
Other liabilities	25,396,500	23,895,042
Total liabilities	<u>51,189,186</u>	<u>48,616,377</u>
Net assets:		
Invested in capital assets, net of related debt	51,430,797	48,590,301
Restricted	10,257,143	8,873,860
Unrestricted	5,883,245	6,588,660
Total net assets	<u>\$ 67,571,185</u>	<u>64,052,821</u>

Net assets of Pottawattamie County's governmental activities increased by approximately \$3.2 million from FY04. The largest portion of the County's net assets is Invested in Capital Assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with resources other than capital assets since they are unavailable for future spending. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements—is \$5.883 million.

Changes in Net Assets of Governmental Activities		
	Year ended June 30,	
	2005	2004
Revenues:		
Program revenues:		
Charges for service	\$ 6,303,538	7,348,945
Operating grants, contributions and restricted interest	10,713,991	9,410,162
Capital grants, contributions and restricted interest	3,190,705	4,683,436
General revenues:		
Property tax	21,002,987	19,928,096
Tax increment financing	650,117	503,548
Penalty and interest on property tax	390,454	560,974
State tax credits	841,927	804,366
Local option sales tax	2,548,453	2,531,583
Unrestricted investment earnings	504,451	183,956
Gaming and wager tax	2,277,728	2,114,291
Gain on sale of capital assets	51,527	130,042
Other general revenues	123,588	744,600
Total revenues	48,599,466	48,943,999
Program expenses:		
Public safety and legal services	15,139,659	14,013,593
Physical health and social services	2,610,270	2,466,323
Mental health	7,224,615	7,271,188
County environment and education	2,577,638	1,988,999
Roads and transportation	9,779,076	8,942,070
Governmental services to residents	1,380,847	1,376,999
Administration	5,598,140	4,906,289
Interest on long-term debt	1,070,857	1,047,645
Total expenses	45,381,102	42,013,106
Increase in net assets	3,218,364	6,930,893
Net assets beginning of year, as restated	64,052,821	57,121,928
Net assets end of year	\$ 67,271,185	64,052,821

Pottawattamie County increased property tax levy rates by \$.28822 per \$1,000 of valuation in the rural levy and increased property tax levy rates by \$.67874 per \$1,000 of valuation in the countywide levy for a total levy increase of \$.96696 in FY05. The rural assessed property valuation decreased \$95,332,081 and the countywide assessed property valuation decreased \$109,626,056.

INDIVIDUAL MAJOR FUND ANALYSIS

As Pottawattamie County completed the year, its governmental funds reported a combined fund balance of \$27,541,197, which is greater than the \$24,810,334 combined fund balance of FY04. This difference is due mainly to the balance within the Debt Service Fund and the Secondary Roads Fund. The general supplemental levy and the mental health levy were increased.

The General Fund, as the operating fund for Pottawattamie County, ended FY05 with a \$6,570,535 ending balance. This was a decrease from FY04's ending balance of \$7,118,762. 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. FY05 saw a decrease in property valuation from \$2,875,999,588 in FY04 to \$2,766,373,532 in FY05. The levy rate increased from \$4.64032 in FY04 to \$5.29455 in FY05.

Pottawattamie County continues to effectively manage the cost of mental health services. Mental health expenditures decreased \$58,038 in FY05 from FY04. The Mental Health Fund ending balance for FY05 was \$1,827,760, reflecting a decrease of \$134,049 from FY04. The \$1.20071 FY05 tax levy increased \$.04576 from the FY04 levy rate of \$1.15495. Other state tax replacements in the Mental Health Fund for FY05 were unchanged.

The Rural Services Fund ended FY05 with a \$281,431 balance compared to the prior year ending balance of \$282,227. Property tax revenue for the Rural Services Fund decreased \$20,045. Local option sales tax revenue increased to \$382,268 in FY05. Planning and sanitation expenditures showed decreases and animal control expenditures grew by \$63,000 in FY05, while transfers to the Secondary Roads Fund increased by \$78,501.

The Secondary Roads Fund ended FY05 with a \$6.0 million balance compared to the prior year ending balance of \$4.6 million. Capital project expenditures in FY05 decreased \$405,199 from FY04. The Department maintained 1,500 miles of rock, dirt and paved roads during the year and continued work on construction projects. The non-capital expenditures of Secondary Roads decreased by \$1.46 million.

The Debt Service Fund ended FY05 with an \$11,321,210 balance compared to the prior year ending balance of \$9,666,313 due to the issuance of a crossover refunding bonds and notes. 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 budget one time on May 27, 2005. The amendment was for Federal and State grants, Bass Pro payment, county attorney expenditures funded by drug forfeiture funds, conservation park projects, sheriff and secondary roads equipment purchases, secondary roads construction capital projects, animal control expansion and medical examiner fees.

Pottawattamie County is working in alliance with Douglas, Sarpy and Washington Counties in Nebraska to share the cost of aerial photography to update mapping records.

Pottawattamie County, the Iowa West Gaming Commission and the City of Council Bluffs cooperated in a large economic development endeavor by bringing a sports retail business, Bass Pro to the City. The Bass Pro shop, located where I-29 and I-80 intersect in Council Bluffs, is expected to bring shoppers from a 200 mile radius.

Pottawattamie County experienced a decrease in property valuation in FY05. However, the County also receives gaming dollars which continue to increase each year. Our location at the cross-roads of I-80 and I-29 is attractive to the gaming industry and, consequently, this attracts many other businesses, which spurs our economic growth. Pottawattamie County continues to use gaming dollars for tax relief for the General Fund and a capital plan supporting courthouse remodeling, land and equipment purchases and the ability to expand the County's economic development.

Pottawattamie County has cooperated with the City of Council Bluffs for the expansion of the Council Bluffs Airport. The commitment will include a beltway road system surrounding the airport which will eventually connect to the interstate highways.

Pottawattamie County is working in alliance with the Metropolitan Area Planning Agency to receive a grant for the addition of an employee to the Geographical Information Survey (GIS) department.

Horseshoe Casino (Bluffs Run Casino) has just completed a multi-million dollar expansion. The County's gaming receipts are expected to increase as a result of the expansion.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY05, Pottawattamie County had approximately \$65 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 \$1.9 million over FY04.

Pottawattamie County had depreciation expense of \$3.8 million in FY05 and total accumulated depreciation of \$42.0 million on the capital assets at the end of FY05. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Debt

At the end of FY05, Pottawattamie County had \$24,812,000 in general obligation bonds and notes and other long-term debt outstanding compared to \$23,826,000 at the end of FY04. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

Outstanding debt increased as a result of the general obligation crossover refunding bond and note issues. 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 \$220 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 2006 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 2006. Amounts available for appropriation in the General Fund are approximately \$26,880,887, an increase of \$1,041,548 over the 2005 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. Capital projects, increased support of the communications center, negotiated union and non-union salary adjustments and health care benefits represent the largest portion of the increased expenses. The County Sheriff and County Attorney received 8% salary increases and the other elected officials received 4% increases in salary. Pay plan staff received 3% raises effective July 1, 2005..

If estimates are realized, Pottawattamie County's budgetary General Fund balance is expected to decrease from \$6,513,614 at the end of FY05 to approximately \$3,536,241 by the close of 2006.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Pottawattamie County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Pottawattamie County Auditor Marilyn Jo Drake or Deputy Auditor Donna West at the Pottawattamie County Auditor's Office, by mail at 227 S. 6th Street, Council Bluffs, Iowa 51501, or by telephone at (712) 328-5700.

Pottawattamie County

Basic Financial Statements

Exhibit A

Pottawattamie County
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 15,330,412
U.S. Treasury Securities on deposit with escrow agent	10,818,433
Receivables:	
Property tax:	
Delinquent	165,104
Succeeding year	23,137,000
Interest and penalty on property tax	371,202
Accounts	247,153
Accrued interest	47,696
Due from other governments	1,766,566
Inventories	1,110,122
Prepaid insurance	313,936
Capital assets (net of accumulated depreciation)	65,152,747
Total assets	<u>118,460,371</u>
Liabilities	
Accounts payable	668,415
Accrued interest payable	96,566
Salaries and benefits payable	958,009
Due to other governments	536,510
Deferred revenue:	
Succeeding year property tax	23,137,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan notes	10,875,000
Urban renewal revenue capital loan notes	175,000
General obligation refunding bonds	745,000
Mortgage loan	24,698
Compensated absences	731,283
Portion due or payable after one year:	
Urban renewal revenue capital loan notes	805,000
General obligation refunding bonds	9,850,000
General obligation refunding notes	1,950,000
Mortgage loan	387,252
Compensated absences	249,453
Total liabilities	<u>51,189,186</u>
Net Assets	
Invested in capital assets, net of related debt	51,430,797
Restricted for:	
Supplemental levy purposes	910,325
Mental health purposes	1,858,620
Secondary roads purposes	5,801,767
Debt service	140,818
Law enforcement	40,380
Closure and postclosure care	1,500
Other purposes	1,503,733
Unrestricted	5,883,245
Total net assets	<u>\$ 67,571,185</u>

See notes to financial statements.

Pottawattamie County

Statement of Activities

Year ended June 30, 2005

	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	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 15,139,659	3,811,278	588,036	-	(10,740,345)
Physical health and social services	2,610,270	131,861	1,092,038	-	(1,386,371)
Mental health	7,224,615	101,076	3,675,449	-	(3,448,090)
County environment and education	2,577,638	323,763	119,165	128,011	(2,006,699)
Roads and transportation	9,779,076	100,172	4,976,598	3,062,694	(1,639,612)
Governmental services to residents	1,380,847	1,330,435	856	-	(49,556)
Administration	5,598,140	504,953	80,370	-	(5,012,817)
Interest on long-term debt	1,070,857	-	181,479	-	(889,378)
Total	\$ 45,381,102	6,303,538	10,713,991	3,190,705	(25,172,868)
General Revenues:					
Property and other county tax levied for:					
General purposes					\$ 19,853,392
Debt service					1,149,595
Tax increment financing					650,117
Penalty and interest on property tax					390,454
State tax credits					841,927
Local option sales tax					2,548,453
Unrestricted investment earnings					504,451
Pari-mutuel and gaming wager tax					2,277,728
Gain on sale of capital assets					51,527
Miscellaneous					123,588
Total general revenues					28,391,232
Change in net assets					3,218,364
Net assets beginning of year, as restated					64,052,821
Net assets end of year					\$ 67,271,185

See notes to financial statements.

Pottawattamie County

Balance Sheet
Governmental Funds

June 30, 2005

	General	Special Revenue	
		Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 6,513,614	2,494,384	258,397
U.S. Treasury Securities on deposit with escrow agent	-	-	-
Receivables:			
Property tax:			
Delinquent	115,076	26,097	14,805
Succeeding year	15,393,000	2,892,000	2,859,000
Interest and penalty on property tax	371,202	-	-
Accounts	232,467	9,526	3,645
Accrued interest	46,030	-	-
Due from other governments	490,550	113,093	68,064
Inventories	-	-	-
Prepaid insurance	275,424	-	-
Total assets	\$ 23,437,363	5,535,100	3,203,911
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 317,755	204,596	25,254
Salaries and benefits payable	738,951	47,423	23,413
Due to other governments	56,159	479,206	27
Deferred revenue:			
Succeeding year property tax	15,393,000	2,892,000	2,859,000
Other	360,963	84,115	14,786
Total liabilities	16,866,828	3,707,340	2,922,480
Fund balances:			
Reserved for:			
Supplemental levy purposes	985,631	-	-
Closure and postclosure care	-	-	1,500
Debt service	-	-	-
Law enforcement	40,380	-	-
Unreserved, reported in:			
General fund	5,544,524	-	-
Special revenue funds	-	1,827,760	279,931
Capital projects fund	-	-	-
Total fund balances	6,570,535	1,827,760	281,431
Total liabilities and fund balances	\$ 23,437,363	5,535,100	3,203,911

See notes to financial statements.

Secondary Roads	Debt Service	Nonmajor	Total
4,116,586	500,375	1,447,056	15,330,412
-	10,818,433	-	10,818,433
-	9,126	-	165,104
-	1,206,000	787,000	23,137,000
-	-	-	371,202
1,465	-	50	247,153
-	-	1,666	47,696
986,267	-	108,592	1,766,566
1,110,122	-	-	1,110,122
38,512	-	-	313,936
6,252,952	12,533,934	2,344,364	53,307,624
74,174	550	46,086	668,415
144,708	-	3,514	958,009
1,118	-	-	536,510
-	1,206,000	787,000	23,137,000
-	6,174	455	466,493
220,000	1,212,724	837,055	25,766,427
-	-	-	985,631
-	-	-	1,500
-	11,321,210	-	11,321,210
-	-	-	40,380
-	-	-	5,544,524
6,032,952	-	1,504,971	9,645,614
-	-	2,338	2,338
6,032,952	11,321,210	1,507,309	27,541,197
6,252,952	12,533,934	2,344,364	53,307,624

Pottawattamie County

Pottawattamie County

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

June 30, 2005

Total governmental fund balances (page 19) \$ 27,541,197

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 \$107,115,869 and the accumulated depreciation is \$41,963,122. 65,152,747

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 466,493

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. (25,889,252)

Net assets of governmental activities (page 16) \$ 67,271,185

See notes to financial statements.

Pottawattamie County

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

Year ended June 30, 2005

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 16,531,051	3,201,851	2,992,824
Interest and penalty on property tax	424,956	-	-
Intergovernmental	5,322,815	3,752,948	207,397
Licenses and permits	4,464	-	73,915
Charges for service	2,087,354	107,958	115,523
Use of money and property	542,119	-	39
Miscellaneous	801,083	11,522	4,877
Total revenues	<u>25,713,842</u>	<u>7,074,279</u>	<u>3,394,575</u>
Expenditures:			
Operating:			
Public safety and legal services	14,493,289	-	5,068
Physical health and social services	2,462,604	-	110,903
Mental health	-	7,208,328	-
County environment and education	1,719,919	-	557,693
Roads and transportation	-	-	-
Governmental services to residents	1,345,444	-	4,608
Administration	5,726,283	-	2,500
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	<u>25,747,539</u>	<u>7,208,328</u>	<u>680,772</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(33,697)</u>	<u>(134,049)</u>	<u>2,713,803</u>
Other financing sources (uses):			
Sale of capital assets	27,295	-	-
Operating transfers in	-	-	-
Operating transfers out	(541,825)	-	(2,714,599)
Refunding debt issued	-	-	-
Total other financing sources (uses)	<u>(514,530)</u>	<u>-</u>	<u>(2,714,599)</u>
Net change in fund balances	(548,227)	(134,049)	(796)
Fund balances beginning of year	<u>7,118,762</u>	<u>1,961,809</u>	<u>282,227</u>
Fund balances end of year	<u>\$ 6,570,535</u>	<u>1,827,760</u>	<u>281,431</u>

See notes to financial statements.

Secondary Roads	Debt Service	Nonmajor	Total
1,783,918	1,154,216	904,961	26,568,821
-	-	-	424,956
5,344,550	45,609	221,340	14,894,659
1,990	-	-	80,369
23,702	-	23,411	2,357,948
-	181,479	61,407	785,044
118,453	7,747	84,230	1,027,912
7,272,613	1,389,051	1,295,349	46,139,709
-	-	131,276	14,629,633
-	-	196	2,573,703
-	-	-	7,208,328
-	-	538,107	2,815,719
7,654,396	-	-	7,654,396
-	-	37,858	1,387,910
-	-	40,808	5,769,591
-	1,978,668	-	1,978,668
1,368,193	-	-	1,368,193
9,022,589	1,978,668	748,245	45,386,141
(1,749,976)	(589,617)	547,104	753,568
-	-	-	27,295
3,180,001	294,514	85,282	3,559,797
-	-	(303,373)	(3,559,797)
-	1,950,000	-	1,950,000
3,180,001	2,244,514	(218,091)	1,977,295
1,430,025	1,654,897	329,013	2,730,863
4,602,927	9,666,313	1,178,296	24,810,334
6,032,952	11,321,210	1,507,309	27,541,197

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, 2005

Net change in fund balances - Total governmental funds (page 23) \$ 2,730,863

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

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

Expenditures for capital assets	\$ 2,987,970	
Capital assets contributed by the Iowa Department of Transportation and others	2,693,990	
Depreciation expense	<u>(3,829,391)</u>	1,852,569

In the Statement of Activities, the gain on the sale of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 24,232

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	(89,589)	
Other	<u>(196,171)</u>	(285,760)

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	(1,950,000)	
Repaid	<u>963,695</u>	(986,305)

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	(85,046)	
Interest on long-term debt	<u>(32,189)</u>	(117,235)

Change in net assets of governmental activities (page 17) \$ 3,218,364

See notes to financial statements.

Pottawattamie County
 Statement of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2005

Assets

Cash and pooled investments:	
County Treasurer	\$ 4,665,308
Other County officials	107,248
Receivables:	
Property tax:	
Delinquent	644,724
Succeeding year	79,734,000
Accounts	122,487
Special assessments	6,895,820
Drainage assessments	9,288
Due from other governments	267,850
Prepaid items	58,340
Total assets	<u>92,505,065</u>

Liabilities

Accounts payable	16,612
Salaries and benefits payable	77,373
Drainage warrants payable	350
Due to other governments	85,933,263
Trusts payable	6,381,648
Compensated absences	95,819
Total liabilities	<u>92,505,065</u>

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

Pottawattamie County

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

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, 2005. 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, 2005, disbursements exceeded the amount budgeted in the debt service function. In addition, disbursements in the county environment and education and capital projects functions exceeded the amounts budgeted prior to the May 2005 budget amendment.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 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.

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.

At June 30, 2005 the County had the following investments:

Type	Fair Value	Maturity
U.S. Treasury Securities	\$ 8,908,235	Dec. 2005
U.S. Treasury Securities	<u>1,910,198</u>	June 2006
	<u>\$10,818,433</u>	

The above U.S. Treasury Securities are held in escrow to be used for refunding the Series 1996A and Series 1997 general obligation notes.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Flood and Erosion	General	\$ 75,000
Secondary Roads	General	466,825
	Special Revenue:	
	Rural Services	2,713,176
Animal Shelter Donations	Rural Services	1,423
District Enhancement Area East	Soil Conservation District East	8,859
Debt Service	Urban Renewal Revenue	294,514
Total		<u>\$ 3,559,797</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, 2005 was as follows:

	Balance Beginning of Year as Restated	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,929,126	369,454	-	6,298,580
Construction in progress	994,525	3,951,165	(4,611,278)	334,412
Total capital assets not being depreciated	<u>6,923,651</u>	<u>4,320,619</u>	<u>(4,611,278)</u>	<u>6,632,992</u>
Capital assets being depreciated:				
Buildings	30,093,952	684,412	-	30,778,364
Improvements other than buildings	788,177	111,310	-	899,487
Equipment and vehicles	11,842,819	1,111,707	(382,083)	12,572,443
Infrastructure, road network	51,717,511	3,886,870	-	55,604,381
Infrastructure, other	384,000	244,202	-	628,202
Total capital assets being depreciated	<u>94,826,459</u>	<u>6,038,501</u>	<u>(382,083)</u>	<u>100,482,877</u>
Less accumulated depreciation for:				
Buildings	6,457,184	616,407	-	7,073,591
Improvements other than buildings	397,471	45,568	-	443,039
Equipment and vehicles	6,606,566	1,228,786	(340,433)	7,494,919
Infrastructure, road network	24,935,223	1,920,625	-	26,855,848
Infrastructure, other	77,720	18,005	-	95,725
Total accumulated depreciation	<u>38,474,164</u>	<u>3,829,391</u>	<u>(340,433)</u>	<u>41,963,122</u>
Total capital assets being depreciated, net	<u>56,352,295</u>	<u>2,209,110</u>	<u>(41,650)</u>	<u>58,519,755</u>
Governmental activities capital assets, net	<u>\$ 63,275,946</u>	<u>6,529,729</u>	<u>(4,652,928)</u>	<u>65,152,747</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 676,114
Physical health and social services		40,314
Mental health		1,172
County environment and education		94,764
Roads and transportation		2,695,827
Governmental services to residents		4,550
Administration		<u>316,650</u>
Total depreciation expense - governmental activities		<u><u>\$ 3,829,391</u></u>

(5) Due to Other Governments

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

Fund	Description	Amount
General	Services	<u>\$ 56,159</u>
Special Revenue:		
Mental Health	Services	479,206
Rural Services	Services	27
Secondary Roads	Services	<u>1,118</u>
		<u>480,351</u>
Total for governmental funds		<u><u>\$ 536,510</u></u>
Agency:		
County Assessor	Collections	\$ 1,203,547
Schools		41,427,943
Community Colleges		2,183,136
Corporations		36,272,685
Auto License and Use Tax		1,531,462
All other		<u>3,314,490</u>
Total for agency funds		<u><u>\$ 85,933,263</u></u>

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	General Obligation Capital Loan Notes	Urban Renewal Revenue Capital Loan Notes	General Obligation Refunding Bonds	General Obligation Refunding Notes	Mortgage Loan	Compen- sated Absences	Total
Balance beginning of year	\$ 11,580,000	1,145,000	10,665,000	-	435,645	895,690	24,721,335
Increases	-	-	-	1,950,000	-	1,039,702	2,989,702
Decreases	705,000	165,000	70,000	-	23,695	954,656	1,918,351
Balance end of year	\$ 10,875,000	980,000	10,595,000	1,950,000	411,950	980,736	25,792,686
Due within one year	\$ 10,875,000	175,000	745,000	-	24,698	731,283	12,550,981

General Obligation Capital Loan Notes

On December 1, 1996, the County issued \$9,800,000 of general obligation capital loan notes, series 1996A, to construct the County jail. On December 1, 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:

Year	Series 1996A			Series 1997		
	Issued December 1, 1996			Issued December 1, 1997		
Ending June 30,	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2006	5.20-5.25%	\$ 8,840,000	462,785	4.80-4.85%	\$ 2,035,000	98,495

Year	Total	
Ending June 30,	Principal	Interest
2006	10,875,000	561,280

During the year ended June 30, 2005, \$705,000 of general obligation capital loan notes were retired. The series 1996A and 1997 notes will be repaid in full next year from the proceeds of the general obligation refunding bonds and notes.

Urban Renewal Revenue Capital Loan Notes

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

Year Ending June 30,	Series 1999		
	Issued December 1, 1999		
	Interest Rates	Principal	Interest
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		\$ 980,000	174,025

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, 2005, the County was in compliance with the revenue note provisions.

Also, during the year ended June 30, 2005, \$165,000 of urban renewal revenue capital loan notes were retired.

General Obligation Refunding Bonds

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

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 1, 1996. The County entered into an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. Treasury 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 general obligation capital loan notes, series 1996A, 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. Annual debt service requirements to maturity of the general obligation refunding bonds are as follows:

Year Ending June 30,	Issued December 1, 2003			Issued January 1, 2004			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2006	2.00%	\$ 105,000	39,973	1.75%	\$ 640,000	292,263	745,000	332,236
2007	2.25	160,000	37,873	3.15	725,000	281,062	885,000	318,935
2008	2.50	195,000	34,272	3.15	750,000	258,225	945,000	292,497
2009	2.80	215,000	29,397	3.15	775,000	234,600	990,000	263,997
2010	3.00	225,000	23,377	3.15	805,000	210,188	1,030,000	233,565
2011-2015	3.15	555,000	26,055	3.15-3.50	4,445,000	646,030	5,000,000	672,085
2016-2017		-	-	3.70	1,000,000	37,000	1,000,000	37,000
Total		\$ 1,455,000	190,947		\$ 9,140,000	1,959,368	10,595,000	2,150,315

During the year ended June 30, 2005, \$70,000 of general obligation refunding bonds were retired.

General Obligation Refunding Notes

On May 3, 2005, the County issued \$1,950,000 of general obligation refunding notes, with interest rates ranging from 3.25% to 4.00%, for a crossover refunding of a portion of the general obligation capital loan notes issued December 1, 1997. The County entered into an escrow agreement whereby the proceeds from the general obligation refunding notes were converted into U.S. Treasury Securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying the \$1,905,000 principal on the general obligation capital loan notes, series 1997, when they become callable on June 1, 2006 and the interest on December 1, 2005 and June 1, 2006 on the refunding notes. After the principal and interest on all of the outstanding notes 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 notes to reduce its total debt service payments by approximately \$89,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$70,000. Annual debt service requirements to maturity of the general obligation refunding notes are as follows:

Year Ending June 30,	Series 2005	
	Issued May 3, 2005	
	Interest Rates	Principal
2006	4.00%	\$ -
2007	4.00	145,000
2008	4.00	155,000
2009	4.00	160,000
2010	3.25	165,000
2011-2015	3.35-3.80	905,000
2016-2017	3.90-4.00	420,000
Total		\$ 1,950,000

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, 2005, the loan balance was \$411,950. 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.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$1,024,328, \$956,337 and \$874,803, 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 509 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, 2005 were \$392,466.

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 \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$5,000,000 and \$500,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Jointly Governed Organization

Pottawattamie County participates in the Southwest Iowa Juvenile Emergency Services Board, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as an Agency Fund because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2005:

Additions:		
Reimbursements from Counties:		
Pottawattamie County	\$ 728,760	
Shelby County	42,563	
Harrison County	60,503	
Cass County	33,361	
Audubon County	17,632	
Mills County	53,306	
Montgomery County	48,166	
Fremont County	33,618	
Page County	38,348	\$ 1,056,257
National school lunch program		9,982
School breakfast program		7,881
Interest on investments		5,036
State direct receiving grant		27,000
Iowa detention facility expense reimbursement		450,213
Adult waived juvenile fees		54,945
Miscellaneous		2,430
Total additions		<u>1,613,744</u>
Deductions:		
Salaries	596,815	
Employee benefits	182,328	
Commodities and nutrition services	38,641	
Office supplies	9,144	
Communications and transportation	3,781	
Professional services	355	
Utilities	25,651	
Building repair and maintenance	93,111	
Insurance	51,058	
Refunds to counties	299,831	
Miscellaneous	4,724	1,305,439
Net		308,305
Balance beginning of year		<u>479,376</u>
Balance end of year		<u>\$ 787,681</u>

(10) Public Safety Commission

The County entered into an intergovernmental cooperative agreement with the City of Council Bluffs under Chapter 28E of the Code of Iowa to coordinate public safety and law enforcement communications. The Commission provides centralized law enforcement facilities and communications. The County received \$768,461 for the Commission during the year ended June 30, 2005.

(11) Litigation

The County is involved in several lawsuits as of June 30, 2005. The probability of loss, if any, is undeterminable.

(12) Economic Development Agreement

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

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

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

(13) Southwest Iowa Training Facility

The County and the City of Council Bluffs entered into a joint 28E agreement to establish, construct and maintain the Southwest Iowa Training Facility. The facility was established for the purpose of coordinating law enforcement training. Construction of the facility will be funded from City and County contributions of \$700,000 and \$600,000, respectively, federal grant funds and contributions from the Iowa West Foundation. During the year ended June 30, 2005, the County expended \$224,160 to the City for construction costs.

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

(14) Restatement for Prior Year's Road Network Infrastructure

Beginning net assets for governmental activities have been restated by \$23,296,766 to \$64,052,821 to retroactively report road network infrastructure acquired prior to July 1, 2002 not previously reported. The County delayed reporting this infrastructure as permitted by U.S. generally accepted accounting principles. This also restates the infrastructure, road network beginning balance by \$48,028,505 to \$51,717,511 and the accumulated depreciation balance by \$24,731,739 to \$24,935,223.

Pottawattamie County

Required Supplementary Information

Pottawattamie County

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

Required Supplementary Information

Year ended June 30, 2005

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 26,536,989	-	26,536,989
Interest and penalty on property tax	277,967	-	277,967
Intergovernmental	14,946,846	-	14,946,846
Licenses and permits	82,459	-	82,459
Charges for service	2,386,527	-	2,386,527
Use of money and property	734,980	479	734,501
Miscellaneous	1,013,449	70,872	942,577
Total receipts	<u>45,979,217</u>	<u>71,351</u>	<u>45,907,866</u>
Disbursements:			
Public safety and legal services	14,535,828	-	14,535,828
Physical health and social services	2,582,234	-	2,582,234
Mental health	7,268,237	-	7,268,237
County environment and education	2,779,093	50,907	2,728,186
Roads and transportation	7,850,266	-	7,850,266
Governmental services to residents	1,375,041	-	1,375,041
Administration	5,698,551	-	5,698,551
Debt service	1,978,118	-	1,978,118
Capital projects	1,372,845	-	1,372,845
Total disbursements	<u>45,440,213</u>	<u>50,907</u>	<u>45,389,306</u>
Excess (deficiency) of receipts over (under) disbursements	539,004	20,444	518,560
Other financing sources, net	<u>1,950,000</u>	-	<u>1,950,000</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,489,004	20,444	2,468,560
Balance beginning of year	<u>23,659,841</u>	<u>65,024</u>	<u>23,594,817</u>
Balance end of year	<u>\$ 26,148,845</u>	<u>85,468</u>	<u>26,063,377</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
26,413,336	26,913,336	(376,347)
226,000	226,000	51,967
14,033,495	14,375,957	570,889
69,200	69,200	13,259
2,010,253	2,317,044	69,483
299,305	599,305	135,196
984,925	1,282,426	(339,849)
44,036,514	45,783,268	124,598
14,210,297	14,714,963	179,135
2,957,568	2,997,568	415,334
8,177,319	8,177,319	909,082
2,053,021	2,831,271	103,085
10,185,870	10,405,870	2,555,604
1,609,553	1,629,553	254,512
6,344,639	6,344,639	646,088
1,646,141	1,646,141	(331,977)
290,000	1,997,300	624,455
47,474,408	50,744,624	5,355,318
(3,437,894)	(4,961,356)	5,479,916
-	-	1,950,000
(3,437,894)	(4,961,356)	7,429,916
9,288,340	9,288,340	14,306,477
5,850,446	4,326,984	21,736,393

Pottawattamie County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 45,979,217	160,492	46,139,709
Expenditures	45,440,213	(54,072)	45,386,141
Net	539,004	214,564	753,568
Other financing sources, net	1,950,000	27,295	1,977,295
Beginning fund balances	23,659,841	1,150,493	24,810,334
Ending fund balances	\$ 26,148,845	1,392,352	27,541,197

See accompanying independent auditor's report.

Pottawattamie County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$3,270,216. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the debt service function. In addition, disbursements in the county environment and education and capital projects functions exceeded the amounts budgeted prior to the May 2005 budget amendment.

Pottawattamie County

Other Supplementary Information

Pottawattamie County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

	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
Assets								
Cash and pooled investments	\$ 51,688	44,476	29,340	10,754	3,872	194,312	223,083	74,714
Receivables:								
Succeeding year property tax	-	-	-	-	-	-	-	-
Accounts	-	-	-	50	-	-	-	-
Accrued interest	-	-	-	-	-	-	-	-
Due from other governments	13,502	-	-	-	-	19,799	19,799	-
Total assets	\$ 65,190	44,476	29,340	10,804	3,872	214,111	242,882	74,714
Liabilities and Fund Equity								
Liabilities:								
Accounts payable	\$ 4,593	-	-	-	-	1,859	591	-
Salaries and benefits payable	-	-	-	-	-	-	-	-
Deferred revenue:								
Succeeding year property tax	-	-	-	-	-	-	-	-
Other	-	-	-	50	-	-	-	-
Total liabilities	4,593	-	-	50	-	1,859	591	-
Fund equity:								
Unreserved fund balances, reported in:								
Special revenue funds	60,597	44,476	29,340	10,754	3,872	212,252	242,291	74,714
Capital projects fund	-	-	-	-	-	-	-	-
Total fund equity	60,597	44,476	29,340	10,754	3,872	212,252	242,291	74,714
Total liabilities and fund equity	\$ 65,190	44,476	29,340	10,804	3,872	214,111	242,882	74,714

See accompanying independent auditor's report.

Special Revenue											
Industrial Development Site	Flood and Erosion	Urban Renewal Revenue	Bent Tree Water-line	Animal Shelter Donations	County Attorney Drug Forfeiture	Special Law Enforcement	Hitchcock Nature Area	District Enhancement Area East	Conservation Land Acquisition Trust	Capital Projects	Total
74,116	8,739	491,768	52,548	1,583	132,145	1,000	16,109	21,734	12,737	2,338	1,447,056
-	-	787,000	-	-	-	-	-	-	-	-	787,000
-	-	-	-	-	-	-	-	-	-	-	50
532	-	1,134	-	-	-	-	-	-	-	-	1,666
-	-	-	-	-	55,492	-	-	-	-	-	108,592
74,648	8,739	1,279,902	52,548	1,583	187,637	1,000	16,109	21,734	12,737	2,338	2,344,364
-	-	-	-	-	23,096	-	11,591	-	4,356	-	46,086
-	3,514	-	-	-	-	-	-	-	-	-	3,514
-	-	787,000	-	-	-	-	-	-	-	-	787,000
-	-	-	-	-	405	-	-	-	-	-	455
-	3,514	787,000	-	-	23,501	-	11,591	-	4,356	-	837,055
74,648	5,225	492,902	52,548	1,583	164,136	1,000	4,518	21,734	8,381	-	1,504,971
-	-	-	-	-	-	-	-	-	-	2,338	2,338
74,648	5,225	492,902	52,548	1,583	164,136	1,000	4,518	21,734	8,381	2,338	1,507,309
74,648	8,739	1,279,902	52,548	1,583	187,637	1,000	16,109	21,734	12,737	2,338	2,344,364

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

Year ended June 30, 2005

	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	\$ -	-	-	-	-	127,422	127,422	-
Intergovernmental	43,636	-	-	-	900	-	-	-
Charges for service	-	23,411	-	-	-	-	-	-
Use of money and property	627	501	355	-	-	-	-	479
Miscellaneous	-	-	-	-	-	-	374	70,872
Total revenues	44,263	23,912	355	-	900	127,422	127,796	71,351
Expenditures:								
Operating:								
Public safety and legal services	-	-	-	-	-	-	-	-
Physical health and social services	-	-	-	-	196	-	-	-
County environment and education	43,480	-	-	-	-	134,540	188,611	50,907
Governmental services to residents Administration	-	15,709	22,149	-	-	-	-	-
Total expenditures	43,480	15,709	22,149	-	196	134,540	188,611	50,907
Excess (deficiency) of revenues over (under) expenditures	783	8,203	(21,794)	-	704	(7,118)	(60,815)	20,444
Other financing sources (uses):								
Operating transfers in	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	(8,859)	-	-
Total other financing sources (uses)	-	-	-	-	-	(8,859)	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	783	8,203	(21,794)	-	704	(15,977)	(60,815)	20,444
Fund balances beginning of year	59,814	36,273	51,134	10,754	3,168	228,229	303,106	54,270
Fund balances end of year	\$ 60,597	44,476	29,340	10,754	3,872	212,252	242,291	74,714

See accompanying independent auditor's report.

Special Revenue											
Industrial Development Site	Flood and Erosion	Urban Renewal Revenue	Bent Tree Water-line	Animal Shelter Donations	County Attorney Drug Forfeiture	Special Law Enforcement	Hitchcock Nature Area	District Enhancement Area East	Conservation Land Acquisition Trust	Capital Projects	Total
-	-	650,117	-	-	-	-	-	-	-	-	904,961
-	-	4,306	2,200	-	139,235	-	31,063	-	-	-	221,340
-	-	-	-	-	-	-	-	-	-	-	23,411
49,965	-	9,453	-	-	-	-	-	-	-	27	61,407
-	-	-	-	160	-	-	-	-	12,824	-	84,230
49,965	-	663,876	2,200	160	139,235	-	31,063	-	12,824	27	1,295,349
-	-	-	-	-	131,276	-	-	-	-	-	131,276
-	-	-	-	-	-	-	-	-	-	-	196
-	77,175	-	1,100	-	-	-	34,843	2,458	4,993	-	538,107
-	-	-	-	-	-	-	-	-	-	-	37,858
40,808	-	-	-	-	-	-	-	-	-	-	40,808
40,808	77,175	-	1,100	-	131,276	-	34,843	2,458	4,993	-	748,245
9,157	(77,175)	663,876	1,100	160	7,959	-	(3,780)	(2,458)	7,831	27	547,104
-	75,000	-	-	1,423	-	-	-	8,859	-	-	85,282
-	-	(294,514)	-	-	-	-	-	-	-	-	(303,373)
-	75,000	(294,514)	-	1,423	-	-	-	8,859	-	-	(218,091)
9,157	(2,175)	369,362	1,100	1,583	7,959	-	(3,780)	6,401	7,831	27	329,013
65,491	7,400	123,540	51,448	-	156,177	1,000	8,298	15,333	550	2,311	1,178,296
74,648	5,225	492,902	52,548	1,583	164,136	1,000	4,518	21,734	8,381	2,338	1,507,309

Pottawattamie County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpor- ations
Assets						
Cash and pooled investments:						
County Treasurer	\$ -	2,886	287,256	634,146	32,106	618,647
Other County officials	97,136	-	-	-	-	-
Receivables:						
Property tax:						
Delinquent	-	1,174	7,703	316,797	16,030	300,038
Succeeding year	-	182,000	1,025,000	40,477,000	2,135,000	35,354,000
Accounts	14,155	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Drainage assessments	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Total assets	\$ 111,291	186,060	1,319,959	41,427,943	2,183,136	36,272,685
Liabilities						
Accounts payable	\$ -	-	3,916	-	-	-
Salaries and benefits payable	-	-	35,451	-	-	-
Drainage warrants payable	-	-	-	-	-	-
Due to other governments	106,723	186,060	1,203,547	41,427,943	2,183,136	36,272,685
Trusts payable	4,568	-	-	-	-	-
Compensated absences	-	-	77,045	-	-	-
Total liabilities	\$ 111,291	186,060	1,319,959	41,427,943	2,183,136	36,272,685

See accompanying independent auditor's report.

Townships	City Special Assessments	Special Assessments	SWI Juvenile Emergency Services Board	E911 Surcharge	Auto License and Use Tax	Other	Total
6,429	48,077	5,928	485,054	706,939	1,531,462	306,378	4,665,308
-	-	-	2,500	-	-	7,612	107,248
2,895	-	-	-	-	-	87	644,724
549,000	-	-	-	-	-	12,000	79,734,000
-	-	-	9,023	99,309	-	-	122,487
-	532,281	6,363,539	-	-	-	-	6,895,820
-	-	-	-	-	-	9,288	9,288
-	-	-	250,306	2,051	-	15,493	267,850
-	-	-	40,798	17,542	-	-	58,340
558,324	580,358	6,369,467	787,681	825,841	1,531,462	350,858	92,505,065
-	-	-	4,858	5,402	-	2,436	16,612
-	-	-	35,393	-	-	6,529	77,373
-	-	-	-	-	-	350	350
558,324	580,358	-	734,372	820,439	1,531,462	328,214	85,933,263
-	-	6,369,467	-	-	-	7,613	6,381,648
-	-	-	13,058	-	-	5,716	95,819
558,324	580,358	6,369,467	787,681	825,841	1,531,462	350,858	92,505,065

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

Year ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpora- tions
Assets and Liabilities						
Balances beginning of year	\$ 117,762	183,068	1,247,267	39,348,337	2,049,053	33,582,060
Additions:						
Property and other county tax	-	181,578	1,024,431	40,417,816	2,131,478	35,508,949
E911 surcharge	-	-	-	-	-	-
State tax credits	-	7,888	41,163	1,530,452	79,211	1,207,632
Office fees and collections	1,898,851	-	-	-	-	-
Electronic transaction fee	-	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	2,014,065	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total additions	<u>3,912,916</u>	<u>189,466</u>	<u>1,065,594</u>	<u>41,948,268</u>	<u>2,210,689</u>	<u>36,716,581</u>
Deductions:						
Agency remittances:						
To other funds	1,195,666	-	-	-	-	-
To other governments	690,573	186,474	992,902	39,868,662	2,076,606	34,025,956
Trusts paid out	2,033,148	-	-	-	-	-
Total deductions	<u>3,919,387</u>	<u>186,474</u>	<u>992,902</u>	<u>39,868,662</u>	<u>2,076,606</u>	<u>34,025,956</u>
Balances end of year	<u>\$ 111,291</u>	<u>186,060</u>	<u>1,319,959</u>	<u>41,427,943</u>	<u>2,183,136</u>	<u>36,272,685</u>

See accompanying independent auditor's report.

Townships	City Special Assess- ments	Special Assess- ments	SWI Juvenile Emergency Services Board	E911 Surcharge	Auto License and Use Tax	Tax Sale Redemption	Other	Total	
	566,009	387,593	2,162,332	479,376	608,974	1,577,253	-	386,525	82,695,609
	539,261	-	-	-	-	-	-	11,960	79,815,473
	-	-	-	-	515,454	-	-	-	515,454
	24,229	-	-	-	-	-	-	428	2,891,003
	-	-	-	-	-	-	-	-	1,898,851
	-	-	-	-	-	-	-	26,141	26,141
	-	-	-	-	-	18,252,821	-	-	18,252,821
	-	489,879	4,923,392	-	-	-	-	8,709	5,421,980
	-	-	-	-	-	-	1,660,748	632,748	4,307,561
	-	-	-	1,613,744	66,349	-	-	585,987	2,266,080
	563,490	489,879	4,923,392	1,613,744	581,803	18,252,821	1,660,748	1,265,973	115,395,364
	-	-	-	-	-	658,188	-	-	1,853,854
	571,175	297,114	-	1,305,439	364,936	17,640,424	-	1,232,324	99,252,585
	-	-	716,257	-	-	-	1,660,748	69,316	4,479,469
	571,175	297,114	716,257	1,305,439	364,936	18,298,612	1,660,748	1,301,640	105,585,908
	558,324	580,358	6,369,467	787,681	825,841	1,531,462	-	350,858	92,505,065

Schedule 5

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

	Modified Accrual Basis					
	2005	2004	2003	2002	2001	2000
Revenues:						
Property and other county tax	\$ 26,568,821	25,112,918	23,754,832	21,958,824	20,993,555	20,104,555
Interest and penalty on property tax	424,956	319,773	284,825	290,890	253,539	237,271
Intergovernmental	14,894,659	15,286,787	15,499,143	15,783,786	15,809,815	18,472,170
Licenses and permits	80,369	81,539	71,929	76,834	59,905	110,065
Charges for service	2,357,948	2,961,916	2,184,911	2,191,613	2,102,604	2,002,230
Use of money and property	785,044	352,015	353,651	586,955	1,325,140	1,074,895
Fines, forfeitures and defaults	-	-	-	87,214	79,100	26,339
Miscellaneous	1,027,912	1,263,788	684,433	824,062	508,229	579,753
Total	<u>\$ 46,139,709</u>	<u>45,378,736</u>	<u>42,833,724</u>	<u>41,800,178</u>	<u>41,131,887</u>	<u>42,607,278</u>
Expenditures:						
Operating:						
Public safety and legal services	\$ 14,629,633	13,554,635	12,419,508	11,534,828	10,777,226	9,503,567
Physical health and social services	2,573,703	2,449,827	2,752,435	2,433,614	2,454,465	2,031,026
Mental health	7,208,328	7,266,366	7,276,003	7,720,098	7,486,497	7,291,045
County environment and education	2,815,719	2,613,891	1,991,358	1,800,478	1,437,882	2,618,285
Roads and transportation	7,654,396	8,916,835	7,829,915	7,662,124	8,439,884	10,013,741
Governmental services to residents	1,387,910	1,345,719	1,224,597	1,207,924	1,018,643	1,090,992
Administration	5,769,591	4,948,132	5,935,402	5,804,890	4,473,172	3,449,166
Debt service	1,978,668	1,900,241	1,593,806	1,576,937	1,576,418	2,091,182
Capital projects	1,368,193	1,803,575	2,746,406	3,821,070	1,809,795	5,808,148
Total	<u>\$ 45,386,141</u>	<u>44,799,221</u>	<u>43,769,430</u>	<u>43,561,963</u>	<u>39,473,982</u>	<u>43,897,152</u>

See accompanying independent auditor's report.

Pottawattamie County

Schedule 6

Pottawattamie County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expendi- tures
Direct:			
U.S. Department of the Interior:			
Partners for Fish and Wildlife	15.631		\$ 6,143
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Breakfast Program	10.553		7,881
National School Lunch Program	10.555		9,738
			<u>17,619</u>
Iowa Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5884A052	102,071
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5885A052	253,723
			<u>355,794</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements: State Administrative Matching Grants for Food Stamp Program	10.561		32,613
Iowa Department of Agriculture and Land Stewardship:			
WIC Farmers' Market Nutrition Program (FMNP)	10.572	1191-02-52	1,165
WIC Farmers' Market Nutrition Program (FMNP)	10.572	1191-05-52	2,091
			<u>3,256</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development: Community Development Block Grant/State's Program	14.228	03-ED-004	52,039
U.S. Department of the Interior:			
Iowa Department of Natural Resources: Outdoor Recreation - Acquisition, Development and Planning	15.916	19-01194	31,063
U.S. Department of Transportation:			
Iowa Department of Transportation: Highway Planning and Construction	20.205	BROS-CO78(130)--8J-78	12,777
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 04-410, Task 33	2,522
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division: Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		5,232

Pottawattamie County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expendi- tures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		43,202
Refugee and Entrant Assistance-State Administered Programs	93.566		59
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		8,349
Foster Care - Title IV-E	93.658		22,726
Adoption Assistance	93.659		5,294
Medical Assistance Program	93.778		46,815
Social Services Block Grant	93.667		28,994
Social Services Block Grant	93.667		363,388
			<u>392,382</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Public Health and Social Services			
Emergency Fund	93.003	5885M198	7,704
Homeland Security Grant Program	97.004	ODP-2003-069	60,943
Homeland Security Grant Program	97.004	ODP-2003-78	224,449
Homeland Security Grant Program	97.004	ODP2003MU-TE0056	129,571
Homeland Security Grant Program	97.004	2004-GE-T4-0046	218,577
			<u>633,540</u> *
Hazard Mitigation Grant	97.039	F007-78-00	11,484
Emergency Management Performance Grants	97.042		19,450
Pre-Disaster Mitigation	97.047	PDM-2002-78-00	27,000
Pre-Disaster Mitigation	97.047	PDM-2003-POTT-00	18,000
			<u>45,000</u>
Community Emergency Response Teams	97.054		3,675
			<u>3,675</u>
Total indirect			<u>1,752,595</u>
Total			<u>\$ 1,758,738</u>

* - includes \$248,900 of non-cash awards

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

See accompanying independent auditor's report.

Pottawattamie County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Pottawattamie County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pottawattamie County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated December 20, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pottawattamie County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud 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 item II-A-05 is a material weakness.

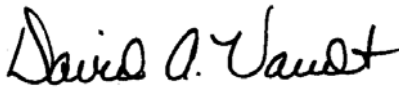
Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 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.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 20, 2005

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

Pottawattamie County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Pottawattamie County:

Compliance

We have audited the compliance of Pottawattamie County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Pottawattamie County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Pottawattamie County's management. Our responsibility is to express an opinion on Pottawattamie County's compliance based on our audit.

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

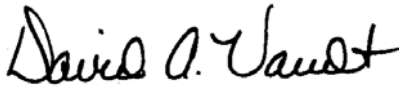
In our opinion, Pottawattamie County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

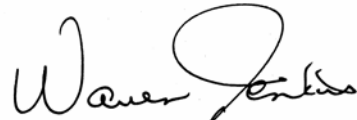
The management of Pottawattamie County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Pottawattamie County's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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operations 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 20, 2005

Pottawattamie County
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

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 a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 93.667 – Social Services Block Grant.
 - CFDA Number 97.004 – Homeland Security Grant Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Pottawattamie County did not qualify as a low-risk auditee.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-05 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 individual in the Sheriff’s office may have control over the collecting, depositing, posting and daily reconciling of receipts for the civil department. The bank reconciliations for the civil department are prepared by an individual who handles cash and records receipts.

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 the 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 – The segregation of duties is difficult with a limited number of office employees. The Sheriff’s designee will review the operating procedures of the office and utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

The Standard Operating Procedure, “Inmate Monies” does address daily operations. Procedures involving monthly and year end practices will be included in a how-to manual to encompass the recommendation. The daily procedures already in place will also be incorporated into this manual. The end of month transactions involving the receipts to the Treasurer and commissary check to the vendor will be included in the manual.

Conclusion – Response accepted.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

- II-B-05 County Sheriff – Bank reconciliations, including outstanding check listings, were not properly prepared during the year ended June 30, 2005 for the civil department. Variances between book and bank balances existed which were not investigated and resolved.

Inmate account bank reconciliations included monthly variances (\$2,888 short at June 30, 2005) with the book balances which were not investigated and resolved. A listing of individual inmate account balances was not prepared at the end of each month and reconciled to the book balance. Receipts for the inmate account balances were not totaled monthly and reconciled to bank deposits. Disbursements for the inmate account balances were not totaled monthly.

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

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

Response – There will be a print out at the end of each month to reconcile outstanding check listings to book balances for the civil account. All variances between book and bank balances will be investigated and resolved in a timely manner.

Inmate account balance reports will be printed on the last jail business day of each month which will show a detailed listing of all incarcerated inmates minimum and maximum balances. Deposit receipts will be totaled and a ten-key tape will be attached to monthly deposit reports. Additionally, a report will be printed for the monthly deposit transactions and monthly checks written. These reports will be forwarded to the person designated to perform the bank reconciliations.

Conclusion – Response accepted.

- II-C-05 Information Systems – The County does not have a written disaster recovery plan.

Recommendation – A written disaster recovery plan should be developed.

Response – The County information technology department is currently working on a document.

Conclusion – Response accepted.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

- II-D-05 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 – In April 2006, the County will adopt a formal written policy regulating the use of County owned credit and charge cards. The policy will address: 1) Control of cards. 2) Who is authorized to use credit cards. 3) The types of expenses allowed to be charged on the County credit cards. 4) The types of supporting documentation required to substantiate the charges. 5) The policy will ban use of County owned credit cards for personal expenses.

Conclusion – Response accepted.

- II-E-05 Vacation Balances – The County is not following the provisions of the County's personnel policy and union contracts regarding the maximum allowable carryover of vacation hours. During the year ended June 30 ,2005, four of five employees tested had vacation balances in excess of the maximum carryover at the employee's anniversary date.

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

Response – The County will endeavor to limit the carry over of employee vacation hours as prescribed by County policy and union contracts.

Conclusion – Response accepted.

- II-F-05 County Recorder – Records management fee receipts are not deposited intact. Beginning in April 2005, the records management fee was disbursed daily to the County Treasurer in cash.

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

Response – We are in the process of having computer programs rewritten for the office. We will comply with the recommendation when the bookkeeping programs are installed and working properly. Until that time, deposits with the County Treasurer will be compared by an independent person.

Conclusion – Response accepted.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

- II-G-05 Veteran Affairs Payee Accounts – Two of three payee accounts maintained were not properly reconciled to the bank balance. Variances between the checkbook balance and bank balance were not investigated and resolved. The bank statements and reconciliations are not reviewed by an independent person.

Three of fifteen disbursements tested did not include proper receipts or other documentation to support disbursements.

Recommendation – To improve financial accountability and control, a monthly reconciliation between the checkbook and bank accounts should be prepared. Any differences should be investigated and resolved in a timely manner. The bank statements and reconciliations should be reviewed by an independent person each month.

Supporting documentation should be retained for all disbursements.

Response – Reconciliation of all accounts will be completed in a timely manner. Receipts will be required for all purchases and attached with supporting documentation. Bank statements will be reviewed by an independent person on all accounts in the future.

Conclusion – Response accepted.

- II-H-05 Prepaid Expenditure – In July 2005, the County disbursed \$166,800 to a vendor for rock in advance of receiving the rock. The County subsequently received rock totaling \$148,950, but \$17,850 remains undelivered as of January 2006.

Recommendation – Claims for goods should only be paid when the goods have been received. The Engineer's Office should ensure scale tickets are received to verify the delivery of rock prior to the payment of rock claims. The County should consult legal counsel regarding the remaining prepaid balance.

Response – The County will compare invoice quantities with actual delivered quantities before payments are made. The Engineer has sought legal counsel and is in the process of resolving the prepaid balance.

Conclusion – Response accepted.

Pottawattamie County
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-05 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 ended June 30, 2005.

IV-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amount budgeted in the debt service function because disbursements from the County’s escrow accounts were not included in the budget. In addition, disbursements in the county environment and education and capital projects functions exceeded the amounts budgeted prior to the May 2005 budget amendment.

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

Response – Pottawattamie County will endeavor to amend the fiscal year budget in accordance with Code of Iowa, Chapter 331.435 before disbursements are allowed which could exceed the published budget.

Conclusion – Response accepted.

IV-C-05 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 been clearly documented. These expenditures are detailed as follows:

Paid to	Purpose	Amount
Bloom Works	Flowers for funeral	\$ 43

We also noted questionable expenditures in the Information Technology Department, as follows:

Paid to	Purpose	Amount
<u>Equipment</u>		
CDW Government, Inc.	Canon digital camera	\$ 4,029
CDW Government, Inc.	Canon digital camera	1,499
CDW Government, Inc.	Canon digital camera	1,999
CDW Government, Inc.	Canon camera lens	1,295
Bose Corporation	Headphones	334

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Paid to	Purpose	Amount
<u>Artwork</u>		
Black Prairie Dog Woman Studios	Loess Hills artwork (three paintings)	1,200
Southside Press	Reproductions (four print sets) of artwork	286
Heartland Photos and Design	Digital image of artwork	165
Heartland Photos and Design	Framing of original artwork and one set of prints	851
<u>Meals</u>		
Joslyn Art Museum	Department tour and lunch	25
Panera Bread	Lunch meeting	48
Famous Dave's	Department lunch meeting	64
Godfathers Pizza	Dinner for interim data changeover	34
Applebee's	IT staff lunch	67
		\$ 11,896

The digital cameras, camera lens and headphones were not being utilized by the information technology department for County business and appear to be excessive and unnecessary expenditures. The County subsequently distributed two of the digital cameras and a lens to the Sheriff's department for its use.

The original Loess Hill artwork was displayed in the former Information Technology Director's Office. The framed prints were donated by the Pottawattamie County Information Technology department to the Pottawattamie County Conservation Foundation. The Conservation Foundation auctioned the donated prints for \$225. The County has two sets of the prints while one set of prints is unaccounted for. In addition, the amounts paid for framing and reproduction of the artwork included \$74 of sales tax.

The meals were charged at local restaurants on the County's credit card. The charges were not supported by receipts and the claims did not indicate the individuals receiving the meals. These meals were not included in taxable income as required by Internal Revenue Service regulations.

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 purpose is very thin.

Recommendation - 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.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Expenditures for meals should be properly supported by a vendor receipt and the claims should clearly identify the individuals receiving the meals. The County should review and determine the taxable status of local meals.

The County should also establish procedures to prohibit the use of County funds to pay sales tax since the County is a tax exempt organization.

Response – The Board of Supervisors will be aware that proper documentation must be submitted before approving any claims for department expenditures. This will be noted in the new credit card policy also.

The Board of Supervisors will endeavor to ensure that any meals paid for on County credit cards are for the proper persons and that receipts clearly identify the individuals receiving the meals.

The County will establish procedures to prohibit the use of County funds to pay sales tax.

Conclusion – Response accepted.

IV-D-05 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-E-05 Business Transactions – The following business transaction between the County and County officials or employees was noted:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
David Fisher, Conservation employee, owner of Fisher Construction	Dirt work	<u>\$ 250</u>

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-05 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-05 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

The County's publication of Board proceedings includes summary of resolutions passed rather than the full resolutions. Chapter 349.16 of the Code of Iowa requires publication of the proceedings of the Board of Supervisors. Chapter 331.504 states the minutes of the Board are to include a complete text of the motions, resolutions, amendments and ordinances adopted by the Board. An

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Attorney General's Opinion dated January 27, 1982 states it is not permissible to publish a summary of resolutions.

Recommendation – Publication of minutes should include the complete text of resolutions adopted by the Board, as required.

Response – Pottawattamie County, due to its large size, is required to publish its Board minutes in several newspapers. We have always published a summary of Board resolutions to limit the amount of publication costs. The Board will consider the recommendation versus the additional publication costs. It will be discussed on March 8, 2006 at the Board of Supervisors meeting.

Conclusion – Response acknowledged. The County should comply with publication requirements pertaining to Board resolutions.

IV-H-05 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-05 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-05 Deficit Cash Balances – Two funds had deficit cash balances during the year ended June 30, 2005, 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 – The Board of Supervisors, hence forth, will refrain from approving expenditures when funds are unavailable.

Conclusion – Response accepted.

IV-K-05 Electronic Checks – 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 Recorder, County Sheriff (jail account) and Southwest Iowa Juvenile Emergency Services did not obtain an image of the back of each cancelled check as required.

The Veteran Affairs Office received only the front side of canceled checks for one payee account and did not receive any copies of canceled checks for two payee accounts.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Recommendation – The County should obtain and retain check images as required.

County Recorder Response – We will comply with the recommendation.

County Sheriff Response – Yet another letter was drafted and mailed on December 15, 2005 to the bank. Similar requests had been made in the past years after receiving this audit comment. A telephone call from the Sheriff to the bank resulted in a promise to fulfill our request for copies of the front and back of check images.

Veteran Affairs Response – We have contacted the banks and for a charge we will receive the front and back of the checks in the future.

Southwest Iowa Juvenile Emergency Services Response – We have contacted the bank and we will receive both the front and back of the check images in the future.

Conclusion – Response accepted.

IV-L-05 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.

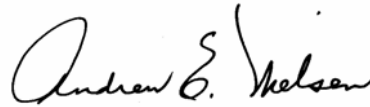
Disbursements during the year ended June 30, 2005 for the East County Extension Office and the West County Extension Office did not exceed the amounts budgeted.

Pottawattamie County

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