



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

May 24, 2017

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$185,723,733 for the year ended June 30, 2016, which included \$13,756,417 in tax credits from the state. The County forwarded \$139,187,960 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$46,535,773 of the local tax revenue to finance County operations, a 2.4% increase over the prior year. Other revenues included charges for service of \$6,252,419, operating grants, contributions and restricted interest of \$11,520,010, capital grants, contributions and restricted interest of \$4,395,728, local option sales tax of \$3,196,050, gaming and wagering tax of \$2,136,006, unrestricted investment earnings of \$86,816 and other general revenues of \$1,190,727.

Expenses for County operations for the year ended June 30, 2016 totaled \$61,404,690, a 7.8% decrease from the prior year. Expenses included \$25,569,296 for public safety and legal services, \$13,886,929 for roads and transportation and \$7,060,411 for administration.

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 <https://auditor.iowa.gov/reports/1610-0078-B00F>.

###

POTTAWATTAMIE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

Table of Contents

		<u>Page</u>
Officials		4
Independent Auditor’s Report		5-7
Management’s Discussion and Analysis		9-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20-21
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24-25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	26
Proprietary Fund Financial Statements:		
Statement of Net Position	G	27
Statement of Revenues, Expenses and Changes in Fund Net Position	H	28
Statement of Cash Flows	I	29
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	30
Notes to Financial Statements		31-53
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		56-57
Budget to GAAP Reconciliation		58
Notes to Required Supplementary Information – Budgetary Reporting		59
Schedule of the County’s Proportionate Share of the Net Pension Liability		61
Schedule of County Contributions		62-63
Notes to Required Supplementary Information – Pension Liability		64
Schedule of Funding Progress for the Retiree Health Plan		65
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	68-69
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	70-71
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	72-73
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	74-75
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	76-77
Schedule of Expenditures of Federal Awards	6	78-79

Table of Contents
(continued)

	<u>Page</u>
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	81-82
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	85-86
Schedule of Findings and Questioned Costs	87-97
Staff	98

Pottawattamie County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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 2022



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

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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, 2016, 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, 2016 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.

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 65 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, 2015 (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 Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), 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 May 16, 2017 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

May 16, 2017

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, 2016. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Pottawattamie County's governmental activities revenues decreased 6.7%, or approximately \$5,405,000, from fiscal year 2015. Property and other county tax increased approximately \$54,000 and state tax credits increased approximately \$1,054,000. Capital grants, contributions and restricted interest decreased approximately \$3,551,000, operating grants, contributions and restricted interest decreased approximately \$2,228,000, local option sales tax decreased approximately \$1,154,000 and tax increment financing decreased approximately \$333,000.
- Pottawattamie County's governmental activities expenses decreased 7.8%, or approximately \$5,194,000, from fiscal year 2015. Mental health expenses decreased approximately \$6,226,000 due to distribution of funds to the mental health region in the prior year.
- Pottawattamie County's net position at June 30, 2016 increased approximately \$13,909,000 over the June 30, 2015 balance.
- As of the close of fiscal year 2016, Pottawattamie County had ending fund balances of \$15,997,357 in the General Fund, \$820,490 in the Special Revenue, Mental Health Fund, \$1,556,718 in the Special Revenue, Rural Services Fund, \$10,161,565 in the Special Revenue, Secondary Roads Fund and \$485,902 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 fiscal year 2016 totaled approximately \$115.2 million. This compares to the fiscal year 2015 balance of approximately \$101.3 million. The analysis that follows focuses on the net position of governmental activities.

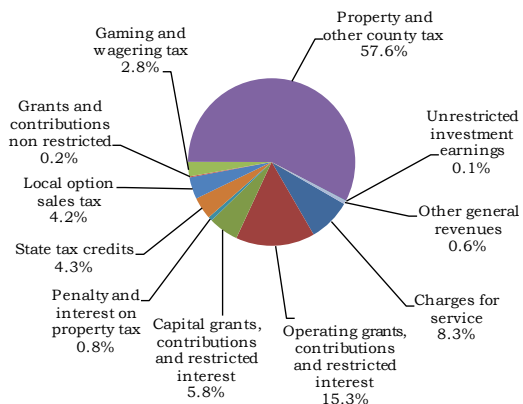
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2016	2015
Current and other assets	\$ 82,901	79,384
Capital assets	101,679	94,227
Total assets	184,580	173,611
Deferred outflows of resources	2,900	2,905
Long-term liabilities	24,241	22,837
Other liabilities	2,637	2,301
Total liabilities	26,878	25,138
Deferred inflows of resources	45,366	50,051
Net position:		
Net investment in capital assets	93,605	83,856
Restricted	21,632	23,668
Unrestricted	(1)	(6,197)
Total net position	\$ 115,236	101,327

Net position of Pottawattamie County's governmental activities increased approximately \$13,909,000 over the fiscal year 2015 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 – increased from a deficit balance of approximately \$6.2 million at June 30, 2015 to a deficit of approximately \$1,000 at the end of this year.

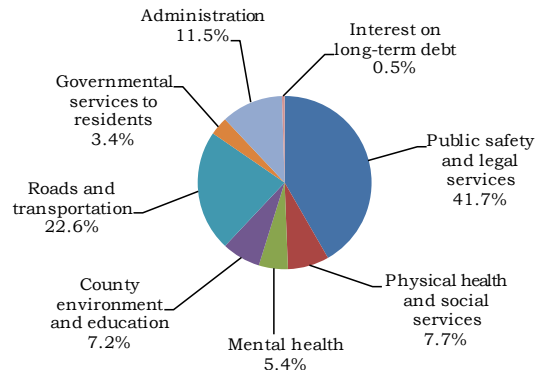
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2016	2015
Revenues:		
Program revenues:		
Charges for service	\$ 6,252	5,815
Operating grants, contributions and restricted interest	11,520	13,748
Capital grants, contributions and restricted interest	4,396	7,947
General revenues:		
Property and other county tax	43,325	43,271
Tax increment financing	-	333
Penalty and interest on property tax	576	314
State tax credits	3,211	2,157
Local option sales tax	3,196	4,350
Grants and contributions non restricted to specific purposes	163	-
Gaming and wagering tax	2,136	2,133
Unrestricted investment earnings	87	79
Gain on disposition of capital assets	10	76
Other general revenues	442	496
Total revenues	75,314	80,719
Program expenses:		
Public safety and legal services	25,569	24,288
Physical health and social services	4,754	5,039
Mental health	3,345	9,571
County environment and education	4,393	4,323
Roads and transportation	13,887	14,401
Governmental services to residents	2,092	1,975
Administration	7,060	6,483
Interest on long-term debt	305	519
Total expenses	61,405	66,599
Change in net position	13,909	14,120
Net position beginning of year	101,327	87,207
Net position end of year	\$ 115,236	101,327

Revenues by Source



Expenses by Program



Pottawattamie County's net position of governmental activities increased approximately \$13,909,000 during the year. Revenues decreased approximately \$5,405,000 and expenses decreased approximately \$5,194,000.

Pottawattamie County's property tax levy rates increased \$0.50 per \$1,000 of taxable valuation for the general basic levy, decreased \$.31965 per \$1,000 of taxable valuation for the mental health services levy, decreased \$0.50 per \$1,000 of taxable valuation for the general supplemental levy and decreased \$0.23357 per \$1,000 of taxable valuation for the total countywide levy. The countywide taxable property valuation increased \$118,246,165.

INDIVIDUAL MAJOR FUND ANALYSIS

As Pottawattamie County completed the year, its governmental funds reported a combined fund balance of \$35,430,769, which is \$3,123,114 more than the combined fund balance of \$32,307,655 at the end of fiscal year 2015.

The General Fund, the operating fund for Pottawattamie County, ended fiscal year 2016 with a \$15,997,357 ending fund balance. This was an increase of \$4,366,348 over the fiscal year 2015 ending fund balance. Taxable property valuation increased from fiscal year 2015 to fiscal year 2016 by approximately 2.7%. Also, intergovernmental revenues decreased approximately \$632,000 due to the County receiving less revenue related to case management during the year due to changes in program and mental health services. Additionally, expenditures for public safety and legal services increased approximately \$891,000 due to Sheriff equipment purchases.

The Special Revenue, Mental Health Fund ended fiscal year 2016 with an \$820,490 balance compared to the prior year ending balance of \$1,078,000. Mental health expenditures decreased approximately \$6,111,000 in fiscal year 2016 from fiscal year 2015 due to less distributions to the mental health region compared to the prior year. The revenues decreased approximately \$1,547,000 in fiscal year 2016 due primarily to a decrease in property tax levy from \$.99402 per \$1,000 of taxable valuation in fiscal year 2015 to \$.67437 per \$1,000 of taxable valuation in fiscal year 2016.

The Special Revenue, Rural Services Fund ended fiscal year 2016 with a \$1,556,718 balance compared to the prior year ending balance of \$1,712,278. Rural Services Fund revenues decreased \$375,900 and expenditures increased \$185,114. Revenues decreased primarily due to FEMA reimbursements related to the 2011 summer flooding which were completed in fiscal year 2015.

The Special Revenue, Secondary Roads Fund ended fiscal year 2016 with a \$10,161,565 balance compared to the prior year ending balance of \$12,786,052. Secondary Roads Fund revenues decreased \$576,546 from fiscal year 2015, mainly due to a decrease in disaster assistance related to road repair and a decrease in local option sales tax. Secondary Roads Fund expenditures increased \$4,657,292 over fiscal year 2015, mainly due to a contribution to the Iowa Department of Transportation to fund a farm-to-market project.

The Debt Service Fund ended FY16 with a \$485,902 balance compared to the prior year ending balance of \$274,692. The increase was due to a \$438,637 increase in property tax and \$262,192 increase in debt service expenditures.

BUDGETARY HIGHLIGHTS

Over the course of the year, Pottawattamie County amended its budget two times. The first amendment was made on March 1, 2016. This amendment resulted in an increase in budgeted receipts of \$5,367,412 related to intergovernmental and miscellaneous. It also resulted in an increase in budgeted disbursements of \$7,485,786 related to physical health and social services, roads and transportation, government services to residents, administration, and capital projects. The first amendment of the year also resulted in a decrease in the budgeted fund balance of \$2,118,374 related to fund balance – restricted and fund balance – unassigned. The second amendment was made on June 7, 2016 and resulted in an increase in budgeted receipts of \$5,000,000 related to general long-term debt proceeds. It also resulted in an increase in budgeted disbursements of \$5,000,000 related to debt services and capital projects.

The County's receipts were \$4,104,876 less than the budgeted amount. Intergovernmental receipts were \$1,797,962 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. Miscellaneous receipts were \$6,107,717 less than the budgeted amount primarily due to the County budgeting for a reimbursement received in the prior year.

Total disbursements were \$11,720,439 less than the amended budget. Actual disbursements for the county environment and education, roads and transportation, and capital projects functions were approximately \$2,855,797, \$3,957,493, and \$2,961,905, respectively, less than budgeted. These differences were due to capital and grant projects continuing into the next fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2016, Pottawattamie County had approximately \$101,679,000 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 \$7,452,000, or 7.9%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2016	2015
Land	\$ 6,685	6,685
Intangibles, not amortized	4,185	4,185
Construction in progress	10,849	10,409
Buildings and improvements	22,386	23,131
Equipment and vehicles	16,481	17,767
Infrastructure	41,093	32,050
Total	<u>\$ 101,679</u>	<u>94,227</u>

Pottawattamie County had depreciation/amortization expense of \$5,956,940 in fiscal year 2016 and total accumulated depreciation/amortization of approximately \$90.3 million on the capital assets at the end of fiscal year 2016. 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 fiscal year 2016, Pottawattamie County had approximately \$10,685,000 of long-term debt outstanding compared to approximately \$12,255,000 outstanding at the end of fiscal year 2015, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2016	2015
General obligation bonds	\$ 2,965	6,365
General obligation capital loan notes	7,720	5,890
Total	\$ 10,685	12,255

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 fiscal year 2017 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 September stands at 3.5% versus 3.2% a year ago. This compares with the State's unemployment rate of 3.7% 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 1.6% for fiscal year 2016, through the month of September, compared with the national rate of 0.1%. After the end of fiscal year 2016, the Consumer Price Index increased slightly due to increases in all items except food and energy, which decreased. As of December 2016, the Midwest Region of the Department of Labor CPI rate was 1.0% compared with the national rate of 0.8%.

The economy and unemployment indicators were taken into account when adopting the County budget for fiscal year 2017. Budgeted expenditures for fiscal year 2017 are \$75,264,714, an increase of \$1,359,501 over the fiscal year 2016 original 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 Melvyn Houser 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

Exhibit A

Pottawattamie County
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 36,166,607
Receivables:	
Property tax:	
Delinquent	112,886
Succeeding year	42,902,000
Interest and penalty on property tax	731,786
Accounts	869,207
Drainage assessments	50
Due from other governments	1,137,289
Inventories	717,674
Prepaid items	263,666
Capital assets not being depreciated/amortized	21,718,915
Capital assets net of accumulated depreciation/amortization	<u>79,959,672</u>
Total assets	<u>184,579,752</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>2,899,602</u>
Liabilities	
Accounts payable	972,977
Accrued interest payable	16,518
Salaries and benefits payable	1,598,179
Due to other governments	49,336
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	2,435,000
General obligation capital loan notes	690,000
Compensated absences	1,452,860
Portion due or payable after one year:	
General obligation bonds	5,285,000
General obligation capital loan notes	2,275,000
Compensated absences	524,126
Net pension liability	10,814,884
Net OPEB liability	<u>764,000</u>
Total liabilities	<u>26,877,880</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	42,902,000
Pension related deferred inflows	<u>2,463,666</u>
Total deferred inflows of resources	<u>45,365,666</u>
Net Position	
Net investment in capital assets	93,605,073
Restricted for:	
Supplemental levy purposes	5,372,579
Mental health purposes	772,424
Rural services purposes	1,498,378
Secondary roads purposes	9,711,239
Debt service	480,059
Other purposes	3,797,438
Unrestricted	(1,382)
Total net position	<u>\$ 115,235,808</u>

See notes to financial statements.

Pottawattamie County

Statement of Activities

Year ended June 30, 2016

	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	\$ 25,569,296	3,177,624	284,784	-	(22,106,888)
Physical health and social services	4,753,552	481,094	2,458,488	-	(1,813,970)
Mental health	3,344,519	-	41,672	-	(3,302,847)
County environment and education	4,392,786	558,730	1,114,722	-	(2,719,334)
Roads and transportation	13,886,929	48,381	7,153,380	3,845,728	(2,839,440)
Governmental services to residents	2,092,039	1,525,525	-	-	(566,514)
Administration	7,060,411	461,065	466,964	550,000	(5,582,382)
Interest on long-term debt	305,158	-	-	-	(305,158)
Total	\$ 61,404,690	6,252,419	11,520,010	4,395,728	(39,236,533)
General Revenues:					
Property and other county tax levied for:					
General purposes					39,141,728
Debt service					4,182,854
Penalty and interest on property tax					575,682
State tax credits					3,211,191
Local option sales tax					3,196,050
Gaming and wagering tax					2,136,006
Grants and contributions not restricted to specific purposes					163,051
Unrestricted investment earnings					86,816
Gain on disposition of capital assets					10,327
Miscellaneous					441,667
Total general revenues					53,145,372
Change in net position					13,908,839
Net position beginning of year					101,326,969
Net position end of year					\$ 115,235,808

See notes to financial statements.

Pottawattamie County

Balance Sheet
Governmental Funds

June 30, 2016

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash, cash equivalents and pooled investments	\$ 16,906,054	858,086	1,585,676	9,378,147
Receivables:				
Property tax:				
Delinquent	81,047	8,371	12,362	-
Succeeding year	31,692,000	2,042,000	5,492,000	-
Interest and penalty on property tax	731,786	-	-	-
Accounts	508,829	-	14,342	115
Drainage assessments	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	514,945	-	13,611	545,070
Inventories	-	-	-	717,674
Prepaid items	263,666	-	-	-
Total assets	\$ 50,698,327	2,908,457	7,117,991	10,641,006
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 620,643	15,201	9,504	260,583
Salaries and benefits payable	1,313,919	22,644	46,787	214,829
Due to other funds	-	-	-	-
Due to other governments	23,856	-	874	4,029
Total liabilities	1,958,418	37,845	57,165	479,441
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	31,692,000	2,042,000	5,492,000	-
Other	1,050,552	8,122	12,108	-
Total deferred inflows of resources	32,742,552	2,050,122	5,504,108	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	717,674
Prepaid items	263,666	-	-	-
Restricted for:				
Supplemental levy purposes	5,271,187	-	-	-
Mental health purposes	-	820,490	-	-
Rural services purposes	-	-	1,549,218	-
Secondary roads purposes	-	-	-	9,443,891
Drainage warrants/drainage improvement certificates	-	-	-	-
Conservation land acquisition/capital improvements	334,034	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	9,591	-	7,500	-
Assigned for:				
Property tax relief	628,158	-	-	-
County Attorney's Office	207,615	-	-	-
Land purchase	1,064,058	-	-	-
Flood and erosion	173,155	-	-	-
Conservation structures	129,379	-	-	-
Unassigned	7,916,514	-	-	-
Total fund balances	15,997,357	820,490	1,556,718	10,161,565
Total liabilities, deferred inflows of resources and fund balances	\$ 50,698,327	2,908,457	7,117,991	10,641,006

See notes to financial statements.

Debt		
Service	Nonmajor	Total
486,471	6,150,440	35,364,874
11,106	-	112,886
3,676,000	-	42,902,000
-	-	731,786
-	345,921	869,207
-	50	50
-	6,380	6,380
-	63,663	1,137,289
-	-	717,674
-	-	263,666
4,173,577	6,566,454	82,105,812
1,000	66,046	972,977
-	-	1,598,179
-	6,380	6,380
-	20,577	49,336
1,000	93,003	2,626,872
3,676,000	-	42,902,000
10,675	64,714	1,146,171
3,686,675	64,714	44,048,171
-	-	717,674
-	-	263,666
-	-	5,271,187
-	-	820,490
-	-	1,549,218
-	-	9,443,891
-	10,754	10,754
-	-	334,034
485,902	-	485,902
-	3,027,138	3,027,138
-	3,370,845	3,387,936
-	-	628,158
-	-	207,615
-	-	1,064,058
-	-	173,155
-	-	129,379
-	-	7,916,514
485,902	6,408,737	35,430,769
4,173,577	6,566,454	82,105,812

Pottawattamie County

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

June 30, 2016

Total governmental fund balances (page 21) \$ 35,430,769

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 \$192,020,504 and the accumulated depreciation/amortization is \$90,341,917. 101,678,587

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. 1,146,171

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 801,733

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	\$ 2,899,602	
Deferred inflows of resources	<u>(2,463,666)</u>	435,936

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. (24,257,388)

Net position of governmental activities (page 18) \$ 115,235,808

See notes to financial statements.

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

Year ended June 30, 2016

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 33,067,907	2,939,735	5,294,762	-
Local option sales tax	-	-	479,523	2,237,774
Interest and penalty on property tax	347,738	-	-	-
Intergovernmental	8,092,548	272,671	301,980	7,143,996
Licenses and permits	400	-	218,697	3,520
Charges for service	2,841,889	-	44,314	-
Use of money and property	91,238	-	-	-
Miscellaneous	512,692	-	8,667	58,715
Total revenues	44,954,412	3,212,406	6,347,943	9,444,005
Expenditures:				
Operating:				
Public safety and legal services	24,111,984	-	271,063	-
Physical health and social services	4,668,270	-	179,547	-
Mental health	-	3,469,916	-	-
County environment and education	2,245,430	-	1,344,353	-
Roads and transportation	1,239	-	-	12,106,261
Governmental services to residents	2,002,535	-	5,540	-
Administration	6,883,005	-	3,000	-
Debt service	-	-	-	-
Capital projects	722,098	-	-	4,664,831
Total expenditures	40,634,561	3,469,916	1,803,503	16,771,092
Excess (deficiency) of revenues over (under) expenditures	4,319,851	(257,510)	4,544,440	(7,327,087)
Other financing sources (uses):				
Sale of capital assets	-	-	-	2,600
Transfers in	46,497	-	-	4,700,000
Transfers out	-	-	(4,700,000)	-
General obligation capital loan notes issued	-	-	-	-
Premium on general obligation capital loan notes issued	-	-	-	-
Payment to refunding bond agent	-	-	-	-
Total other financing sources (uses)	46,497	-	(4,700,000)	4,702,600
Change in fund balances	4,366,348	(257,510)	(155,560)	(2,624,487)
Fund balances beginning of year	11,631,009	1,078,000	1,712,278	12,786,052
Fund balances end of year	\$ 15,997,357	820,490	1,556,718	10,161,565

See notes to financial statements.

Debt Service	Nonmajor	Total
4,183,976	-	45,486,380
-	478,753	3,196,050
-	-	347,738
321,246	451,224	16,583,665
-	-	222,617
-	15,234	2,901,437
40,495	8,274	140,007
-	1,428,805	2,008,879
4,545,717	2,382,290	70,886,773
-	108,103	24,491,150
-	-	4,847,817
-	-	3,469,916
-	1,214,672	4,804,455
-	-	12,107,500
-	314	2,008,389
-	-	6,886,005
4,339,507	-	4,339,507
-	2,019,924	7,406,853
4,339,507	3,343,013	70,361,592
206,210	(960,723)	525,181
-	-	2,600
-	-	4,746,497
-	(46,497)	(4,746,497)
2,220,000	2,450,000	4,670,000
-	140,333	140,333
(2,215,000)	-	(2,215,000)
5,000	2,543,836	2,597,933
211,210	1,583,113	3,123,114
274,692	4,825,624	32,307,655
485,902	6,408,737	35,430,769

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, 2016

Change in fund balances - Total governmental funds (page 25) \$ 3,123,114

**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	\$ 9,555,103	
Capital assets contributed by others	3,845,728	
Depreciation/amortization expense	<u>(5,956,940)</u>	7,443,891

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. 7,727

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	(25,792)	
Other	<u>455,617</u>	429,825

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

Issued	(4,670,000)	
Repaid	<u>6,240,000</u>	1,570,000

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. 2,355,199

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	76,246	
Interest on long-term debt	9,349	
Pension expense	(1,018,102)	
Net OPEB liability	<u>(93,000)</u>	(1,025,507)

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. 4,590

Change in net position of governmental activities (page 19) \$ 13,908,839

See notes to financial statements.

Pottawattamie County
Statement of Net Position
Proprietary Fund
June 30, 2016

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 801,733
Net Position	
Unrestricted	<u>\$ 801,733</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, 2016

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 6,858,024
Miscellaneous		<u>113,789</u>
Total operating revenues		6,971,813
Operating expenses:		
Medical claims	\$ 732,036	
Administrative and other fees	180,183	
Insurance premiums	<u>6,055,549</u>	<u>6,967,768</u>
Operating income		4,045
Non-operating revenues:		
Interest income		<u>545</u>
Net income		4,590
Net position beginning of year		<u>797,143</u>
Net position end of year		<u><u>\$ 801,733</u></u>

See notes to financial statements.

Pottawattamie County

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2016

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating funds	\$ 6,858,024
Cash received from miscellaneous operations	113,789
Cash paid for medical claims	(732,036)
Cash paid for administrative and other fees	(180,183)
Cash paid for insurance premiums	(6,055,549)
Net cash provided by operating activities	4,045
Cash flows from investing activities:	
Interest on investments	545
Net increase in cash and cash equivalents	4,590
Cash and cash equivalents beginning of year	797,143
Cash and cash equivalents end of year	\$ 801,733
Reconciliation of operating income to net cash provided by operating activities:	
Operating income and net cash provided by operating activities	\$ 4,045

See notes to financial statements.

Pottawattamie County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2016

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 22,762,010
Other County officials	221,305

Receivables:

Property tax:

Delinquent	439,058
Succeeding year	128,687,000
Accounts	158,073
Special assessments	972,119
Drainage assessments	381,106
Due from other governments	582,192
Prepaid items	46,142

Total assets

154,249,005

Liabilities

Accounts payable	481,005
Stamped warrants payable	368,982
Salaries and benefits payable	127,187
Due to other governments	152,595,314
Trusts payable	181,652
Compensated absences	494,865

Total liabilities

154,249,005

Net position

\$ -

See notes to financial statements.

Pottawattamie County

Notes to Financial Statements

June 30, 2016

(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, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2015.

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 more than 15 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 and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2016, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories 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. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. 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 applicable to a future year(s) which 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, 2016. 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 applicable to a future year(s) which 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.

(2) Cash, Cash Equivalents and Pooled Investments

The County’s deposits in banks at June 30, 2016 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.

At June 30, 2016, the Conservation Foundation had the following investments:

Investments	Fair Value
Vanguard Mutual Funds	\$ 216,381

The Foundation uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The recurring fair value measurement for the mutual funds of \$216,381 was determined using the last reported sales price at current exchange rates. (Level 1 inputs)

The County had no other investment meeting the disclosure requirement so Governmental Accounting Standards Board Statement No. 72.

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

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
General	Capital Projects	\$ 46,497
Special Revenue: Secondary Roads	Special Revenue: Rural Services	4,700,000
Total		<u>\$ 4,746,497</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, 2016 was as follows:

	Beginning Balance of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 6,684,530	-	-	6,684,530
Intangibles, road network	4,185,189	-	-	4,185,189
Construction in progress	10,409,487	11,543,022	11,103,313	10,849,196
Total capital assets not being depreciated/amortized	21,279,206	11,543,022	11,103,313	21,718,915
Capital assets being depreciated/amortized:				
Buildings	36,125,732	-	-	36,125,732
Improvements other than buildings	2,350,538	192,375	-	2,542,913
Equipment and vehicles	37,807,404	1,466,342	555,227	38,718,519
Intangibles, other	227,338	-	-	227,338
Infrastructure, road network	80,760,364	11,103,313	-	91,863,677
Infrastructure, other	628,202	345,442	150,234	823,410
Total capital assets being depreciated/amortized	157,899,578	13,107,472	705,461	170,301,589
Less accumulated depreciation/amortization for:				
Buildings	14,210,253	833,774	-	15,044,027
Improvements other than buildings	1,135,157	103,971	-	1,239,128
Equipment and vehicles	20,040,835	2,712,053	515,329	22,237,559
Intangibles, other	227,338	-	-	227,338
Infrastructure, road network	49,062,460	2,265,158	-	51,327,618
Infrastructure, other	275,772	41,984	51,509	266,247
Total accumulated depreciation/amortization	84,951,815	5,956,940	566,838	90,341,917
Total capital assets being depreciated/amortized, net	72,947,763	7,150,532	138,623	79,959,672
Governmental activities capital assets, net	\$ 94,226,969	18,693,554	11,241,936	101,678,587

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 2,137,843
Physical health and social services	7,497
Mental health	33,550
County environment and education	279,991
Roads and transportation	2,917,587
Governmental services to residents	101,606
Administration	478,866
Total depreciation/amortization expense - governmental activities	<u>\$ 5,956,940</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, 2016 is as follows:

Fund	Description	Amount
General	Services	\$ 23,856
Special Revenue:		
Rural Services	Services	874
Secondary Roads	Services	4,029
Special Law Enforcement		3,190
Improvement to Increase Economic Stability		17,387
Total for governmental funds		<u>\$ 49,336</u>
Agency:		
County Assessor	Collections	\$ 1,780,900
Mental Health Region		15,128,656
Schools		66,179,758
Community Colleges		6,911,274
Corporations		54,373,322
E911 Surcharge		2,225,869
Auto License and Use Tax		2,182,466
All other		3,813,069
Total for agency funds		<u>\$ 152,595,314</u>

(6) Long-Term Liabilities

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

	General		Compen- sated Absences	Net Pension Liability	Net OPEB Liability	Total
	General Obligation Bonds	Obligation Capital Loan Notes				
Balance beginning of year	\$ 6,365,000	5,890,000	2,053,232	7,857,801	671,000	22,837,033
Increases	-	4,670,000	2,754,217	2,957,083	111,000	10,492,300
Decreases	3,400,000	2,840,000	2,830,463	-	18,000	9,088,463
Balance end of year	<u>2,965,000</u>	<u>7,720,000</u>	<u>1,976,986</u>	<u>10,814,884</u>	<u>764,000</u>	<u>24,240,870</u>
Due within one year	<u>\$ 690,000</u>	<u>2,435,000</u>	<u>1,452,860</u>	<u>-</u>	<u>-</u>	<u>4,577,860</u>

General Obligation Bonds

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 April 16, 2013			Issued December 20, 2013		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2017	0.70%	\$ 175,000	2,800	1.55%	\$ 125,000	20,145
2018	0.90	175,000	1,575	1.55	125,000	18,208
2019		-	-	1.55	130,000	16,270
2020		-	-	1.55	130,000	14,255
2021		-	-	2.00	135,000	12,240
2022-2024		-	-	2.00-2.40	420,000	19,860
Total		\$ 350,000	4,375		\$ 1,065,000	100,978

Year Ending June 30,	Issued September 23, 2014			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2017	2.00%	\$ 390,000	31,000	\$ 690,000	53,945	743,945
2018	2.00	235,000	23,200	535,000	42,983	577,983
2019	2.00	240,000	18,500	370,000	34,770	404,770
2020	2.00	240,000	13,700	370,000	27,955	397,955
2021	2.00	220,000	8,900	355,000	21,140	376,140
2022-2024	2.00	225,000	4,500	645,000	24,360	669,360
Total		\$ 1,550,000	99,800	\$ 2,965,000	205,153	3,170,153

During the year ended June 30, 2016, \$3,400,000 of general obligation bonds were refunded or retired.

General Obligation Capital Loan Notes

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 balance 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.

On June 7, 2016, the County issued \$4,670,000 of general obligation capital loan refunding notes with interest rates ranging from 2.00% to 2.25% per annum. A portion of the notes (\$1,850,000) was issued to pay for improvements and equipment in County offices, a sprinkler system, improvements, equipment and repair of the County jail, all essential county purposes. A portion of the notes (\$600,000) was issued to pay costs of body cameras and vehicles for the Sheriff's department, general county purposes. A portion of the notes (\$2,220,000) was issued as a current refunding to retire the outstanding balance of \$2,215,000 general obligation capital loan notes issued October 27, 2009. The County reduced its total debt service payments over the next four fiscal years by \$96,731 and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$92,525.

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

Year Ending June 30,	Issued May 19, 2015			Issued June 7, 2016		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2017	2.00%	\$ 1,885,000	61,000	2.00%	\$ 550,000	92,556
2018	2.00	1,165,000	23,300	2.00	1,120,000	83,125
2019		-	-	2.00	1,140,000	60,725
2020		-	-	2.00	1,160,000	37,925
2021		-	-	2.00	115,000	14,725
2022-2026		-	-	2.00-2.25	485,000	41,788
2027		-	-	2.25	100,000	2,250
Total		<u>\$ 3,050,000</u>	<u>84,300</u>		<u>\$ 4,670,000</u>	<u>333,094</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2017	\$ 2,435,000	153,556	2,588,556
2018	2,285,000	106,425	2,391,425
2019	1,140,000	60,725	1,200,725
2020	1,160,000	37,925	1,197,925
2021	115,000	14,725	129,725
2022-2026	485,000	41,788	526,788
2027	100,000	2,250	102,250
Total	<u>\$ 7,720,000</u>	<u>417,394</u>	<u>8,137,394</u>

During the year ended June 30, 2016, \$2,840,000 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, PO 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 except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Sheriffs, 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 more than 22 years of service 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 - 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 percentage point. 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 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll 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 6.56% of covered payroll and the County contributed 9.84% of covered payroll for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2016 totaled \$2,355,199.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the County reported a liability of \$10,814,884 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 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, 2015, the County's proportion was 0.218903%, which was an increase of 0.020769% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$1,018,102. At June 30, 2016, 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	\$ 168,597	253,650
Changes of assumptions	307,234	123,606
Net difference between projected and actual earnings on IPERS' investments	-	1,570,379
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	68,572	516,031
County contributions subsequent to the measurement date	2,355,199	-
Total	\$ 2,899,602	2,463,666

\$2,355,199 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, 2017. 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
2017	\$ (855,804)
2018	(855,804)
2019	(855,804)
2020	663,181
2021	(15,032)
Total	<u>\$ (1,919,263)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 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.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 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
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
	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)	\$ 24,862,146	10,814,884	(1,025,801)

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.

Payable to IPERS - All legally required County Contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2016.

(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 441 active and 4 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, 2016 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	30,000
Adjustment to annual required contribution	<u>(39,000)</u>
Annual OPEB cost	111,000
Contributions made	<u>(18,000)</u>
Increase in net OPEB obligation	93,000
Net OPEB obligation beginning of year	<u>671,000</u>
Net OPEB obligation end of year	<u>\$ 764,000</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, 2016, the County contributed \$18,000 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
2014	\$ 65,000	0.0%	\$ 567,000
2015	111,000	6.3	671,000
2016	111,000	16.2	764,000

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016 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 \$25,826,000 and the ratio of the UAAL to covered payroll was 4.04%. As of June 30, 2016 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 \$654 to \$1,532 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 746 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 Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2016 were \$491,772.

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, 2016, no liability has been recorded in the County's financial statements. As of June 30, 2016, 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, 2016, the County paid \$6,355,960 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, 2016, the County's grant payments totaled \$192,560, bringing the cumulative principal and interest paid to \$3,321,660. 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, 2016:

Additions:		
Reimbursements from Counties:		
Pottawattamie County	\$ 1,060,424	
Shelby County	36,583	
Harrison County	64,143	
Cass County	90,117	
Audubon County	16,585	
Mills County	62,069	
Montgomery County	114,993	
Fremont County	42,619	
Page County	51,460	\$ 1,538,993
State direct receiving grant		37,413
State reimbursement		297,070
Interest on investments		429
Iowa Communities Assurance Pool refund		5,610
Miscellaneous		1,295
Total additions		1,880,810
Deductions:		
Salaries	914,942	
Employee benefits	360,035	
Commodities and nutrition services	46,879	
Office supplies	18,225	
Communications and transportation	3,886	
Professional services	13,748	
Utilities	18,960	
Building repair and maintenance	49,190	
Insurance	51,603	
Refunds to counties	445,422	
Miscellaneous	3,144	1,926,034
Net		(45,224)
Balance beginning of year		658,753
Balance end of year		\$ 613,529

(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 \$300,104 has been recorded in the Agency, County Assessor Fund for this benefit program.

For the year ended June 30, 2016, 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, 2016 have been estimated at \$6,261. The County has restricted \$7,500 at June 30, 2016 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, 2016, the County applied credits of \$124,670, bringing the total credits applied to \$1,005,380. The amount to be applied in future years is \$36,599.

(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, 2016 as follows:

Revenues:		
Property and other county tax		\$ 2,939,735
Intergovernmental:		
State tax credits	\$ 229,717	
Other	42,954	272,671
Total revenues		<u>3,212,406</u>
Expenditures:		
Services to persons with:		
Mental illness		376,288
General administration:		
Direct administration	221,989	
Purchased administration	10,000	
Distribution to regional fiscal agent	2,861,639	3,093,628
Total expenditures		<u>3,469,916</u>
Deficiency of revenues under expenditures		(257,510)
Fund balance beginning of year		<u>1,078,000</u>
Fund balance end of year		<u>\$ 820,490</u>

(18) New Accounting Pronouncement

The County adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

Pottawattamie County

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2016

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 49,515,464	-	49,515,464
Interest and penalty on property tax	344,317	-	344,317
Intergovernmental	19,559,710	-	19,559,710
Licenses and permits	217,881	-	217,881
Charges for service	2,877,389	-	2,877,389
Use of money and property	138,538	7,233	131,305
Miscellaneous	1,980,781	121,542	1,859,239
Total receipts	<u>74,634,080</u>	<u>128,775</u>	<u>74,505,305</u>
Disbursements:			
Public safety and legal services	26,923,123	-	26,923,123
Physical health and social services	4,880,008	-	4,880,008
Mental health	3,485,818	-	3,485,818
County environment and education	4,766,223	66,237	4,699,986
Roads and transportation	12,236,360	-	12,236,360
Governmental services to residents	1,969,807	-	1,969,807
Administration	6,907,856	-	6,907,856
Debt service	6,554,507	-	6,554,507
Capital projects	7,013,095	-	7,013,095
Total disbursements	<u>74,736,797</u>	<u>66,237</u>	<u>74,670,560</u>
Excess (deficiency) of receipts over (under) disbursements	(102,717)	62,538	(165,255)
Other financing, sources, net	4,812,933	-	4,812,933
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	4,710,216	62,538	4,647,678
Balance beginning of year	30,654,658	301,487	30,353,171
Balance end of year	<u>\$ 35,364,874</u>	<u>364,025</u>	<u>35,000,849</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
49,718,120	49,718,120	(202,656)
297,000	297,000	47,317
16,599,622	17,761,748	1,797,962
292,425	292,425	(74,544)
2,443,050	2,443,050	434,339
130,882	130,882	423
3,761,670	7,966,956	(6,107,717)
73,242,769	78,610,181	(4,104,876)
27,565,113	27,565,113	641,990
5,499,184	5,504,470	624,462
3,560,024	3,560,024	74,206
7,555,783	7,555,783	2,855,797
12,997,353	16,193,853	3,957,493
2,083,164	2,142,164	172,357
7,121,491	7,146,491	238,635
4,398,101	6,748,101	193,594
3,125,000	9,975,000	2,961,905
73,905,213	86,390,999	11,720,439
(662,444)	(7,780,818)	7,615,563
-	5,000,000	(187,067)
(662,444)	(2,780,818)	7,428,496
17,909,272	17,909,272	12,443,899
17,246,828	15,128,454	19,872,395

Pottawattamie County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2016

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 74,634,080	(3,747,307)	70,886,773
Expenditures	74,736,797	(4,375,205)	70,361,592
Net	(102,717)	627,898	525,181
Other financing sources, net	4,812,933	(2,215,000)	2,597,933
Beginning fund balances	30,654,658	1,652,997	32,307,655
Ending fund balances	\$ 35,364,874	65,895	35,430,769

See accompanying independent auditor's report.

Pottawattamie County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2016

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 \$12,485,786. 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 E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2016, disbursements did not exceed the amounts budgeted.

Pottawattamie County

Pottawattamie County

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

Iowa Public Employees' Retirement System
For the Last Two Years*
(In Thousands)

Required Supplementary Information

	2016	2015
County's proportion of the net pension liability (asset)	0.218903%	0.198134%
County's proportionate share of the net pension liability (asset)	\$ 10,815	7,858
County's covered-employee payroll	\$ 24,863	24,508
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	43.50%	32.06%
IPERS' net position as a percentage of the total pension liability	87.61%	87.61%

* In accordance with GASB Statement No. 68, the amount presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

Pottawattamie County

Schedule of County Contributions

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

Required Supplementary Information

	2016	2015	2014	2013
Statutorily required contribution	\$ 2,355	2,324	2,289	2,212
Contributions in relation to the statutorily required contribution	(2,355)	(2,324)	(2,289)	(2,212)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered-employee payroll	\$ 25,415	24,863	24,508	24,038
Contributions as a percentage of covered-employee payroll	9.27%	9.35%	9.34%	9.20%

See accompanying independent auditor's report.

2012	2011	2010	2009	2008	2007
2,043	1,806	1,661	1,491	1,273	1,155
(2,043)	(1,806)	(1,661)	(1,491)	(1,273)	(1,155)
-	-	-	-	-	-
23,373	22,780	22,505	21,271	20,203	18,819
8.74%	7.93%	7.38%	7.01%	6.30%	6.14%

Pottawattamie County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for 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.

Legislative action in 2008 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.

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 future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

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)
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
2015	July 1, 2014	-	1,044	1,044	0.00	23,084	4.52
2016	July 1, 2014	-	1,044	1,044	0.00	25,826	4.04

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.

Pottawattamie County

Supplementary Information

Pottawattamie County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2016

	Conservation Local Option Tax	Resource Enhance- ment and Protection	County Recorder's Records Management	County Attorney Investigation & Victim	Drainage Districts	Juvenile Diversion	Special Soil Conservation District East
Assets							
Cash, cash equivalents and pooled investments	\$ 55,503	46,798	66,255	7,884	10,754	7,290	517,902
Accounts receivable	-	-	-	-	-	-	-
Drainage assessments receivable	-	-	-	-	50	-	-
Due from other funds	-	-	-	-	-	-	-
Due from other governments	1,546	-	-	-	-	-	773
Total assets	\$ 57,049	46,798	66,255	7,884	10,804	7,290	518,675
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities:							
Accounts payable	\$ 569	3,000	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Total liabilities	569	3,000	-	-	-	-	-
Deferred inflows of resources:							
Unavailable revenues:							
Other	-	-	-	-	50	-	-
Fund balances:							
Restricted for:							
Drainage warrants/drainage improvement certificates	-	-	-	-	10,754	-	-
Capital projects	-	-	-	-	-	-	-
Other purposes	56,480	43,798	66,255	7,884	-	7,290	518,675
Total fund balances	56,480	43,798	66,255	7,884	10,754	7,290	518,675
Total liabilities, deferred inflows of resources and fund balances	\$ 57,049	46,798	66,255	7,884	10,804	7,290	518,675

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	Improvement To Increase Economic Stability	Capital Projects	Total
351,252	353,271	53,134	306,450	1,355,967	2,600	533	218,913	2,795,934	6,150,440
-	-	-	-	31,899	-	-	39,022	275,000	345,921
-	-	-	-	-	-	-	-	-	50
-	-	-	6,380	-	-	-	-	-	6,380
1,546	-	-	58,284	1,514	-	-	-	-	63,663
352,798	353,271	53,134	371,114	1,389,380	2,600	533	257,935	3,070,934	6,566,454
15,514	-	39	3,128	-	-	-	-	43,796	66,046
-	-	-	-	6,380	-	-	-	-	6,380
-	-	-	-	3,190	-	-	17,387	-	20,577
15,514	-	39	3,128	9,570	-	-	17,387	43,796	93,003
-	-	-	64,664	-	-	-	-	-	64,714
-	-	-	-	-	-	-	-	-	10,754
-	-	-	-	-	-	-	-	3,027,138	3,027,138
337,284	353,271	53,095	303,322	1,379,810	2,600	533	240,548	-	3,370,845
337,284	353,271	53,095	303,322	1,379,810	2,600	533	240,548	3,027,138	6,408,737
352,798	353,271	53,134	371,114	1,389,380	2,600	533	257,935	3,070,934	6,566,454

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

Year ended June 30, 2016

	Special							
	Conservation Local Option Tax	Resource Enhance- ment and Protection	County Recorder's Records Management	County Attorney Investigation & Victim	Drainage Districts	Juvenile Diversion	Soil Conservation District East	Soil Conservation District West
Revenues:								
Local option sales tax	\$ 159,842	-	-	-	-	-	159,069	159,842
Intergovernmental	21,591	39,545	-	-	-	-	-	-
Charges for service	-	-	15,234	-	-	-	-	-
Use of money and property	-	36	49	3	-	-	-	-
Miscellaneous	-	-	-	7,881	-	-	-	30
Total revenues	181,433	39,581	15,283	7,884	-	-	159,069	159,872
Expenditures:								
Operating:								
Public safety and legal services	-	-	-	-	-	-	-	-
County environment and education	292,391	31,049	-	-	-	-	69,751	250,248
Governmental services to residents	-	-	314	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Total expenditures	292,391	31,049	314	-	-	-	69,751	250,248
Excess (deficiency) of revenues over (under) expenditures	(110,958)	8,532	14,969	7,884	-	-	89,318	(90,376)
Other financing sources (uses):								
Transfers out	-	-	-	-	-	-	-	-
General obligation capital loan notes issued	-	-	-	-	-	-	-	-
Premium on general obligation capital loan notes issued	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Change in fund balances	(110,958)	8,532	14,969	7,884	-	-	89,318	(90,376)
Fund balances beginning of year	167,438	35,266	51,286	-	10,754	7,290	429,357	427,660
Fund balances end of year	\$ 56,480	43,798	66,255	7,884	10,754	7,290	518,675	337,284

See accompanying independent auditor's report.

Revenue										
Conservation Foundation	Urban Renewal Revenue	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	
-	-	-	-	-	-	-	-	-	478,753	
-	-	-	83,194	238,670	600	-	-	67,624	451,224	
-	-	-	-	-	-	-	-	-	15,234	
7,233	-	-	-	-	-	-	-	953	8,274	
121,542	-	13,567	-	6,785	-	-	729,000	550,000	1,428,805	
128,775	-	13,567	83,194	245,455	600	-	729,000	618,577	2,382,290	
-	-	-	82,879	25,224	-	-	-	-	108,103	
66,237	-	7,186	-	-	-	-	497,810	-	1,214,672	
-	-	-	-	-	-	-	-	-	314	
-	-	-	-	-	-	-	-	2,019,924	2,019,924	
66,237	-	7,186	82,879	25,224	-	-	497,810	2,019,924	3,343,013	
62,538	-	6,381	315	220,231	600	-	231,190	(1,401,347)	(960,723)	
-	-	-	-	-	-	-	-	(46,497)	(46,497)	
-	-	-	-	-	-	-	-	2,450,000	2,450,000	
-	-	-	-	-	-	-	-	140,333	140,333	
-	-	-	-	-	-	-	-	2,543,836	2,543,836	
62,538	-	6,381	315	220,231	600	-	231,190	1,142,489	1,583,113	
290,733	-	46,714	303,007	1,159,579	2,000	533	9,358	1,884,649	4,825,624	
353,271	-	53,095	303,322	1,379,810	2,600	533	240,548	3,027,138	6,408,737	

Pottawattamie County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2016

	County Offices	Agricultural Extension Education	County Assessor	Mental Health Region	Schools	Community Colleges
Assets						
Cash, cash equivalents and pooled investments:						
County Treasurer	\$ -	2,721	762,485	15,254,669	753,482	55,249
Other County officials	218,805	-	-	-	-	-
Receivables:						
Property tax:						
Delinquent	-	614	3,774	-	175,276	12,025
Succeeding year	-	293,000	1,506,000	-	65,251,000	6,844,000
Accounts	2,116	-	-	9,020	-	-
Special assessments	-	-	-	-	-	-
Drainage assessments	-	-	-	-	-	-
Due from other governments	-	-	-	273,600	-	-
Prepaid items	-	-	-	-	-	-
Total assets	\$ 220,921	296,335	2,272,259	15,537,289	66,179,758	6,911,274
Liabilities						
Accounts payable	\$ -	-	11,592	408,633	-	-
Stamped warrants payable	-	-	-	-	-	-
Salaries and benefits payable	-	-	56,109	-	-	-
Due to other governments	180,449	296,335	1,780,900	15,128,656	66,179,758	6,911,274
Trusts payable	40,472	-	-	-	-	-
Compensated absences	-	-	423,658	-	-	-
Total liabilities	\$ 220,921	296,335	2,272,259	15,537,289	66,179,758	6,911,274

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
604,248	9,654	81,801	3,477	268,779	2,134,206	2,182,466	648,773	22,762,010
-	-	-	-	2,500	-	-	-	221,305
133,074	2,811	111,446	-	-	-	-	38	439,058
53,636,000	1,142,000	-	-	-	-	-	15,000	128,687,000
-	-	-	-	1,425	145,512	-	-	158,073
-	-	834,445	137,674	-	-	-	-	972,119
-	-	-	-	-	-	-	381,106	381,106
-	-	-	-	300,209	383	-	8,000	582,192
-	-	-	-	40,616	-	-	5,526	46,142
54,373,322	1,154,465	1,027,692	141,151	613,529	2,280,101	2,182,466	1,058,443	154,249,005
-	-	-	-	6,141	54,232	-	407	481,005
-	-	-	-	-	-	-	368,982	368,982
-	-	-	-	59,418	-	-	11,660	127,187
54,373,322	1,154,465	1,027,692	-	495,726	2,225,869	2,182,466	658,402	152,595,314
-	-	-	141,151	-	-	-	29	181,652
-	-	-	-	52,244	-	-	18,963	494,865
54,373,322	1,154,465	1,027,692	141,151	613,529	2,280,101	2,182,466	1,058,443	154,249,005

Pottawattamie County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2016

Assets and Liabilities	County	Agricultural	County	Mental		Community
	Offices	Extension Education	Assessor	Health Region	Schools	Colleges
Balances beginning of year	\$ 291,877	288,708	2,408,700	14,391,738	65,576,631	5,118,740
Additions:						
Property and other county tax	-	293,104	1,506,796	-	65,262,442	6,844,192
E911 surcharge	-	-	-	-	-	-
State tax credits	-	20,091	112,604	-	5,197,112	392,911
Intergovernmental	-	-	-	6,104,301	-	-
Office fees and collections	2,156,299	-	87	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	3,455,997	-	-	-	-	-
Miscellaneous	-	-	2,509	58,209	-	-
Total additions	5,612,296	313,195	1,621,996	6,162,510	70,459,554	7,237,103
Deductions:						
Agency remittances:						
To other funds	1,165,402	-	-	-	-	-
To other governments	956,055	305,568	1,758,437	5,016,959	69,856,427	5,444,569
Trusts paid out	3,561,795	-	-	-	-	-
Total deductions	5,683,252	305,568	1,758,437	5,016,959	69,856,427	5,444,569
Balances end of year	\$ 220,921	296,335	2,272,259	15,537,289	66,179,758	6,911,274

See accompanying independent auditor's report.

Corporations	Townships	City Special Assess- ments	Special Assess- ments	SWI Juvenile Emergency Services Board	E911 Surcharge	Auto License and Use Tax	Other	Total
54,488,611	1,136,346	1,905,186	245,885	658,753	1,982,220	2,071,539	564,253	151,129,187
53,577,643	1,141,617	-	-	-	-	-	16,940	128,642,734
-	-	-	-	-	743,529	-	-	743,529
4,768,790	52,588	-	-	-	-	-	1,130	10,545,226
-	-	-	-	1,880,381	100,000	-	3,090,336	11,175,018
-	-	-	-	-	-	-	15,235	2,171,621
-	-	-	-	-	-	25,570,351	-	25,570,351
-	-	593,927	46,494	-	-	-	126,653	767,074
-	-	-	-	-	-	-	210,884	3,666,881
-	-	-	-	429	1,673	-	61,645	124,465
58,346,433	1,194,205	593,927	46,494	1,880,810	845,202	25,570,351	3,522,823	183,406,899
-	-	-	-	304,106	-	819,774	-	2,289,282
58,461,722	1,176,086	1,471,421	151,228	141,890	547,321	24,639,650	3,397,615	173,324,948
-	-	-	-	1,480,038	-	-	-	5,041,833
58,461,722	1,176,086	1,471,421	151,228	1,926,034	547,321	25,459,424	3,397,615	180,656,063
54,373,322	1,154,465	1,027,692	141,151	613,529	2,280,101	2,182,466	689,461	153,880,023

Pottawattamie County

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

For the Last Ten Years

	2016	2015	2014	2013
Revenues:				
Property and other county tax	\$ 45,486,380	45,742,273	39,548,540	37,694,564
Local option sales tax	3,196,050	4,349,793	3,405,980	3,174,885
Interest and penalty on property tax	347,738	384,464	344,692	376,744
Intergovernmental	16,583,665	17,741,021	16,549,486	17,335,587
Licenses and permits	222,617	349,597	306,705	261,812
Charges for service	2,901,437	2,718,505	2,696,599	2,695,884
Use of money and property	140,007	147,657	160,514	193,326
Miscellaneous	2,008,879	2,530,247	1,162,080	1,708,008
Total	\$ 70,886,773	73,963,557	64,174,596	63,440,810
Expenditures:				
Operating:				
Public safety and legal services	\$ 24,491,150	23,413,305	22,832,688	21,367,688
Physical health and social services	4,847,817	5,155,835	5,410,187	3,472,444
Mental health	3,469,916	8,580,556	2,613,398	5,229,934
County environment and education	4,804,455	5,420,349	7,374,041	6,494,809
Roads and transportation	12,107,500	11,758,649	9,700,321	12,574,966
Governmental services to residents	2,008,389	2,069,334	1,942,339	2,110,519
Administration	6,886,005	6,540,195	6,205,492	7,031,198
Debt service	4,339,507	4,077,315	3,793,670	4,642,100
Capital projects	7,406,853	1,127,231	1,580,254	3,258,248
Total	\$ 70,361,592	68,142,769	61,452,390	66,181,906

See accompanying independent auditor's report.

Modified Accrual Basis					
2012	2011	2010	2009	2008	2007
36,691,020	35,723,484	32,789,867	29,728,916	27,495,386	26,912,334
3,057,227	3,235,122	2,670,586	3,043,404	2,753,544	2,838,150
318,477	414,271	351,370	344,333	356,284	367,473
17,905,091	19,562,312	21,344,671	19,330,150	21,421,683	19,200,492
187,760	208,229	274,843	1,300,866	249,417	79,260
2,737,391	2,541,245	2,472,731	2,612,651	2,441,290	2,329,394
264,844	333,615	366,219	667,913	1,208,059	1,517,486
1,666,853	1,168,054	1,748,258	2,872,115	2,430,096	1,815,332
<u>62,828,663</u>	<u>63,186,332</u>	<u>62,018,545</u>	<u>59,900,348</u>	<u>58,355,759</u>	<u>55,059,921</u>
20,699,015	19,690,040	19,163,904	18,066,898	16,846,481	15,730,880
3,197,434	3,115,222	3,084,140	2,823,430	2,737,240	2,661,811
11,276,784	9,446,510	9,007,878	9,074,447	10,399,127	8,235,723
5,668,115	5,674,072	5,450,475	6,027,498	4,328,580	4,546,987
11,503,354	10,438,155	11,023,675	10,813,416	9,713,450	9,896,065
1,889,398	1,689,187	1,764,682	1,906,468	1,728,610	1,505,405
6,685,534	5,939,596	6,268,178	7,803,198	5,884,988	6,613,224
3,826,036	3,832,133	9,647,748	2,651,674	2,116,214	1,654,668
2,790,082	3,054,456	10,667,991	4,462,404	7,269,540	3,121,579
<u>67,535,752</u>	<u>62,879,371</u>	<u>76,078,671</u>	<u>63,629,433</u>	<u>61,024,230</u>	<u>53,966,342</u>

Pottawattamie County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2016

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		\$ 3,798
U.S. Department of Justice: Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	2014-MO-BX-008	<u>147,127</u>
Total direct			<u>150,925</u>
Indirect:			
U.S. Department of Agriculture: Iowa Department of Public Health: Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5885A052	133,307
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5885A091	12,114
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5886A091	33,494
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5886A052	<u>407,281</u>
			<u>586,196</u>
Iowa Department of Human Services: Human Services Administrative Reimbursements: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>90,284</u>
Iowa Department of Agriculture and Land Stewardship: WIC Farmers' Market Nutrition Program (FMNP)	10.572		<u>946</u>
U.S. Department of the Interior National Park Service: Iowa Department of Natural Resources: Outdoor Recreation_Acquisition, Development and Planning	15.916	19-01295	<u>87,000</u>
U.S. Department of Justice: Iowa Department of Human Rights: Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	04-JD13-14F-78	9,056
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	04-JD14-15F-78	<u>17,669</u>
			<u>26,725</u>
U.S. Federal Highway Administration: Omaha-Council Bluffs Metropolitan Area Planning Agency: Highway Planning and Construction	20.205	16904101501	<u>30,000</u>
Iowa Department of Transportation: Recreational Trails Program	20.219	2014-NRT-004	<u>51,722</u>
U.S. Department of Transportation National Highway Traffic Safety Administration (NHTSA): Iowa Department of Public Safety: Governor's Traffic Safety Bureau: State and Community Highway Safety	20.600	PAP 15-402-M00P, Task 32-30-00	<u>4,200</u>
U.S. Department of Health and Human Services: Iowa Department of Public Health: Immunization Cooperative Agreements	93.268	58851465	3,976
Immunization Cooperative Agreements	93.268	58861465	<u>2,212</u>
			<u>6,188</u>
Assistance Programs for Chronic Disease Prevention and Control	93.945	5886CD33	<u>4,300</u>

Pottawattamie County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2016

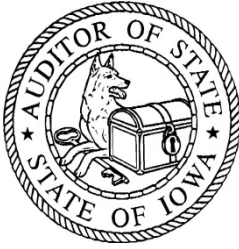
Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expendi- tures
Indirect (continued):			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance -			
State Administered Programs	93.566		241
Child Care Mandatory and Matching Funds of			
the Child Care and Development Fund	93.596		23,939
Foster Care - Title IV-E	93.658		33,976
Adoption Assistance	93.659		11,744
Social Services Block Grant	93.667		28,222
Children's Health Insurance Program	93.767		641
Medical Assistance Program	93.778		170,573
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-DRIA	29,880
Emergency Management Performance Grants	97.042	EMPG-15-PT-78	1,510
Emergency Management Performance Grants	97.042	EMPG-16-PT-78	32,255
			33,765
Total indirect			1,220,542
Total			\$ 1,371,467

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Pottawattamie County under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Pottawattamie County, it is not intended to and does not present the financial position, changes in financial position or cash flows of Pottawattamie County.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pottawattamie County has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

Pottawattamie County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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

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, 2016, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 16, 2017.

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-16 and II-B-16 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-16 through II-F-16 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, 2016 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

May 16, 2017

**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance**

Pottawattamie County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

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) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2016. Pottawattamie County's major federal program is 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 program 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 Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 we considered necessary in the circumstances.

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

Opinion on the 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 its major federal program for the year ended June 30, 2016.

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 program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 that 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Cost as item III-A-16 that we consider to be a significant deficiency.

Pottawattamie County's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Pottawattamie County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



MARY MOSIMAN, CPA
Auditor of State

May 16, 2017

Pottawattamie County
Schedule of Findings and Questioned Costs
Year ended June 30, 2016

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) A significant deficiency in internal control over the major program was noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (g) The major program was as follows:
 - CFDA Number 10.557 – Special Supplemental Nutrition Program for Women, Infants and Children.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Pottawattamie County did not qualify as a low-risk auditee.

Pottawattamie County
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2016

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-16 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County’s financial statements.

Condition – Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	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 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

Cause – The County offices noted above have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the County’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – Each Department should review the control activities of their office to obtain the maximum internal control possible under the circumstances. The Department should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

Responses –

- (a) Community Services – The Department will implement a policy for reviewing the monthly “Fund Report – Month End” for Mental Health. The Supervisor over General Assistance currently reconciles these monthly statements. We will review this to made sure she is documenting this review monthly.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

- (b) Board of Supervisors – We have developed policies to be followed when receiving receipts.
- (c) 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.
- (d) Ag Extension – The employees will divide responsibilities so one employee is working with deposits and a second employee will be reconciling accounts.

Conclusion – Responses accepted.

II-B-16 Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County's financial statements.

Condition – 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 these amounts in the financial statements.

Cause – County policies do not require and procedures have not been established to require independent review of year end cut-off transactions to ensure the County's financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in County employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the County's financial statements were necessary.

Recommendation – The County should establish procedures to ensure all capital assets and compensate absences are identified and properly reported in the County's financial statements.

Response – The County has implemented a new process to add additional personnel that will verify and maintain all assets acquired for the County. The County is training additional personnel in the procedures required to maintain and appropriately report capital assets. The County has made adjustments to no longer double report the compensated absences.

Conclusion – Response accepted.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

II-C-16 Capital Assets

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all assets by maintaining appropriate accounting records and reconciling purchases and disposals of capital assets with existence of physical assets.

Condition – Listings of additions and deletions are not prepared and additions and deletions are not always supported by written documentation.

Cause – Procedures have not been designed and implemented to ensure appropriate accounting records are maintained or to ensure all capital asset transactions are reconciled and the amounts recorded are complete and accurate.

Effect – Lack of policies and procedures resulted in County employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the County's financial statements were necessary.

Recommendation – Listings of capital asset additions and deletions should be prepared. Additionally, a system for written documentation of additions and deletions should be developed. Information should include appropriate details to ensure assets are properly included or deleted from the capital assets records in a timely manner.

Response – The County has implemented a new process to add additional personnel who will verify and maintain all assets acquired for the County. New forms will be utilized for this process. The County is training additional personnel in the processes required to maintain and appropriately report capital assets.

Conclusion – Response accepted.

II-D-16 County Sheriff

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank and book balances.

Condition – The Sheriff's Office does not prepare a year-to-date spreadsheet of receipts and disbursements reconciled to the beginning and ending book balances. Although bank balances were reconciled with book balances on a monthly basis, differences were not investigated and resolved. Also, there is no evidence of independent review of the bank reconciliations for five months of the County Sheriff's Jail Division.

Cause – Procedures have not been designed and implemented to ensure appropriate accounting records are maintained or to ensure all accounts are reconciled and the amounts recorded in the books and bank accounts are complete and accurate. to ensure proper accounting for all funds.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Effect – Inadequate accounting records and a lack of bank to book reconciliations can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

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.

The Jail Division bank reconciliations should be signed or initialed and dated by the reviewer.

Response – We have worked with our software vendor to help create a report that we will now be able to run. This report will be a spreadsheet or Trial Balance Detail by our Sheriff’s Office. The Trial Balance Detail by Case report gives case level information. The parameters for this report are Start Date, End Date and Bank Account. Bank Account is optional but Start Date and End Date are required. The Trial Balance Detail by Department report gives the same information but has a parameter that allows you to consolidate bank accounts so you only see one line of information like a summary report. These reports have all the information the auditor requested.

The inmate bank reconciliation is prepared monthly by a CPA and Detention Manager. After it is done, it is sent over to the Jail Administrator for review. We will ensure the monthly bank account reconciliation is prepared, reviewed, initialed and dated by all parties. The bank reconciliation has been reviewed but not initiated and dated for several months.

Conclusion – Response accepted.

II-E-16 Credit Cards

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity’s governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition - 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.”

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Cause – While a formal policy to regulate the use of credit cards has been established by the County, the ability to use the credit card for personal use as stated in the policy may result in improper or unauthorized transactions.

Effect – Policies which allow for personal use of credit cards could result in unauthorized and unsupported transactions and the opportunity for misappropriation.

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

Response – The County has an updated credit card policy and Board action was taken to approve the policy.

Conclusion – Response accepted.

II-F-16 County Recorder

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank and book balances.

Condition – 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.

Cause – Procedures have not been designed and implemented to ensure appropriate accounting records are maintained or to ensure all accounts are reconciled and the amounts recorded in the books and bank accounts are complete and accurate to ensure proper accounting for all funds.

Effect – Inadequate accounting records and a lack of bank to book reconciliations can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

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 monitor, detect and resolve any differences on a monthly basis.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Pottawattamie County
Schedule of Findings and Questioned Costs
Year ended June 30, 2016

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.557: Special Supplemental Nutrition Program for Women, Infants and Children
Pass-through Agency Number: 5886A052
Federal Award Year: 2016
U.S. Department of Agriculture
Passed through the Iowa Department of Public Health

III-A-16 Expenditure Allocation

Criteria – Title 2, U.S. Code of Federal Regulations, Part 200.400, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) requires all federal costs be properly documented and supported.

Condition – One payment of workers compensation insurance did not include the proper allocation percentages which resulted in an over allocation to the program of \$3,357.

Cause – Procedures have not been designed and implemented to ensure federal expenditures are properly allocated and supported.

Effect – The County is not in compliance with Federal regulations pertaining to proper allocation of federal costs. Federal reimbursements of ineligible costs must be returned to the grantee, making these a local expense.

Recommendation – The County should implement procedures to ensure expenditures are reviewed for proper allocation. In addition, the County should contact the Iowa Department of Public Health to determine the appropriate resolution of the questioned costs.

Response and Corrective Action Planned – Pottawattamie County Women Infants and Children Program staff are working with County Human Resources, Risk Management Group and County Board of Supervisors to develop a policy to ensure correct billing amounts in the future.

Conclusion – Response accepted.

Pottawattamie County
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2016

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-16 Certified Budget – Disbursements during the year ended June 30, 2016 did not exceed the amounts budgeted.

IV-B-16 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:

Paid to	Purpose	Amount
Bloom Works Floral	Funeral flower	\$ 60
Walgreens	5 gift cards for ISAC exchange	150

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.

IV-C-16 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-16 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	\$ 650
Matthew D. Wilber, County employee	Training - Sheriff's office	1,495
Kay Mocha, Planning and Zoning Director	Clean out drainage ditches	800
Betty Collinson, Sheriff employee	Garment repairs	2,922

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Jeremy Meyers, Matthew Wilber and Kay Mocha do not appear to represent conflicts of interest since the transactions with the individual were less than \$1,500 during the fiscal year.

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Betty Collinson may represent a conflict of interest since the transactions exceeded \$1,500 for the fiscal year.

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

Response – The Sheriff's Office has been made aware of the need to solicit competitive bids for future garment repairs due to the amount accumulated for the fiscal year in accordance with Chapter 331.342(2) of the Code of Iowa. The County will consult legal counsel.

Conclusion – Response accepted.

IV-E-16 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-16 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-16 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.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

- IV-H-16 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-16 Solid Waste Fees – During the year ended June 30, 2016, the County retained \$7,500 of solid waste fees in accordance with Chapter 455B.30 of the Code of Iowa.
- IV-J-16 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 at June 30, 2016 exceeds the total estimated costs at that date and, accordingly, the costs are fully funded.
- IV-K-16 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	\$ 64

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 Assessor’s Office adopted a policy for the purchasing of floral arrangements. The policy was approved by the Board of Supervisors and becomes effective on July 1, 2017.

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-16 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, 2016 did not exceed the amount budgeted.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

IV-M-16 Conservation Credit Card Processing – The County made payments totaling \$3,302 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 have switched from credit card processing to Square. With the square readers ordered and in place we will begin charging fees to offset a major portion of transaction costs. With Square we are looking into establishing a 3% administrative fee and also researching the addition of a flat convenience fee rate. MyCountyParks will not allow us to establish a percentage so we will need to increase our prices, and breakout hotel/motel tax for cabins which we currently do and breakout the appropriate administrative fee to cover credit card processing and look at the possibility of a flat convenience fee.

Conclusion – Response accepted.

IV-N-16 Payroll Calculation Method – For the year ended June 30, 2016, elected officials were paid compensation in excess of authorized salary due to the approved fiscal year 2017 wage rate being paid on the entire first payroll in July 2016, although the pay rates for the pay period should be split between June 2016 and July 2016.

Recommendation – The Board of Supervisors should consult legal counsel to determine the disposition of the matter.

Response – The County will work with the software vendor to find the appropriate way to calculate elected official compensation at the authorized amount. The County will consult legal counsel with regard to fiscal year 2016 compensation.

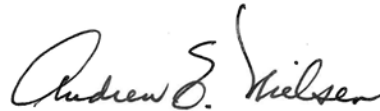
Conclusion – Response accepted.

Pottawattamie County

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Katherine L. Rupp, CPA, Senior Auditor II
Ryan J. Pithan, CPA, Senior Auditor II
Joseph B. Sparks, Senior Auditor
Carolina M. Chavez, Staff Auditor
Alex N. Kawamuka, CPA, Staff Auditor
Eileen D. Loomis, Staff Auditor
Tyler H. Moran, Staff Auditor
Mallory A. Sims, Staff Auditor
Christopher M. Anderson, Assistant Auditor
Ryan M. Barrett, Assistant Auditor
Taylor I. Cook, Assistant Auditor
Alex D. Dau, Assistant Auditor
Melinda D. Lawrence, Assistant Auditor
Rachel E. Sigmon, Auditor Intern



Andrew E. Nielsen, CPA
Deputy Auditor of State