



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

Mary Mosiman, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE _____ March 18, 2016

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

The County had local tax revenue of \$186,364,526 for the year ended June 30, 2015, which included \$8,897,502 in tax credits from the state. The County forwarded \$140,936,307 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$45,428,219 of the local tax revenue to finance County operations, a 20% increase over the prior year. Other revenues included charges for service of \$5,814,878, operating grants, contributions and restricted interest of \$13,747,969, capital grants, contributions and restricted interest of \$7,946,816, local option sales tax of \$4,349,793, gaming and wagering tax of \$2,132,527, tax increment financing of \$332,837, unrestricted investment earnings of \$78,727 and other general revenues of \$887,051.

Expenses for County operations for the year ended June 30, 2015 totaled \$66,598,848, a 7.5% increase over the prior year. Expenses included \$24,287,574 for public safety and legal services, \$14,401,257 for roads and transportation and \$9,570,564 for mental health.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1510-0078-B00F.pdf>.

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POTTAWATTAMIE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

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Pottawattamie County

Officials

(Before January 2015)

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

(After January 2015)

Lynn Grobe	Board of Supervisors	Jan 2017
Melvyn Houser	Board of Supervisors	Jan 2017
Scott Belt	Board of Supervisors	Jan 2019
Tom Hanafan	Board of Supervisors	Jan 2019
Justin Schultz	Board of Supervisors	Jan 2019
Marilyn Jo Drake	County Auditor	Jan 2017
Lea Voss	County Treasurer	Jan 2019
Mark Brandenburg	County Recorder	Jan 2019
Jeffrey Danker	County Sheriff	Jan 2017
Matthew Wilber	County Attorney	Jan 2019
Bill Kealy	County Assessor	Jan 2016



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Independent Auditor's Report

To the Officials of Pottawattamie County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pottawattamie County, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Pottawattamie County as of June 30, 2015, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 19, Pottawattamie County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 16 and 56 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Supplementary Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pottawattamie County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2016 on our consideration of Pottawattamie County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Pottawattamie County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 3, 2016

Pottawattamie County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pottawattamie County provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, during fiscal year 2015. The beginning net position for governmental activities was restated \$13,305,426 to retroactively report the net pension liability as of July 1, 2014 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Pension expense for fiscal year 2014 and the net pension liability, deferred outflows of resources and deferred inflows of resources at June 30, 2014 were not restated because the information needed to restate those amounts was not available.
- Pottawattamie County's governmental activities revenues increased 16.3%, or approximately \$11,333,000, over fiscal year 2014 (FY14). Property and other county tax increased approximately \$6,599,000 and capital grants, contributions and restricted interest increased approximately \$3,482,000. State tax credits increased approximately \$980,000, local option sales tax increased approximately \$944,000 and tax increment financing decreased approximately \$302,000.
- Pottawattamie County's governmental activities expenses increased 7.5%, or approximately \$4,627,000, over FY14. Mental health expenses increased approximately \$7,080,000 due to distribution of funds to the mental health region, roads and transportation expenses increased approximately \$2,072,000 and county environment and education expenses decreased approximately \$2,973,000.
- Pottawattamie County's net position at June 30, 2015 increased approximately \$14,120,000 over the restated June 30, 2014 balance.
- As of the close of FY15, Pottawattamie County had ending fund balances of \$11,631,009 in the General Fund, \$1,078,000 in the Special Revenue, Mental Health Fund, \$1,712,278 in the Special Revenue, Rural Services Fund, \$12,786,052 in the Special Revenue, Secondary Roads Fund and \$274,692 in the Debt Service Fund.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES:

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

The County has three kinds of funds:

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

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) The *proprietary fund* accounts for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally amount the County's various functions.

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

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

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Pottawattamie County's net position at the end of FY15 totaled approximately \$101.3 million. This compares to the FY14 restated balance of approximately \$87.2 million. The analysis that follows focuses on the net position of governmental activities.

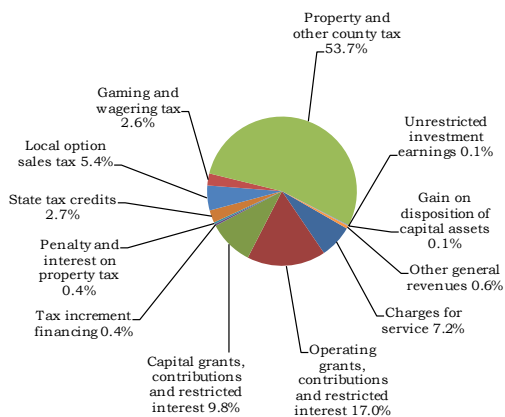
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2015	2014 (Not Restated)
Current and other assets	\$ 79,384	71,466
Capital assets	94,227	89,186
Total assets	173,611	160,652
Deferred outflows of resources	2,905	-
Long-term liabilities	22,837	16,732
Other liabilities	2,301	2,702
Total liabilities	25,138	19,434
Deferred inflows of resources	50,051	40,706
Net position:		
Net investment in capital assets	83,856	76,134
Restricted	23,668	22,177
Unrestricted	(6,197)	2,201
Total net position	\$ 101,327	100,512

Net position of Pottawattamie County's governmental activities increased approximately \$14,120,000 over the FY14 restated balance. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased from a balance of approximately \$2.2 million at June 30, 2014 to a deficit of approximately \$6.2 million at the end of this year, primarily due to recording the net pension liability as of July 1, 2014.

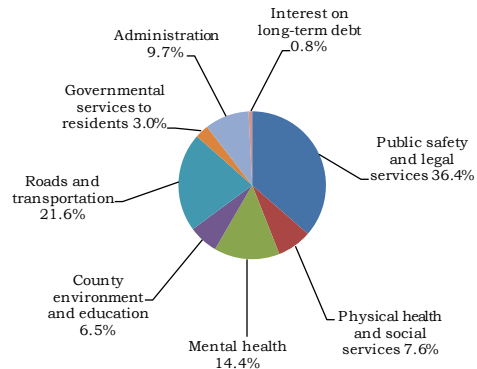
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2015	2014 (Not Restated)
Revenues:		
Program revenues:		
Charges for service	\$ 5,815	5,761
Operating grants, contributions and restricted interest	13,748	13,843
Capital grants, contributions and restricted interest	7,947	4,465
General revenues:		
Property and other county tax	43,271	36,672
Tax increment financing	333	635
Penalty and interest on property tax	314	476
State tax credits	2,157	1,177
Local option sales tax	4,350	3,406
Gaming and wagering tax	2,133	2,264
Unrestricted investment earnings	79	76
Gain on disposition of capital assets	76	151
Other general revenues	496	460
Total revenues	80,719	69,386
Program expenses:		
Public safety and legal services	24,288	25,025
Physical health and social services	5,039	5,580
Mental health	9,571	2,491
County environment and education	4,323	7,296
Roads and transportation	14,401	12,329
Governmental services to residents	1,975	1,714
Administration	6,483	7,014
Interest on long-term debt	519	523
Total expenses	66,599	61,972
Change in net position	14,120	7,414
Net position beginning of year, as restated	87,207	93,098
Net position end of year	\$ 101,327	100,512

Revenues by Source



Expenses by Program



Pottawattamie County's net position of governmental activities increased approximately \$14,120,000 during the year. Revenues increased approximately \$11,333,000 and expenses increased approximately \$4,627,000.

Pottawattamie County's property tax levy rates decreased \$.03848 per \$1,000 of taxable valuation for the mental health services levy, increased \$1.25 per \$1,000 of taxable valuation for the general supplemental levy and increased \$1.2579 per \$1,000 of taxable valuation for the total levy. The countywide taxable property valuation increased \$136,974,301.

INDIVIDUAL MAJOR FUND ANALYSIS

As Pottawattamie County completed the year, its governmental funds reported a combined fund balance of \$32,307,655, which is \$6,920,523 more than the combined fund balance of \$25,387,122 at the end of FY14.

The General Fund, the operating fund for Pottawattamie County, ended FY15 with an \$11,631,009 ending fund balance. This was an increase of \$6,605,049 over FY14's ending fund balance. Taxable property valuation increased from FY14 to FY15 and the general supplemental levy rate increased from \$2.34653 per \$1,000 of taxable valuation in FY14 to \$3.59653 per \$1,000 of taxable valuation in FY15. Property and other county tax increased due to the increase in taxable property valuation and the levy rate. Also, intergovernmental revenues increased due to the County receiving approximately \$658,000 of business property tax credits and commercial/industrial replacement in fiscal year 2015 and receiving more revenue related to case management during the year. Additionally, expenditures for public safety and legal services increased approximately \$845,000.

The Special Revenue, Mental Health Fund ended FY15 with a \$1,078,000 balance compared to the prior year ending balance of \$5,899,632. Mental health expenditures increased \$6,967,158 in FY15 over FY14 due to a reorganization of mental health statewide. Current year revenue and fund balance were distributed to the mental health region. The revenues remained consistent in FY15 from FY14.

The Special Revenue, Rural Services Fund ended FY15 with a \$1,712,278 balance compared to the prior year ending balance of \$1,060,864. Rural Services Fund revenues decreased \$1,321,565 from FY14 to FY15 and expenditures decreased \$2,382,930, primarily due to Hazard Mitigation and Community Development Block Grant reimbursements and expenditures related to the 2011 summer flooding received and expended in fiscal year 2014.

The Special Revenue, Secondary Roads Fund ended FY15 with a \$12,786,052 balance compared to the prior year ending balance of \$10,379,301. Secondary Roads Fund revenues increased \$1,622,115 over FY14, mainly due to an increase in road use tax revenue and disaster assistance related to road repair and an increase in local option sales tax. Secondary Roads Fund expenditures increased \$1,819,887 over FY14, mainly due to an increase in road maintenance.

The Debt Service Fund ended FY15 with a \$274,692 balance compared to the prior year ending balance of \$186,893. The increase was due to a \$292,137 increase in property tax. Also, the County issued \$4,910,000 of general obligation capital loan notes during the year ended June 30, 2015 to refund \$4,909,065 of general obligation capital loan notes.

BUDGETARY HIGHLIGHTS

Over the course of the year, Pottawattamie County amended its budget two times. The first amendment was made on March 9, 2015. This amendment resulted in an increase in budgeted disbursements of \$6,453,867 related to county environment and education and capital projects. The second amendment was made on May 19, 2015 and resulted in increases for general long-term debt proceeds and debt service disbursements for the current refunding.

The County's receipts were \$2,606,788 more than budgeted. Intergovernmental receipts were approximately \$3,508,000 more than the amended budget, primarily due to the increase of funds related to case management, the receipt of the business property tax credits, commercial/industrial replacement and disaster assistance funds, all of which were not included in the budget.

Total disbursements were \$16,704,584 less than the amended budget. Actual disbursements for the debt service, capital projects, county environment and education and roads and transportation functions were approximately \$4,810,000, \$2,163,000, \$2,643,000 and \$4,664,000, respectively, less than budgeted. These differences were due to grant disbursements which were less than budgeted and capital and grant projects continuing into the next fiscal year. In addition, the County budgeted for the payment to the refunding bond agent in the debt service function when it is reported as an other financing use.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY15, Pottawattamie County had approximately \$94,227,000 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase (including additions and deletions) of approximately \$5,041,000, or 5.7%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2015	2014
Land	\$ 6,685	5,265
Intangibles, not amortized	4,185	3,993
Construction in progress	10,409	4,722
Buildings and improvements	23,131	23,156
Equipment and vehicles	17,767	19,479
Infrastructure	32,050	32,571
Total	\$ 94,227	89,186

Pottawattamie County had depreciation/amortization expense of \$5,753,777 in FY15 and total accumulated depreciation/amortization of approximately \$85 million on the capital assets at the end of FY15. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At the end of FY15, Pottawattamie County had approximately \$12,255,000 of long-term debt outstanding compared to approximately \$13,850,000 outstanding at the end of FY14, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2015	2014
General obligation bonds	\$ 6,365	5,180
General obligation capital loan notes	5,890	8,670
Total	\$ 12,255	13,850

Outstanding debt decreased as a result of payment on the debt. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Pottawattamie County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$421 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Pottawattamie County's elected and appointed officials and citizens considered many factors when setting the FY16 budget, tax rates and fees which apply for the various County services. One of those factors is the economy. Unemployment in the County as of October stands at 3.2% versus 3.3% a year ago. This compares with the State's unemployment rate of 3.2% and the national rate of 5.0%.

Inflation in the State was comparable to the national Consumer Price Index at the close of the fiscal year. The Midwest Region of the Department of Labor, of which Iowa is a member, CPI rate decrease was 0.7% for fiscal year 2015 compared with the national rate of 0.1%. After the end of fiscal year 2015, the Consumer Price Index increased slightly due to increases in all items except food and energy, which decreased. As of December 2015, the Midwest Region of the Department of Labor CPI rate was 0% compared with the national rate of .7%.

The economy and unemployment indicators were taken into account when adopting the County budget for FY16. Budgeted expenditures for FY16 are \$73,905,213, a decrease of \$14,993,455 from the FY15 amended budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Pottawattamie County
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 31,451,801
Receivables:	
Property tax:	
Delinquent	139,253
Succeeding year	43,288,000
Interest and penalty on property tax	500,421
Accounts	706,375
Due from other governments	2,193,799
Inventories	840,798
Prepaid items	263,733
Capital assets not being depreciated/amortized	21,279,206
Capital assets net of accumulated depreciation/amortization	72,947,763
Total assets	173,611,149
Deferred Outflows of Resources	
Pension related deferred outflows	2,904,661
Liabilities	
Accounts payable	907,615
Accrued interest payable	25,867
Salaries and benefits payable	1,343,796
Due to other governments	23,625
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	1,185,000
General obligation capital loan notes	2,840,000
Compensated absences	1,703,947
Portion due or payable after one year:	
General obligation bonds	5,180,000
General obligation capital loan notes	3,050,000
Compensated absences	349,285
Net pension liability	7,857,801
Net OPEB liability	671,000
Total liabilities	25,137,936
Deferred Inflows of Resources	
Unavailable property tax revenue	43,288,000
Pension related deferred inflows	6,762,905
Total deferred inflows of resources	50,050,905
Net Position	
Net investment in capital assets	83,856,618
Restricted for:	
Supplemental levy purposes	5,213,982
Mental health purposes	1,057,212
Rural services purposes	1,631,634
Secondary roads purposes	12,341,243
Debt service	260,622
Other purposes	3,162,866
Unrestricted	(6,197,208)
Total net position	\$ 101,326,969

See notes to financial statements.

Pottawattamie County

Statement of Activities

Year ended June 30, 2015

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 24,287,574	3,203,602	806,211	-	(20,277,761)
Physical health and social services	5,039,081	294,517	3,876,346	-	(868,218)
Mental health	9,570,564	-	313,570	-	(9,256,994)
County environment and education	4,323,188	635,022	1,062,908	591,333	(2,033,925)
Roads and transportation	14,401,257	66,243	6,368,024	7,355,483	(611,507)
Governmental services to residents	1,974,612	1,256,809	-	-	(717,803)
Administration	6,483,427	358,685	1,320,910	-	(4,803,832)
Interest on long-term debt	519,145	-	-	-	(519,145)
Total	\$ 66,598,848	5,814,878	13,747,969	7,946,816	(39,089,185)
General Revenues:					
Property and other county tax levied for:					
General purposes					39,523,495
Debt service					3,747,368
Tax increment financing					332,837
Penalty and interest on property tax					314,482
State tax credits					2,157,356
Local option sales tax					4,349,793
Gaming and wagering tax					2,132,527
Unrestricted investment earnings					78,727
Gain on disposition of capital assets					76,324
Miscellaneous					496,245
Total general revenues					53,209,154
Change in net position					14,119,969
Net position beginning of year, as restated					87,207,000
Net position end of year					\$ 101,326,969

See notes to financial statements.

Pottawattamie County

Balance Sheet
Governmental Funds

June 30, 2015

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash, cash equivalents and pooled investments	\$ 11,668,298	1,060,653	1,625,870	11,357,176
Receivables:				
Property tax:				
Delinquent	100,762	14,114	12,325	-
Succeeding year	30,882,000	2,933,000	5,296,000	-
Interest and penalty on property tax	500,421	-	-	-
Accounts	695,919	-	5,768	4,464
Due from other governments	621,565	72,682	129,670	1,173,349
Inventories	-	-	-	840,798
Prepaid items	263,733	-	-	-
Total assets	\$ 44,732,698	4,080,449	7,069,633	13,375,787
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 424,851	38,408	16,064	410,805
Salaries and benefits payable	1,120,497	17,339	33,336	172,624
Due to other governments	17,319	-	-	6,306
Total liabilities	1,562,667	55,747	49,400	589,735
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	30,882,000	2,933,000	5,296,000	-
Other	657,022	13,702	11,955	-
Total deferred inflows of resources	31,539,022	2,946,702	5,307,955	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	840,798
Prepaid items	263,733	-	-	-
Restricted for:				
Supplemental levy purposes	5,098,380	-	-	-
Mental health purposes	-	1,078,000	-	-
Rural services purposes	-	-	1,704,778	-
Secondary roads purposes	-	-	-	11,945,254
Drainage warrants/drainage improvement certificates	-	-	-	-
Conservation land acquisition/capital improvements	163,618	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	28,953	-	7,500	-
Assigned for:				
Property tax relief	661,537	-	-	-
County Attorney's Office	171,611	-	-	-
Land purchase	64,058	-	-	-
Flood and erosion	173,155	-	-	-
Conservation structures	159,418	-	-	-
Unassigned	4,846,546	-	-	-
Total fund balances	11,631,009	1,078,000	1,712,278	12,786,052
Total liabilities, deferred inflows of resources and fund balances	\$ 44,732,698	4,080,449	7,069,633	13,375,787

See notes to financial statements.

Debt Service	Nonmajor	Total
277,437	4,665,224	30,654,658
12,052	-	139,253
4,177,000	-	43,288,000
-	-	500,421
-	224	706,375
-	196,533	2,193,799
-	-	840,798
-	-	263,733
4,466,489	4,861,981	78,587,037
3,000	14,487	907,615
-	-	1,343,796
-	-	23,625
3,000	14,487	2,275,036
4,177,000	-	43,288,000
11,797	21,870	716,346
4,188,797	21,870	44,004,346
-	-	840,798
-	-	263,733
-	-	5,098,380
-	-	1,078,000
-	-	1,704,778
-	-	11,945,254
-	10,754	10,754
-	-	163,618
274,692	-	274,692
-	1,884,649	1,884,649
-	2,930,221	2,966,674
-	-	661,537
-	-	171,611
-	-	64,058
-	-	173,155
-	-	159,418
-	-	4,846,546
274,692	4,825,624	32,307,655
4,466,489	4,861,981	78,587,037

Pottawattamie County

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

June 30, 2015

Total governmental fund balances (page 21)		\$ 32,307,655
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$179,178,784 and the accumulated depreciation/amortization is \$84,951,815.		94,226,969
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		716,346
The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.		797,143
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 2,904,661	
Deferred inflows of resources	<u>(6,762,905)</u>	(3,858,244)
Long-term liabilities, including bonds payable, notes payable, compensated absences payable, other postemployment benefits payable, net pension liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(22,862,900)</u>
Net position of governmental activities (page 18)		<u><u>\$ 101,326,969</u></u>

See notes to financial statements.

Pottawattamie County

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

Year ended June 30, 2015

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 32,322,532	4,224,288	5,117,277	-
Local option sales tax	-	-	652,469	3,044,857
Interest and penalty on property tax	384,464	-	-	-
Intergovernmental	8,724,711	525,887	545,946	6,849,701
Licenses and permits	125	-	344,912	4,560
Charges for service	2,663,739	-	39,786	1,027
Use of money and property	96,754	-	-	-
Miscellaneous	1,422,371	8,749	23,453	120,406
Total revenues	45,614,696	4,758,924	6,723,843	10,020,551
Expenditures:				
Operating:				
Public safety and legal services	23,220,846	-	83,928	-
Physical health and social services	4,919,537	-	236,298	-
Mental health	-	9,580,556	-	-
County environment and education	2,395,621	-	1,277,965	-
Roads and transportation	-	-	-	11,758,649
Governmental services to residents	2,039,046	-	6,382	-
Administration	6,526,379	-	13,816	-
Debt service	-	-	-	-
Capital projects	-	-	-	355,151
Total expenditures	39,101,429	9,580,556	1,618,389	12,113,800
Excess (deficiency) of revenues over (under) expenditures	6,513,267	(4,821,632)	5,105,454	(2,093,249)
Other financing sources (uses):				
Transfers in	91,782	-	45,960	4,500,000
Transfers out	-	-	(4,500,000)	-
General obligation capital loan notes issued	-	-	-	-
Premium on general obligation capital loan notes issued	-	-	-	-
General obligation bonds issued	-	-	-	-
Premium on general obligation bonds issued	-	-	-	-
Payment to refunding bond agent	-	-	-	-
Total other financing sources (uses)	91,782	-	(4,454,040)	4,500,000
Change in fund balances	6,605,049	(4,821,632)	651,414	2,406,751
Fund balances beginning of year	5,025,960	5,899,632	1,060,864	10,379,301
Fund balances end of year	\$ 11,631,009	1,078,000	1,712,278	12,786,052

See notes to financial statements.

Debt Service	Nonmajor	Total
3,745,339	332,837	45,742,273
-	652,467	4,349,793
-	-	384,464
227,172	867,604	17,741,021
-	-	349,597
-	13,953	2,718,505
45,245	5,658	147,657
-	955,268	2,530,247
4,017,756	2,827,787	73,963,557
-	108,531	23,413,305
-	-	5,155,835
-	-	9,580,556
-	1,746,763	5,420,349
-	-	11,758,649
-	23,906	2,069,334
-	-	6,540,195
4,077,315	-	4,077,315
-	772,080	1,127,231
4,077,315	2,651,280	69,142,769
(59,559)	176,507	4,820,788
-	-	4,637,742
-	(137,742)	(4,637,742)
4,910,000	-	4,910,000
107,623	-	107,623
38,800	1,901,200	1,940,000
-	51,177	51,177
(4,909,065)	-	(4,909,065)
147,358	1,814,635	2,099,735
87,799	1,991,142	6,920,523
186,893	2,834,482	25,387,132
274,692	4,825,624	32,307,655

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, 2015

Change in fund balances - Total governmental funds (page 25) \$ 6,920,523

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

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

Expenditures for capital assets	\$ 2,997,530	
Capital assets contributed by others	7,725,483	
Depreciation/amortization expense	<u>(5,753,777)</u>	4,969,236

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 72,124

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

Property tax	(6,046)	
Other	<u>(1,195,809)</u>	(1,201,855)

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

Issued	(6,850,000)	
Repaid	<u>8,445,000</u>	1,595,000

The current year County share of IPERS contributions is reported as expenditures in the governmental funds, but is reported as deferred outflows of resources in the Statement of Net Position. 2,323,678

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	261,793	
Interest on long-term debt	22,235	
Pension expense	(734,297)	
Net OPEB liability	<u>(104,000)</u>	(554,269)

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. (4,468)

Change in net position of governmental activities (page 19) \$ 14,119,969

See notes to financial statements.

Pottawattamie County
Statement of Net Position
Proprietary Fund

June 30, 2015

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	<u>\$ 797,143</u>
Net Position	
Unrestricted	<u>\$ 797,143</u>

See notes to financial statements.

Exhibit H

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

Year ended June 30, 2015

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 6,478,430
Miscellaneous		<u>64,321</u>
Total operating revenues		6,542,751
Operating expenses:		
Medical claims	\$ 675,029	
Administrative and other fees	105,453	
Insurance premiums	<u>5,767,445</u>	<u>6,547,927</u>
Operating loss		(5,176)
Non-operating revenues:		
Interest income		<u>708</u>
Net loss		(4,468)
Net position beginning of year		<u>801,611</u>
Net position end of year		<u>\$ 797,143</u>
See notes to financial statements.		

Pottawattamie County

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2015

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating funds	\$ 6,478,430
Cash received from miscellaneous operations	64,321
Cash paid for medical claims	(675,029)
Cash paid for administrative and other fees	(105,453)
Cash paid for insurance premiums	(5,767,445)
Net cash used by operating activities	<u>(5,176)</u>
Cash flows from investing activities:	
Interest on investments	<u>708</u>
Net decrease in cash and cash equivalents	(4,468)
Cash and cash equivalents beginning of year	<u>801,611</u>
Cash and cash equivalents end of year	<u><u>\$ 797,143</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss and net cash used by operating activities	<u><u>\$ (5,176)</u></u>

See notes to financial statements.

Pottawattamie County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2015

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 21,996,285
Other County officials	292,324

Receivables:

Property tax:

Delinquent	635,985
Succeeding year	125,817,000

Accounts	58,384
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Special assessments	1,617,292
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Drainage assessments	431,570
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Due from other governments	645,679
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Prepaid items	46,541
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Total assets	<u>151,541,060</u>
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Liabilities

Accounts payable	403,413
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Stamped warrants payable	411,873
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Salaries and benefits payable	104,601
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Due to other governments	149,889,170
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Trusts payable	288,338
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Compensated absences	443,665
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Total liabilities	<u>151,541,060</u>
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Net position	<u>\$ -</u>
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See notes to financial statements.

Pottawattamie County

Pottawattamie County

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

The Conservation Foundation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Pottawattamie County Conservation Board. These donations are to be used to purchase items not included in the County's budget. The financial transactions of the Foundation are reported as a Special Revenue Fund.

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2014.

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

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

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

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

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

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

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Intangibles - Right of way	50,000
Intangibles - Other	100,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Infrastructure	10 - 100
Buildings and improvements	10 - 50
Intangibles - Other	2 - 20
Equipment	3 - 20
Vehicles	3 - 15

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the County after the measurement date but before the end of the County’s reporting period.

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, disbursements in one department exceeded the amount appropriated.

(2) Cash, Cash Equivalents and Pooled Investments

The County’s deposits in banks at June 30, 2015 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 ensure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Conservation Foundation’s investments at June 30, 2015 consist of stocks and stock mutual funds with a fair value of \$171,104. Disclosure of concentration of credit risk and interest rate risk do not apply to these investments.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
General	Capital Projects	\$ 91,782
Special Revenue:		
Rural Services	Capital Projects	45,960
Secondary Roads	Special Revenue:	
	Rural Services	4,500,000
Total		<u>\$ 4,637,742</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, 2015 was as follows:

	Beginning Balance of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 5,265,114	1,419,416	-	6,684,530
Intangibles, road network	3,993,059	192,130	-	4,185,189
Construction in progress	4,721,400	7,849,651	2,161,564	10,409,487
Total capital assets not being depreciated/amortized	13,979,573	9,461,197	2,161,564	21,279,206
Capital assets being depreciated/amortized:				
Buildings	35,374,388	751,344	-	36,125,732
Improvements other than buildings	2,206,755	143,783	-	2,350,538
Equipment and vehicles	37,150,707	945,496	288,799	37,807,404
Intangibles, other	227,338	-	-	227,338
Infrastructure, road network	79,105,483	1,654,881	-	80,760,364
Infrastructure, other	628,202	-	-	628,202
Total capital assets being depreciated/amortized	154,692,873	3,495,504	288,799	157,899,578
Less accumulated depreciation/amortization for:				
Buildings	13,376,479	833,774	-	14,210,253
Improvements other than buildings	1,048,882	86,275	-	1,135,157
Equipment and vehicles	17,671,732	2,657,902	288,799	20,040,835
Intangibles, other	227,338	-	-	227,338
Infrastructure, road network	46,904,639	2,157,821	-	49,062,460
Infrastructure, other	257,767	18,005	-	275,772
Total accumulated depreciation/amortization	79,486,837	5,753,777	288,799	84,951,815
Total capital assets being depreciated/amortized, net	75,206,036	(2,258,273)	-	72,947,763
Governmental activities capital assets, net	\$ 89,185,609	7,202,924	2,161,564	94,226,969

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 2,116,156
Physical health and social services	12,337
Mental health	-
County environment and education	217,160
Roads and transportation	2,872,025
Governmental services to residents	122,039
Administration	414,060
Total depreciation/amortization expense - governmental activities	<u>\$ 5,753,777</u>

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2015 is as follows:

Fund	Description	Amount
General	Services	\$ 17,319
Special Revenue:		
Secondary Roads	Services	6,306
Total for governmental funds		<u>\$ 23,625</u>
Agency:		
County Assessor	Collections	\$ 1,980,326
Mental Health Region		14,003,380
Schools		65,576,631
Community Colleges		5,118,740
Corporations		54,488,611
E911 Surcharge		1,977,087
Auto License and Use Tax		2,071,539
All other		4,672,856
Total for agency funds		<u>\$ 149,889,170</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	General					Total
	General Obligation Bonds	Obligation Capital Loan Notes	Compen- sated Absences	Net Pension Liability	Net OPEB Liability	
Balance beginning of year, as restated	\$ 5,180,000	8,670,000	2,315,025	15,594,923	567,000	32,326,948
Increases	1,940,000	4,910,000	1,963,949	-	111,000	8,924,949
Decreases	755,000	7,690,000	2,225,742	7,737,122	7,000	18,414,864
Balance end of year	<u>\$ 6,365,000</u>	<u>5,890,000</u>	<u>2,053,232</u>	<u>7,857,801</u>	<u>685,000</u>	<u>22,851,033</u>
Due within one year	\$ 1,185,000	2,840,000	1,703,947	-	-	5,728,947

General Obligation Bonds

On October 27, 2009, the County issued \$5,000,000 of general obligation bonds with interest rates ranging from 1.50% to 4.75% per annum to pay costs of acquisition of peace officer and other emergency services communication equipment and systems, an essential county purpose.

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

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

On September 23, 2014, the County issued \$1,940,000 of general obligation bonds with an interest rate of 2% per annum to pay costs of acquiring and equipping vehicles for the Sheriff's Department, acquisition of vehicles for the Planning and Maintenance Departments, non-communication and personal equipment for Peace Officers and the design, site preparation, construction, equipping and furnishing a new Veterans Affairs Building.

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

Year Ending June 30,	Issued October 27, 2009			Issued April 16, 2013		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2016	3.80%	\$ 500,000	118,643	0.50%	\$ 175,000	3,675
2017	4.20	515,000	99,643	0.70	175,000	2,800
2018	4.40	540,000	78,013	0.90	175,000	1,575
2019	4.60	565,000	54,253		-	-
2020	4.75	595,000	28,263		-	-
Total		<u>\$ 2,715,000</u>	<u>378,815</u>		<u>\$ 525,000</u>	<u>8,050</u>

Year Ending June 30,	Issued December 20, 2013			Issued September 23, 2014		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2016	1.55%	\$ 120,000	22,005	2.00%	\$ 390,000	38,800
2017	1.55	125,000	20,145	2.00	390,000	31,000
2018	1.55	125,000	18,208	2.00	235,000	23,200
2019	1.55	130,000	16,270	2.00	240,000	18,500
2020	1.55	130,000	14,255	2.00	240,000	13,700
2021-2024	2.00-2.40	555,000	32,100	2.00	445,000	13,400
Total		<u>\$ 1,185,000</u>	<u>122,983</u>		<u>\$ 1,940,000</u>	<u>138,600</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2016	\$ 1,185,000	183,123	1,368,123
2017	1,205,000	153,588	1,358,588
2018	1,075,000	120,996	1,195,996
2019	935,000	89,023	1,024,023
2020	965,000	56,218	1,021,218
2021-2024	1,000,000	45,500	1,045,500
Total	<u>\$ 6,365,000</u>	<u>648,448</u>	<u>7,013,448</u>

During the year ended June 30, 2015, \$755,000 of general obligation bonds were retired.

General Obligation Capital Loan Notes

On April 15, 2010, the County issued \$5,540,000 of general obligation capital loan refunding notes with interest rates ranging from 1.00% to 2.30% per annum. The notes were issued as a current refunding to retire the outstanding balance of \$5,445,000 of the \$9,140,000 of general obligation refunding bonds issued January 1, 2004.

On May 19, 2015, the County issued \$4,910,000 of general obligation capital loan refunding notes with an interest rate of 2.00% per annum. The notes were issued as a current refunding to retire the outstanding balances of \$1,440,000 of the \$5,625,000 of general obligation capital loan notes issued December 1, 2007 and \$3,530,000 of the \$9,620,000 of general obligation capital loan notes issued June 1, 2008. The County reduced its total debt service payments over the next three fiscal years by \$220,807 and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$215,361.

Annual debt service requirements to maturity for the general obligation capital loan notes are as follows:

Year Ending June 30,	Issued April 15, 2010			Issued May 19, 2015		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2016	2.30%	\$ 980,000	22,540	2.00%	\$ 1,860,000	101,473
2017		-	-	2.00	1,885,000	61,000
2018		-	-	2.00	1,165,000	23,300
Total		\$ 980,000	22,540		\$ 4,910,000	185,773

Year Ending June 30,	Total		
	Principal	Interest	Total
2016	\$ 2,840,000	124,013	2,964,013
2017	1,885,000	61,000	1,946,000
2018	1,165,000	23,300	1,188,300
Total	\$ 5,890,000	208,313	6,098,313

During the year ended June 30, 2015, \$7,690,000 of general obligation capital loan notes were refunded or retired.

(7) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

The Sheriff, deputies and protection occupation members may retire at normal retirement age, which is generally at age 55. The Sheriff, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a Sheriff's, deputy's and protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1%. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.88% of covered payroll for a total rate of 19.76%. Protection occupation members contributed 6.76% of covered payroll and the County contributed 10.14% for a total rate of 16.90%.

The County's contributions to IPERS for the year ended June 30, 2015 were \$2,323,678.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the County reported a liability of \$7,857.801 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the County's collective proportion was 0.198134%, which was a decrease of 0.073475% from its collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$734,297. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 101,791	253,351
Changes of assumptions	413,345	158,814
Net difference between projected and actual earnings on pension plan investments	-	6,068,764
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	65,847	281,976
County contributions subsequent to the measurement date	2,323,678	-
Total	<u>\$ 2,904,661</u>	<u>6,762,905</u>

\$2,323,678 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2016	\$ (1,543,630)
2017	(1,543,630)
2018	(1,543,630)
2019	(1,543,629)
2020	(7,403)
Total	<u>\$ (6,181,922)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the County's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability (asset):	\$ 21,493,994	\$ 7,857,801	\$ (3,637,872)

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The County operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their dependents. There are 416 active and 5 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug and dental benefits are administered by Wellmark and Mutual of Omaha, respectively. Retirees under age 65 pay the same premium for the medical/prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the County. The County currently finances the benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 120,000
Interest on net OPEB obligation	26,000
Adjustment to annual required contribution	<u>(35,000)</u>
Annual OPEB cost	111,000
Contributions made	<u>(7,000)</u>
Increase in net OPEB obligation	104,000
Net OPEB obligation beginning of year	567,000
Net OPEB obligation end of year	<u>\$ 671,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the County contributed \$7,000 to the medical plan. Plan members eligible for benefits did not contribute to premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 66,000	0.0%	\$ 502,000
2014	65,000	0.0	567,000
2015	111,000	6.3	671,000

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$1,044,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,044,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$23,084,000 and the ratio of the UAAL to covered payroll was 4.52%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2014 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The medical trend rate is 5%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the Actuary's Pension Handbook and applying the termination factors using the Scale T-9 tables.

Projected claim costs of the medical plan range from \$606 to \$1,446 per month for retirees less than age 65. All coverage ceases when the retiree or spouse attains age 65 or becomes eligible for Medicare except for COBRA continuation, if elected. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2015 were \$493,040.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the County's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

(10) Employee Health Insurance Plan

The County self-funds a portion of health insurance deductibles for its employees. The plan is funded by both employee and County contributions and is administered by Employee Benefit Systems (EBS) under an agreement which is subject to automatic renewal. The County self-funds up to \$4,000 per individual or \$8,000 per family, with employees contributing the first \$750 and \$1,500, respectively. Administrative service fees and premiums are paid monthly from the County's operating funds to a separate account administered by EBS. During the year ended June 30, 2015, the County paid \$5,964,028 to the EBS account.

(11) Economic Development Agreement

The County entered into an economic development agreement with the City of Council Bluffs (City) and three local foundations to develop the Bass Pro Shop project. The County agreed to make an economic development grant to the project, not to exceed \$2,639,478, with interest at 4% per annum. The grant will be paid on a semi-annual basis over a period of thirteen years which began in fiscal year 2005. The first grant payment was made to a local foundation for costs incurred preparing the project site for construction. All remaining grant payments are required to be paid to a trust account established by the City to be used to pay principal and interest on debt incurred by the City to fund the project. During the year ended June 30, 2015, the County's grant payments totaled \$192,560, bringing the cumulative principal and interest paid to \$3,129,100. The County is funding the economic development grant from gaming and wagering tax. The economic development payments to be made by the County under the agreement are conditioned upon an annual appropriation by the Board of Supervisors. The grant is not a general obligation or indebtedness of the County.

(12) Jointly Governed Organization

The County participates in the Southwest Iowa Juvenile Emergency Services Board, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as an Agency Fund because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2015:

Additions:		
Reimbursements from Counties:		
Pottawattamie County	\$ 1,090,481	
Shelby County	27,804	
Harrison County	51,776	
Cass County	83,630	
Audubon County	11,713	
Mills County	65,241	
Montgomery County	97,204	
Fremont County	51,534	
Page County	50,134	\$ 1,529,517
State direct receiving grant		39,826
State reimbursement		280,351
Interest on investments		447
Adult waived juvenile fees		3,630
Iowa Communities Assurance Pool refund		6,549
Miscellaneous		1,640
Total additions		1,861,960
Deductions:		
Salaries	856,912	
Employee benefits	341,166	
Commodities and nutrition services	45,414	
Office supplies	13,909	
Communications and transportation	4,892	
Professional services	12,748	
Utilities	20,291	
Building repair and maintenance	93,549	
Insurance	65,213	
Refunds to counties	638,798	
Miscellaneous	3,961	2,096,853
Net		(234,893)
Balance beginning of year		893,645
Balance end of year		\$ 658,752

(13) Voluntary Termination Benefit Program for the County Assessor's Office

A voluntary termination benefit program has been established for County Assessor employees. The program allows employees who are eligible, upon a bona fide retirement, to use the value of their unused sick leave to pay the employer's share of the monthly premium of the County Assessor group health insurance plan after their retirement.

Upon retirement, employees shall first receive cash payment for accumulated, unused sick leave, converted at the employee's current regular hourly rate of pay, up to \$3,000, payable with the final payroll warrant which includes the employee's retirement date.

The value of the remaining balance of the accrued sick leave will be converted based upon the original balance (before the cash payment). The remainder of the sick leave value is calculated as follows, based on the number of the employee's sick leave hours before the cash payment:

<u>If the sick leave balance is:</u>	<u>The conversion rate is:</u>
Zero to 750 hours	60% of the value
Over 750 hours to 1,500 hours	80% of the value
Over 1,500 hours	100% of the value

The final calculated dollar value will be credited to the employee's Sick Leave upon Retirement account. Each month, the County Assessor's Office will pay 100% of the employer's share of the selected group health insurance premium from the retiree's Sick Leave upon Retirement account. The retiree is responsible for any additional premiums associated with the employee/retiree share.

The County Assessor's Office will continue to pay its share of the health insurance premium each month until the converted value of the retiree's Sick Leave upon Retirement balance is exhausted, the employee is eligible for Medicare or the employee waives the benefit, whichever comes first. The converted value of the sick leave can only be applied to the County Assessors' Office's share of health insurance premium payments.

All program benefits are financed on a pay-as-you-go basis by the County Assessor's Office. A liability of \$260,486 has been recorded in the Agency, County Assessor Fund for this benefit program.

For the year ended June 30, 2015, there were no payments for benefits under the Sick Leave upon Retirement program.

(14) Conduit Debt

During the year ended June 30, 2007, the County issued \$3,500,000 of senior housing revenue and refunding bonds for the Bethany Lutheran Home and \$11,000,000 of revenue refunding bonds for the Risen Son Christian Village under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and do not constitute liabilities of the County.

(15) Transfer Station Closure Care

To comply with state regulations, the County is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces that have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles that will remain on site, including the rinsing of all surfaces that have come in contact with solid waste, and the removal and proper management of all washwater in the washwater management system.

To comply with state regulations, the County is required to maintain a closure account as financial assurance for the closure care costs. The effect of the state requirement is to commit landfill owners to perform certain closing functions as a condition for the right to operate the transfer station in the current year.

The total closure care costs for the County as of June 30, 2015 have been estimated at \$6,261. The County has restricted \$7,500 at June 30, 2015 in the Special Revenue, Rural Services Fund to cover these costs.

(16) Litigation

The County agreed to a settlement with Griffin Pipe in a property assessment case and Griffin Pipe is entitled to a tax refund of \$1,041,979. The settlement reduces the value of the property and Griffin Pipe has agreed to allow the refund to be converted to a tax credit for future property tax. A liability has been recorded in the financial statements for the tax refund. For the year ended June 30, 2015, the County applied credits of \$139,956, bringing the total credits applied to \$880,710. The amount to be applied in future years is \$161,269.

(17) Pottawattamie County Financial Information Included in the Southwest Iowa MHDS Region

Southwest Iowa MHDS Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 1, 2014, includes the following member counties: Cass, Fremont, Harrison, Mills, Monona, Montgomery, Page, Pottawattamie and Shelby. The financial activity of Pottawattamie County's Special Revenue, Mental Health Fund is included in the Southwest Iowa MHDS Region for the year ended June 30, 2015 as follows:

Revenues:		
Property and other county tax		\$ 4,224,288
Intergovernmental:		
State tax credits	\$ 219,162	
Social services block grant	304,821	
Other	1,904	525,887
Miscellaneous		8,749
Total revenues		<u>4,758,924</u>
Expenditures:		
Services to persons with:		
Mental illness	273,920	
Intellectual disabilities	57,128	331,048
General administration:		
Direct administration	212,516	
Purchased administration	9,999	
Distribution to regional fiscal agent	9,026,993	9,249,508
Total expenditures		<u>9,580,556</u>
Deficiency of revenues under expenditures		(4,821,632)
Fund balance beginning of year		<u>5,899,632</u>
Fund balance end of year		<u>\$ 1,078,000</u>

(18) Subsequent Event

In August 2015, the County entered into a contract for \$2,244,000 for the construction of the Veterans Affairs building.

(19) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB Statement No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>
Net position June 30, 2014, as previously reported	\$ 100,512,426
Net pension liability at June 30, 2014	(15,594,923)
Deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date	<u>2,289,497</u>
Net position July 1, 2014, as restated	<u>\$ 87,207,000</u>

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, 2015

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 49,822,192	-	49,822,192
Interest and penalty on property tax	387,169	-	387,169
Intergovernmental	20,408,465	-	20,408,465
Licenses and permits	345,704	-	345,704
Charges for service	2,741,593	-	2,741,593
Use of money and property	148,371	3,933	144,438
Miscellaneous	2,353,694	105,831	2,247,863
Total receipts	76,207,188	109,764	76,097,424
Disbursements:			
Public safety and legal services	26,233,520	-	26,233,520
Physical health and social services	5,145,261	-	5,145,261
Mental health	9,653,727	-	9,653,727
County environment and education	5,690,543	49,847	5,640,696
Roads and transportation	7,356,752	-	7,356,752
Governmental services to residents	2,055,761	-	2,055,761
Administration	6,402,523	-	6,402,523
Debt service	4,077,316	-	4,077,316
Capital projects	5,628,528	-	5,628,528
Total disbursements	72,243,931	49,847	72,194,084
Excess (deficiency) of receipts over (under) disbursements	3,963,257	59,917	3,903,340
Other financing, sources, net	2,099,735	-	2,099,735
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	6,062,992	59,917	6,003,075
Balance beginning of year	24,591,666	241,570	24,350,096
Balance end of year	\$ 30,654,658	301,487	30,353,171

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
49,863,124	49,863,124	(40,932)
297,500	297,500	89,669
16,244,891	16,900,891	3,507,574
254,450	254,450	91,254
2,508,200	2,508,200	233,393
133,488	133,488	10,950
3,287,983	3,532,983	(1,285,120)
72,589,636	73,490,636	2,606,788
27,145,798	27,300,798	1,067,278
5,679,700	5,735,700	590,439
9,656,862	9,656,862	3,135
7,838,289	8,283,289	2,642,593
12,020,856	12,020,856	4,664,104
2,330,353	2,397,853	342,092
6,773,972	6,823,972	421,449
3,938,971	8,887,771	4,810,455
2,150,000	7,791,567	2,163,039
77,534,801	88,898,668	16,704,584
(4,945,165)	(15,408,032)	19,311,372
-	6,901,177	(4,801,442)
(4,945,165)	(8,506,855)	14,509,930
18,042,891	18,042,891	6,307,205
13,097,726	9,536,036	20,817,135

Pottawattamie County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2015

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 76,207,188	(2,243,631)	73,963,557
Expenditures	72,243,931	(3,101,162)	69,142,769
Net	3,963,257	857,531	4,820,788
Other financing sources, net	2,099,735	-	2,099,735
Beginning fund balances	24,591,666	795,466	25,387,132
Ending fund balances	\$ 30,654,658	1,652,997	32,307,655

See accompanying independent auditor's report.

Pottawattamie County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2015

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$11,363,867. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted. However, disbursements in one department exceeded the amount appropriated.

Pottawattamie County

Pottawattamie County

Schedule of the County's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Required Supplementary Information

	<u>2015</u>
County's collective proportion of the net pension liability (asset)	0.198134%
County's collective proportionate share of the net pension liability (asset)	\$ 7,858
County's covered-employee payroll	\$ 24,508
County's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll	32.06%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Pottawattamie County

Schedule of County Contributions

Iowa Public Employees' Retirement System
Last Ten Fiscal Years
(In Thousands)

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 2,324	2,289	2,212	2,043
Contributions in relation to the statutorily required contribution	<u>(2,324)</u>	<u>(2,289)</u>	<u>(2,212)</u>	<u>(2,043)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 24,863	24,508	24,038	23,373
Contributions as a percentage of covered-employee payroll	9.35%	9.34%	9.20%	8.74%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
1,806	1,661	1,491	1,273	1,155	1,123
<u>(1,806)</u>	<u>(1,661)</u>	<u>(1,491)</u>	<u>(1,273)</u>	<u>(1,155)</u>	<u>(1,123)</u>
-	-	-	-	-	-
22,780	22,505	21,271	20,203	18,819	18,293
7.93%	7.38%	7.01%	6.30%	6.14%	6.14%

Pottawattamie County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs, deputies and protection occupation members.

Pottawattamie County

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	-	\$1,589	1,589	0.00%	\$ 19,763	8.00%
2011	July 1, 2010	-	509	509	0.00	20,642	2.50
2012	July 1, 2010	-	509	509	0.00	20,582	2.50
2013	July 1, 2012	-	536	536	0.00	21,345	2.50
2014	July 1, 2012	-	567	567	0.00	22,783	2.49
2014	July 1, 2014	-	1,044	1,044	0.00	23,084	4.52

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Pottawattamie County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2015

	Special					
	Conservation Local Option Tax	Resource Enhance- ment and Protection	County Recorder's Records Management	Drainage Districts	Juvenile Diversion	Soil Con- servation District East
Assets						
Cash, cash equivalents and pooled investments	\$ 127,428	35,266	51,286	10,754	7,290	389,746
Accounts receivable	-	-	-	50	-	-
Due from other governments	40,760	-	-	-	-	40,760
Total assets	\$ 168,188	35,266	51,286	10,804	7,290	430,506
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$ 750	-	-	-	-	1,149
Deferred inflows of resources:						
Unavailable revenues:						
Other	-	-	-	50	-	-
Fund balances:						
Restricted for:						
Drainage warrants/drainage improvement certificates	-	-	-	10,754	-	-
Capital projects	-	-	-	-	-	-
Other purposes	167,438	35,266	51,286	-	7,290	429,357
Total fund balances	167,438	35,266	51,286	10,754	7,290	429,357
Total liabilities, deferred inflows of resources and fund balances	\$ 168,188	35,266	51,286	10,804	7,290	430,506

See accompanying independent auditor's report.

Revenue									
Soil Conservation District West	Conservation Foundation	Animal Shelter Donations	County Attorney Drug Forfeiture	Special Law Enforcement	Hitchcock Nature Area	District Enhancement Area East	Community Improvement To Increase Economic Stability	Capital Projects	Total
386,900	290,733	46,714	274,300	1,141,232	2,000	533	9,358	1,891,684	4,665,224
-	-	-	174	-	-	-	-	-	224
40,760	-	-	34,086	40,167	-	-	-	-	196,533
427,660	290,733	46,714	308,560	1,181,399	2,000	533	9,358	1,891,684	4,861,981
-	-	-	5,553	-	-	-	-	7,035	14,487
-	-	-	-	21,820	-	-	-	-	21,870
-	-	-	-	-	-	-	-	-	10,754
-	-	-	-	-	-	-	-	1,884,649	1,884,649
427,660	290,733	46,714	303,007	1,159,579	2,000	533	9,358	-	2,930,221
427,660	290,733	46,714	303,007	1,159,579	2,000	533	9,358	1,884,649	4,825,624
427,660	290,733	46,714	308,560	1,181,399	2,000	533	9,358	1,891,684	4,861,981

Pottawattamie County

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

Year ended June 30, 2015

	Special						
	Conservation Local Option Tax	Resource Enhance- ment and Protection	County Recorder's Records Management	Drainage Districts	Juvenile Diversion	Soil Con- servation District East	Soil Con- servation District West
Revenues:							
Property and other county tax	\$ -	-	-	-	-	-	-
Local option sales tax	217,489	-	-	-	-	217,489	217,489
Intergovernmental	118,780	38,628	-	-	-	-	-
Charges for service	-	-	13,953	-	-	-	-
Use of money and property	-	30	43	-	-	-	-
Miscellaneous	675	-	-	-	-	-	-
Total revenues	336,944	38,658	13,996	-	-	217,489	217,489
Expenditures:							
Operating:							
Public safety and legal services	-	-	-	-	-	-	-
County environment and education	272,382	32,583	-	-	-	153,116	80,109
Governmental services to residents	-	-	23,906	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Total expenditures	272,382	32,583	23,906	-	-	153,116	80,109
Excess (deficiency) of revenues over (under) expenditures	64,562	6,075	(9,910)	-	-	64,373	137,380
Other financing sources (uses):							
Transfers out	-	-	-	-	-	-	-
General obligation bonds issued	-	-	-	-	-	-	-
Premium on general obligation bonds issued	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Change in fund balances	64,562	6,075	(9,910)	-	-	64,373	137,380
Fund balances beginning of year	102,876	29,191	61,196	10,754	7,290	364,984	290,280
Fund balances end of year	\$ 167,438	35,266	51,286	10,754	7,290	429,357	427,660

See accompanying independent auditor's report.

Revenue										
			County	Special			District	Community		
Conservation	Urban	Animal	Attorney	Law	Hitchcock	Enhance-	Area	To Increase	Capital	Total
Foundation	Renewal	Shelter	Drug	Enforce-	Nature	ment	East	Economic	Projects	
	Revenue	Donations	Forfeiture	ment	Area	Area		Stability		
-	332,837	-	-	-	-	-	-	-	-	332,837
-	-	-	-	-	-	-	-	-	-	652,467
-	553	-	199,266	481,624	2,000	-	-	-	26,753	867,604
-	-	-	-	-	-	-	-	-	-	13,953
3,933	114	-	-	-	-	-	-	-	1,538	5,658
105,831	-	18,617	-	-	-	-	-	815,145	15,000	955,268
109,764	333,504	18,617	199,266	481,624	2,000	-	-	815,145	43,291	2,827,787
-	-	-	105,825	2,706	-	-	-	-	-	108,531
49,847	335,011	5,615	-	-	-	963	817,137	-	-	1,746,763
-	-	-	-	-	-	-	-	-	-	23,906
-	-	-	-	-	-	-	-	-	772,080	772,080
49,847	335,011	5,615	105,825	2,706	-	963	817,137	772,080	772,080	2,651,280
59,917	(1,507)	13,002	93,441	478,918	2,000	(963)	(1,992)	(728,789)		176,507
-	-	-	-	-	-	-	-	-	(137,742)	(137,742)
-	-	-	-	-	-	-	-	-	1,901,200	1,901,200
-	-	-	-	-	-	-	-	-	51,177	51,177
-	-	-	-	-	-	-	-	-	1,814,635	1,814,635
59,917	(1,507)	13,002	93,441	478,918	2,000	(963)	(1,992)	1,085,846		1,991,142
230,816	1,507	33,712	209,566	680,661	-	1,496	11,350	798,803		2,834,482
290,733	-	46,714	303,007	1,159,579	2,000	533	9,358	1,884,649		4,825,624

Pottawattamie County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2015

	County Offices	Agricultural Extension Education	County Assessor	Mental Health Region	Schools	Community Colleges
Assets						
Cash, cash equivalents and pooled investments:						
County Treasurer	\$ -	2,975	965,591	14,177,674	900,276	66,230
Other County officials	289,824	-	-	-	-	-
Receivables:						
Property tax:						
Delinquent	-	733	5,109	-	227,355	16,510
Succeeding year	-	285,000	1,438,000	-	64,449,000	5,036,000
Accounts	2,053	-	-	76	-	-
Special assessments	-	-	-	-	-	-
Drainage assessments	-	-	-	-	-	-
Due from other governments	-	-	-	213,988	-	-
Prepaid items	-	-	-	-	-	-
Total assets	\$ 291,877	288,708	2,408,700	14,391,738	65,576,631	5,118,740
Liabilities						
Accounts payable	\$ -	-	1,976	388,358	-	-
Stamped warrants payable	-	-	-	-	-	-
Salaries and benefits payable	-	-	45,908	-	-	-
Due to other governments	249,453	288,708	1,980,326	14,003,380	65,576,631	5,118,740
Trusts payable	42,424	-	-	-	-	-
Compensated absences	-	-	380,490	-	-	-
Total liabilities	\$ 291,877	288,708	2,408,700	14,391,738	65,576,631	5,118,740

See accompanying independent auditor's report.

Corporations	Townships	City Special Assessments	Special Assessments	SWI Juvenile Emergency Services Board	E911 Surcharge	Auto License and Use Tax	Other	Total
823,828	20,642	308,867	24,168	331,945	1,829,388	2,071,539	473,162	21,996,285
-	-	-	-	2,500	-	-	-	292,324
182,783	2,704	200,739	5	-	-	-	47	635,985
53,482,000	1,113,000	-	-	-	-	-	14,000	125,817,000
-	-	-	-	1,320	53,388	-	1,547	58,384
-	-	1,395,580	221,712	-	-	-	-	1,617,292
-	-	-	-	-	-	-	431,570	431,570
-	-	-	-	283,370	99,444	-	48,877	645,679
-	-	-	-	39,618	-	-	6,923	46,541
54,488,611	1,136,346	1,905,186	245,885	658,753	1,982,220	2,071,539	976,126	151,541,060
-	-	-	-	6,255	5,133	-	1,691	403,413
-	-	-	-	-	-	-	411,873	411,873
-	-	-	-	50,741	-	-	7,952	104,601
54,488,611	1,136,346	1,905,186	-	554,752	1,977,087	2,071,539	538,411	149,889,170
-	-	-	245,885	-	-	-	29	288,338
-	-	-	-	47,005	-	-	16,170	443,665
54,488,611	1,136,346	1,905,186	245,885	658,753	1,982,220	2,071,539	976,126	151,541,060

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

Year ended June 30, 2015

Assets and Liabilities	County Offices	Agricultural Extension Education	County Assessor	Mental Health Region	Schools	Community Colleges	Corpora- tions
Balances beginning of year	\$ 231,410	267,217	2,161,917	-	60,861,530	4,734,340	51,233,633
Additions:							
Property and other county tax	-	301,583	1,542,957	-	68,407,598	5,373,567	57,215,279
E911 surcharge	-	-	-	-	-	-	-
State tax credits	-	13,164	80,014	-	3,411,749	258,660	2,936,456
Intergovernmental	-	-	-	18,947,937	-	-	-
Office fees and collections	1,857,201	-	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-	-
Assessments	-	-	-	-	-	-	-
Trusts	3,350,417	-	-	-	-	-	-
Miscellaneous	-	-	-	15,022	-	-	-
Total additions	5,207,618	314,747	1,622,971	18,962,959	71,819,347	5,632,227	60,151,735
Deductions:							
Agency remittances:							
To other funds	1,101,922	-	-	-	-	-	-
To other governments	751,911	293,256	1,376,188	4,571,221	67,104,246	5,247,827	56,896,757
Trusts paid out	3,293,318	-	-	-	-	-	-
Total deductions	5,147,151	293,256	1,376,188	4,571,221	67,104,246	5,247,827	56,896,757
Balances end of year	\$ 291,877	288,708	2,408,700	14,391,738	65,576,631	5,118,740	54,488,611

See accompanying independent auditor's report.

Townships	City Special Assess- ments	Special Assess- ments	SWI Juvenile Emergency Services Board	E911 Surcharge	Auto License and Use Tax	Tax Sale Redemption	Other	Total
1,023,020	1,749,458	483,850	893,645	1,769,090	1,823,697	-	593,980	127,826,787
1,165,944	72,549	-	-	100,000	-	-	16,684	134,196,161
-	-	-	-	739,846	-	-	-	739,846
39,369	-	-	-	-	-	-	734	6,740,146
-	-	-	1,861,513	-	-	-	3,339,987	24,149,437
-	-	-	-	-	-	-	15,238	1,872,439
-	-	-	-	-	25,099,892	-	-	25,099,892
-	1,382,253	70,630	-	-	-	-	51,122	1,504,005
-	-	-	-	-	-	2,586,632	148,395	6,085,444
-	-	-	447	1,339	-	-	60,644	77,452
1,205,313	1,454,802	70,630	1,861,960	841,185	25,099,892	2,586,632	3,632,804	200,464,822
-	-	-	456,957	-	782,403	-	-	2,341,282
1,091,987	1,299,074	308,595	181,842	628,055	24,069,647	2,586,632	3,662,531	170,069,769
-	-	-	1,458,053	-	-	-	-	4,751,371
1,091,987	1,299,074	308,595	2,096,852	628,055	24,852,050	2,586,632	3,662,531	177,162,422
1,136,346	1,905,186	245,885	658,753	1,982,220	2,071,539	-	564,253	151,129,187

Pottawattamie County

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

For the Last Ten Years

	2015	2014	2013	2012
Revenues:				
Property and other county tax	\$ 45,742,273	39,548,540	37,694,564	36,691,020
Local option sales tax	4,349,793	3,405,980	3,174,885	3,057,227
Interest and penalty on property tax	384,464	344,692	376,744	318,477
Intergovernmental	17,741,021	16,549,486	17,335,587	17,905,091
Licenses and permits	349,597	306,705	261,812	187,760
Charges for service	2,718,505	2,696,599	2,695,884	2,737,391
Use of money and property	147,657	160,514	193,326	264,844
Miscellaneous	2,530,247	1,162,080	1,708,008	1,666,853
Total	\$ 73,963,557	64,174,596	63,440,810	62,828,663
Expenditures:				
Operating:				
Public safety and legal services	\$ 23,413,305	22,832,688	21,367,688	20,699,015
Physical health and social services	5,155,835	5,410,187	3,472,444	3,197,434
Mental health	8,580,556	2,613,398	5,229,934	11,276,784
County environment and education	5,420,349	7,374,041	6,494,809	5,668,115
Roads and transportation	11,758,649	9,700,321	12,574,966	11,503,354
Governmental services to residents	2,069,334	1,942,339	2,110,519	1,889,398
Administration	6,540,195	6,205,492	7,031,198	6,685,534
Debt service	4,077,315	3,793,670	4,642,100	3,826,036
Capital projects	1,127,231	1,580,254	3,258,248	2,790,082
Total	\$ 68,142,769	61,452,390	66,181,906	67,535,752

See accompanying independent auditor's report.

Modified Accrual Basis					
2011	2010	2009	2008	2007	2006
35,723,484	32,789,867	29,728,916	27,495,386	26,912,334	25,299,088
3,235,122	2,670,586	3,043,404	2,753,544	2,838,150	3,212,180
414,271	351,370	344,333	356,284	367,473	324,973
19,562,312	21,344,671	19,330,150	21,421,683	19,200,492	14,796,318
208,229	274,843	1,300,866	249,417	79,260	77,036
2,541,245	2,472,731	2,612,651	2,441,290	2,329,394	2,474,318
333,615	366,219	667,913	1,208,059	1,517,486	1,199,544
1,168,054	1,748,258	2,872,115	2,430,096	1,815,332	1,979,269
63,186,332	62,018,545	59,900,348	58,355,759	55,059,921	49,362,726
19,690,040	19,163,904	18,066,898	16,846,481	15,730,880	15,344,223
3,115,222	3,084,140	2,823,430	2,737,240	2,661,811	2,726,533
9,446,510	9,007,878	9,074,447	10,399,127	8,235,723	7,583,258
5,674,072	5,450,475	6,027,498	4,328,580	4,546,987	4,597,686
10,438,155	11,023,675	10,813,416	9,713,450	9,896,065	9,090,186
1,689,187	1,764,682	1,906,468	1,728,610	1,505,405	2,007,331
5,939,596	6,268,178	7,803,198	5,884,988	6,613,224	4,967,738
3,832,133	9,647,748	2,651,674	2,116,214	1,654,668	1,848,183
3,054,456	10,667,991	4,462,404	7,269,540	3,121,579	1,602,230
62,879,371	76,078,671	63,629,433	61,024,230	53,966,342	49,767,368

Pottawattamie County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expendi- tures
Direct:			
U.S. Department of the Interior:			
National Wildlife Refuge Fund	15.659		\$ 7,473
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5884A052	154,228
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5884A091	14,091
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5885A091	29,887
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5885A052	<u>385,428</u>
			<u>583,634</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>87,212</u>
Iowa Department of Agriculture and Land Stewardship:			
WIC Farmers' Market Nutrition Program (FMNP)	10.572		<u>1,454</u>
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	12-OT-003	<u>4,738</u>
U.S. Department of Justice:			
Iowa Department of Human Rights:			
Juvenile Accountability Block Grants	16.523		<u>2,550</u>
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	04-JD12-13F-78	8,787
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	04-JD13-14F-78	<u>7,169</u>
			<u>15,956</u>
U.S. Federal Highway Administration:			
Iowa Department of Transportation:			
Recreational Trails Program	20.219	2014-NRT-604	<u>23,780</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	5885BT218	<u>7,187</u>
Immunization Cooperative Agreements	93.268	5885I465	<u>9,715</u>

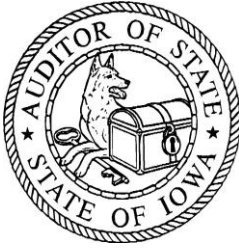
Pottawattamie County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2015

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expendi- tures
Indirect (continued):			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance -			
State Administered Programs	93.566		186
Child Care Mandatory and Matching Funds of			
the Child Care and Development Fund	93.596		22,570
Foster Care - Title IV-E	93.658		33,423
Adoption Assistance	93.659		10,542
Social Services Block Grant	93.667		26,804
Children's Health Insurance Program	93.767		537
Medical Assistance Program	93.778		164,471
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security			
and Emergency Management:			
Disaster Grants - Public Assistance			
(Presidentially Declared Disasters)	97.036	FEMA-4181-DR1A	244,062
Hazard Mitigation Grant	97.039	HMGP-DR-1998-004-01	16,552
Emergency Management Performance Grants	97.042	EMPG-15-PT-78	37,490
Homeland Security Grant Program	97.067	EMW-2013-SS-0004-S01	1,030
Total indirect			1,293,893
Total			\$ 1,301,366

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

See accompanying independent auditor's report.

Pottawattamie County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pottawattamie County, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 3, 2016.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-15 and II-B-15 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-15 through II-F-15 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Pottawattamie County's Responses to the Findings

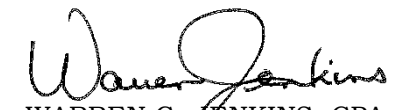
Pottawattamie County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Pottawattamie County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express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

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 3, 2016

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

Pottawattamie County



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

To the Officials of Pottawattamie County:

Report on Compliance for Each Major Federal Program

We have audited Pottawattamie County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Pottawattamie County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Pottawattamie County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pottawattamie County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of Pottawattamie County's compliance.

Opinion on Each Major Federal Program

In our opinion, Pottawattamie County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.


Report on Internal Control Over Compliance


The management of Pottawattamie County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pottawattamie County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pottawattamie County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program which is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 3, 2016

Pottawattamie County
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 10.557 – Special Supplemental Nutrition Program for Women, Infants and Children.
 - CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters).
- (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, 2015

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Segregation of Duties – During our review of internal control, the existing procedures are evaluated to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

	Applicable Offices
(1) There is no evidence of an independent review of the coding of receipts to the proper account and fiscal year being performed.	Community Services, Board of Supervisors, Conservation, County Attorney, Engineer and Animal Control
(2) Generally, one individual may have control over collecting, depositing, posting and daily reconciling of receipts for which no compensating controls exist.	Ag Extension
(3) An initial listing of mail receipts is not prepared.	County Sheriff

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances using currently available personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

Responses –

- (a) Community Services – Community Services will implement an administrative policy where the Community Services Director will review all receipts after deposits are made by the Financial Coordinator.
- (b) Board of Supervisors – We have developed policies to be followed when receiving receipts.
- (c) Conservation – Office copies of miscellaneous receipts are totaled at the end of each month, reconciled with the month end reports from the Treasurer's office and entered into an Excel spreadsheet year-to-date summary. The total from the Excel spreadsheet is checked with Tyler computer system printout by Administrative Director to ensure totals match. Beginning in December of 2015, the Executive Director will initial the year-to-date spreadsheet each month.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Month end reports showing line item and amount are generated in the Tyler computer system and distributed to Conservation Board members and staff for review. Beginning with the December 2015 monthly board meeting, minutes will reflect the review by stating that "board members reviewed Tyler reports showing monthly receipts by line items." Minutes are approved and signed by Conservation Board Secretary.

- (d) County Attorney – A review of the receipts coding will be performed and noted on the month end report provided by the Auditor's Office. The report will be maintained, along with copies of the deposit slips.
- (e) Engineer – The need for independent review was identified and resolved midyear when these duties were reassigned between employees. From that point forward, the revenue coding is reviewed at month end by the Engineer. The Assistant to the Engineer maintains a revenue file with monthly revenue reports which have been signed by the Engineer as reviewed. Furthermore, revenue reports (as well as expenditure reports) are currently shared with the Management Team for independent review of those budget items under their area of control.
- (f) Animal Control – Monthly independent reviews will be kept on file at the Animal Control Office. They will be signed and documented by the Animal Control Supervisor.
- (g) Ag Extension – The employees will divide responsibilities so one employee is working with deposits and a second employee will be reconciling accounts.
- (h) County Sheriff – All incoming mail is opened by the Office Coordinator Assistant. She is not authorized to make entries to accounting records. She will prepare a listing of cash and checks received one day a week. The mail is then forwarded to accounting personnel for processing. At a later date, the Office Coordinator will compare to cash receipt records.

Conclusion – Responses accepted.

II-B-15 Financial Reporting – Material amounts of capital assets and compensated absences were not properly recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include/remove these amounts in/from the financial statements.

Recommendation – The County should implement procedures to ensure all capital assets and compensated absences are identified and included or, if appropriate, not included in the County's financial statements.

Response – The County will implement procedures which will monitor more closely and more frequently the addition of capital assets and the editing of asset records. We will continue to document and monitor our reports for accuracy.

Conclusion – Response accepted.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- II-C-15 County Sheriff – The County Sheriff’s Civil Division did not prepare year-to-date spreadsheets of receipts and disbursements. Although bank balances were reconciled with book balances on a monthly basis, differences were not investigated and resolved.

Recommendation – The County Sheriff’s Civil Division should prepare year-to-date spreadsheets of receipts and disbursements. The beginning balances plus receipts minus disbursements should reconcile to the ending book balances. This reconciliation should be reviewed and approved by an independent employee, which should be documented by the reviewer’s signature or initials and the date of the review.

The County Sheriff’s Civil Division should also develop policies and procedures to investigate and resolve any differences in a timely manner.

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

Conclusions – Response accepted.

- II-D-15 Credit Cards – The County has credit cards for use by various employees while on County business. The County’s employee handbook addresses the use of credit cards while on County business. The credit card policy states, “Employees are prohibited from using county credit cards for personal expenses, unless prior authorization is granted from your Department Head.” The credit card policy should not allow for personal use of County credit cards.

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

Response – The County has amended the credit card policy to ensure County funds are only expended on County approved and appropriate expenditures.

Conclusion – Response accepted.

- II-E-15 County Recorder – The County Recorder prepares a monthly list of receipts, month end liabilities and cashbook balances which are reconciled with the bank balances at the end of each month. However, differences are not investigated and resolved in a timely manner.

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

Response – Procedures have been implemented to identify and resolve the differences on a monthly basis.

Conclusion – Response accepted.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

II-F-15 Vacation Payout - The County's employee handbook, section 402:2 (7), states, "Employees may not receive compensation for accrued vacation in lieu of time off unless written approval is received from the Department Head." In June 2015, to comply with excess balances on certain employee vacation carryover, employees received payment for those amounts in excess of the allowable carryover. However, there was no evidence of approval by the Department Head.

Recommendation - The County should obtain Department Head approval for any payment of vacation in accordance with its employee handbook.

Response - The County will document Department Head or Elected Official approval for any payment of accrued vacation in accordance with the employee handbook policy.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Pottawattamie County
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

Pottawattamie County
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted. However, disbursements in one department exceeded the amount appropriated.

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

Response – The County shall continue to monitor and approve appropriate increases and decreases of Office or Department disbursements before disbursements are allowed to exceed appropriations.

Conclusion – Response accepted.

IV-B-15 Questionable Expenditures – Certain expenditures 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 were noted. These expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Famous Dave's	Gift cards for IT employees	\$ 150
Bradley's Floral	Funeral flowers	114
VISA	Gift cards for ISAC Drawing	100
Cardmember Services	Late fee on the credit card	39
Victory Grill Sports & Tap	GIS employee lunch	39

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

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

Response – Public purpose and Board of Supervisors approval will be documented for all expenditures. The County has adopted a written policy for expenditures in relation to retirement, gifts, compensation, funerals and other miscellaneous expenditures with a special purpose or cause.

Conclusion – Response accepted.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

IV-C-15 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-15 Business Transactions – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Jeremy Meyers, Building and Grounds employee	Mowing – Building and Grounds	\$ 500

In accordance with Chapter 331.342(2)(J) of the Code of Iowa, the above transaction does not appear to represent a conflict of interest since the transaction with the individual was less than \$1,500 during the fiscal year.

IV-E-15 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure coverage is adequate for current operations.

IV-F-15 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

The County’s publications of Board proceedings include summaries of resolutions adopted by the Board rather than the full resolutions. Chapter 349.16 of the Code of Iowa requires publication of the proceedings of the Board of Supervisors. Chapter 331.504 of the Code of Iowa states the minutes of the Board are to include a complete text of the motions, resolutions, amendments and ordinances adopted by the Board. An Attorney General’s Opinion dated January 27, 1982 states it is not permissible to publish a summary of resolutions.

Recommendation – Publication of minutes should include the complete text of resolutions adopted by the Board. The County should consult the County Attorney to determine the disposition of the publication of ordinances.

Response – Pottawattamie County will continue to publish the Board minutes adopted by the Board with resolutions included in context.

Conclusion – Response acknowledged. The County should include the complete text of resolutions in the publication of minutes as required by the Code of Iowa.

IV-G-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

IV-H-15 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-15 Solid Waste Fees – During the year ended June 30, 2015, the County retained \$7,500 of solid waste fees in accordance with Chapter 455B.30 of the Code of Iowa.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

IV-J-15 Financial Assurance – The County has elected to demonstrate financial assurance for the landfill transfer station closure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The amount the County has restricted for closure care are at June 30, 2015 exceeds the total estimated costs at that date and, accordingly, the costs are fully funded.

IV-K-15 County Assessor – Questionable Expenditure – An expenditure 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 was noted. The expenditure for the County Assessor’s Office is detailed as follows:

Paid To	Purpose	Amount
Bloom Works Floral	Flowers	\$ 69

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 improper purpose is very thin.

Recommendation – The County Assessor’s Conference Board should determine and document the public purpose served by this expenditure before authorizing any further payments. If this practice is continued, the County Assessor’s Conference Board should establish written policies and procedures, including requirements for proper documentation.

Response – The County Assessor will adopt a written policy for payment of flowers sent for any occasion.

Conclusion – Response acknowledged. The County Assessor’s Conference Board should determine and document the public purpose served by this expenditure before authorizing any further payments.

IV-L-15 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, 2015 did not exceed the amount budgeted.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

IV-M-15 Conservation Credit Card Processing – The County made payments totaling \$3,508 related to processing credit card transactions. Chapter 331.553(5) of the Code of Iowa states, in part, “A county treasurer may adjust fees to reflect the cost of processing such payments.”

Recommendation – The County Conservation Board should adjust the fees charged to reflect the cost of processing credit card payments in accordance with Chapter 331.553(5) of the Code of Iowa.

Response – We are in the process of switching credit card processing to Square. A new account was opened in March of 2015 to receive the credit card charges. Three iPads were purchased to use at Arrowhead Park and Hitchcock Nature Center. Because of the switch to the “chip” readers, the square card readers are on back order due to the high demand. Once we have all the equipment in place, we will begin charging fees to offset a major portion of transaction costs.

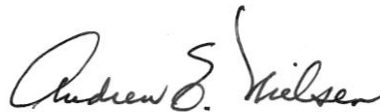
Conclusion – Response accepted.

Pottawattamie County

Staff

This audit was performed by:

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