



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE

January 17, 2018

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

The County had local tax revenue of \$188,895,586 for the year ended June 30, 2017, which included \$14,372,912 in tax credits from the state. The County forwarded \$142,808,557 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$46,087,029 of the local tax revenue to finance County operations, a 1.0% decrease from the prior year. Other revenues included charges for service of \$6,454,140, operating grants, contributions and restricted interest of \$10,744,009, capital grants, contributions and restricted interest of \$4,198,496, local option sales tax of \$3,494,236, gaming and wagering tax of \$2,075,324, unrestricted investment earnings of \$70,951 and other general revenues of \$1,704,059.

Expenses for County operations for the year ended June 30, 2017 totaled \$63,056,001, a 2.7% increase over the prior year. Expenses included \$26,901,326 for public safety and legal services, \$14,565,335 for roads and transportation and \$7,589,815 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/1710-0078-B00F>.

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

JUNE 30, 2017

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Pottawattamie County

Officials

(Before January 2017)

<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

(After January 2017)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Scott Belt	Board of Supervisors	Jan 2019
Tom Hanafan	Board of Supervisors	Jan 2019
Justin Schultz	Board of Supervisors	Jan 2019
Marilyn Jo Drake	Board of Supervisors	Jan 2021
Tim Wichman	Board of Supervisors	Jan 2021
Melvyn Houser	County Auditor	Jan 2021
Lea Voss	County Treasurer	Jan 2019
Mark Brandenburg	County Recorder	Jan 2019
Jeffrey Danker	County Sheriff	Jan 2021
Matthew Wilber	County Attorney	Jan 2019
Bill Kealy	County Assessor	Jan 2022



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Independent Auditor's Report

To the Officials of Pottawattamie County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pottawattamie County, Iowa, as of and for the year ended June 30, 2017, 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, 2017 and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 20, Pottawattamie County adopted new accounting guidance related to Governmental Accounting Standard Board (GASB) State No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability and Related Ratios on pages 9 through 16 and 58 through 67 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, 2016 (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 January 4, 2018 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 solely 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 effectiveness of the County's 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

January 4, 2018

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, 2017. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2017. The beginning net position for governmental activities was restated by \$509,582 to retroactively report the increase in the OPEB liability as of July 1, 2016. OPEB expense for fiscal year 2016 and deferred outflows of resources at June 30, 2016 were not restated because the information needed to restate those amounts was not available.
- Pottawattamie County's governmental activities revenues decreased 0.6%, or approximately \$486,000, from fiscal year 2016. Operating grants, contributions and restricted interest decreased approximately \$776,000 and other general revenues increased approximately \$791,000.
- Pottawattamie County's governmental activities expenses increased 2.7%, or approximately \$1,651,000, over fiscal year 2016. Public safety and legal service expenses increased approximately \$1,332,000 over fiscal year 2016.
- Pottawattamie County's net position at June 30, 2017 increased approximately \$11,772,000 over the June 30, 2016 balance.
- As of the close of fiscal year 2017, Pottawattamie County had ending fund balances of \$22,847,074 in the General Fund, \$682,244 in the Special Revenue, Mental Health Fund, \$1,437,488 in the Special Revenue, Rural Services Fund, \$10,969,335 in the Special Revenue, Secondary Roads Fund and \$1,112,678 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 the schedule of changes in total OPEB liability, related ratios and related contributions.

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 2017 totaled approximately \$126.5 million. This compares to the fiscal year 2016 balance of approximately \$115.2 million before restatement. The analysis that follows focuses on the net position of governmental activities before restatement.

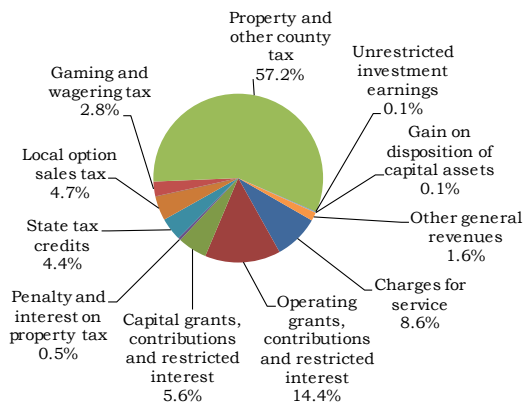
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2017 (Not Restated)	2016
Current and other assets	\$ 89,501	82,901
Capital assets	102,231	101,679
Total assets	191,732	184,580
Deferred outflows of resources	6,787	2,900
Long-term liabilities	26,772	24,241
Other liabilities	1,403	2,637
Total liabilities	28,175	26,878
Deferred inflows of resources	43,846	45,366
Net position:		
Net investment in capital assets	95,984	93,605
Restricted	24,553	21,632
Unrestricted	5,961	(1)
Total net position	\$ 126,498	115,236

Prior to restatement, net position of Pottawattamie County's governmental activities increased approximately \$11,292,000 over the fiscal year 2016 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 \$1,000 at June 30, 2016 to approximately \$6.0 million at the end of this year.

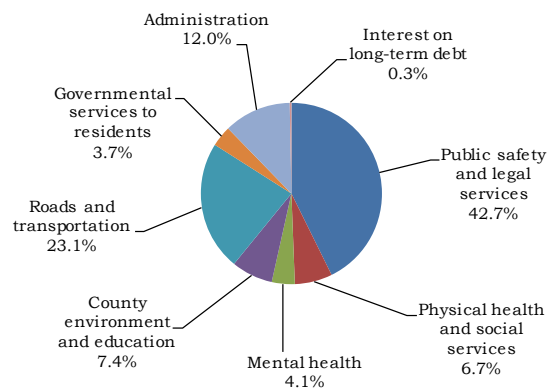
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2016	2017 (Not Restated)
Revenues:		
Program revenues:		
Charges for service	\$ 6,454	6,252
Operating grants, contributions and restricted interest	10,744	11,520
Capital grants, contributions and restricted interest	4,198	4,396
General revenues:		
Property and other county tax	42,832	43,325
Penalty and interest on property tax	392	576
State tax credits	3,255	3,211
Local option sales tax	3,494	3,196
Grants and contributions non restricted to specific purposes	-	163
Gaming and wagering tax	2,075	2,136
Unrestricted investment earnings	71	87
Gain on disposition of capital assets	80	10
Other general revenues	1,233	442
Total revenues	74,828	75,314
Program expenses:		
Public safety and legal services	26,901	25,569
Physical health and social services	4,254	4,754
Mental health	2,570	3,345
County environment and education	4,665	4,393
Roads and transportation	14,565	13,887
Governmental services to residents	2,305	2,092
Administration	7,590	7,060
Interest on long-term debt	206	305
Total expenses	63,056	61,405
Change in net position	11,772	13,909
Net position beginning of year, restated	114,726	101,327
Net position end of year	\$ 126,498	115,236

Revenues by Source



Expenses by Program



Pottawattamie County's net position of governmental activities increased approximately \$11,772,000 during the year. Revenues decreased approximately \$486,000 and expenses increased approximately \$1,651,000.

Pottawattamie County's property tax levy rates remained the same for the general basic, general supplemental and rural basic levies, decreased \$.21725 per \$1,000 of taxable valuation for the mental health services levy, and decreased \$0.127130 per \$1,000 of taxable valuation for the debt service levy. The countywide taxable property valuation increased \$148,129,409, or 3.3% and the rural taxable property valuation increased \$69,173,589, or 4.2%.

INDIVIDUAL MAJOR FUND ANALYSIS

As Pottawattamie County completed the year, its governmental funds reported a combined fund balance of \$43,120,147, which is \$7,689,378 more than the combined fund balance of \$35,430,769 at the end of fiscal year 2016.

The General Fund, the operating fund for Pottawattamie County, ended fiscal year 2017 with a \$22,847,074 ending fund balance. This was an increase of \$6,849,717 over the fiscal year 2016 ending fund balance. Also, revenues increased approximately \$1,133,000 from fiscal year 2016 to fiscal year 2017. Expenditures decreased approximately \$960,000 from fiscal year 2016 to fiscal year 2017.

The Special Revenue, Mental Health Fund ended fiscal year 2017 with a \$682,244 balance compared to the prior year ending balance of \$820,490. Mental health expenditures decreased approximately \$924,000 in fiscal year 2017 from fiscal year 2016 due to less distributions to the mental health region compared to the prior year. The revenues decreased approximately \$804,000 in fiscal year 2017 due primarily to a decrease in property tax levy from \$.67437 per \$1,000 of taxable valuation in fiscal year 2016 to \$.45712 per \$1,000 of taxable valuation in fiscal year 2017.

The Special Revenue, Rural Services Fund ended fiscal year 2017 with a \$1,437,488 balance compared to the prior year ending balance of \$1,556,718. Rural Services Fund revenues increased approximately \$287,000, expenditures increased \$51,000 and transfers out increased \$200,000.

The Special Revenue, Secondary Roads Fund ended fiscal year 2017 with a \$10,969,335 balance compared to the prior year ending balance of \$10,161,565. Secondary Roads Fund revenues increased approximately \$582,000 from fiscal year 2016. Secondary Roads Fund expenditures decreased approximately \$2,653,000 from fiscal year 2016, mainly due to a contribution to the Iowa Department of Transportation to fund a farm-to-market project in the prior year.

The Debt Service Fund ended FY17 with a \$1,112,678 balance compared to the prior year ending balance of \$485,902. The increase was due to a decrease in debt service expenditures of approximately \$1,005,000.

BUDGETARY HIGHLIGHTS

Over the course of the year, Pottawattamie County amended its budget two times. The first amendment was made on March 14, 2017. This amendment resulted in an increase in budgeted receipts of \$284,000 related to intergovernmental and miscellaneous. It also resulted in an increase in budgeted disbursements of \$3,411,143 related to physical health and social services, government services to residents, administration, debt service and capital projects. The first amendment of the year also resulted in a decrease in the budgeted fund balance of \$3,127,143 related to fund balance – restricted and fund balance – unassigned. The second amendment was made on June 13, 2017 and resulted in an increase in budgeted receipts of \$1,053,500 related to intergovernmental and charges for service. It also resulted in an increase in budgeted disbursements of \$602,500 related to public safety and legal services and administration. The second amendment of the year also resulted in a decrease in the budgeted fund balance of \$168,000 related to fund balance – restricted and an increase in the budgeted fund balance of \$619,000 related to fund balance – unassigned.

The County's receipts were \$1,213,265 less than the budgeted amount. Miscellaneous receipts were \$1,391,136 less than the amended budget, primarily due to not receiving \$300,000 for storm damage reimbursements originally budgeted for and only receiving \$515,950 of CITIES grants when \$2,000,000 was budgeted to be received.

Total disbursements were \$11,187,728 less than the amended budget. Actual disbursements for the county environment and education, roads and transportation, and capital projects functions were approximately \$2,307,197, \$3,306,078, and \$1,541,125, 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 2017, Pottawattamie County had approximately \$102,231,000 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 \$552,000, or 0.5%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2017	2016
Land	\$ 6,724	6,685
Intangibles, not amortized	4,185	4,185
Construction in progress	4,752	10,849
Buildings and improvements	23,728	22,386
Equipment and vehicles	15,017	16,481
Infrastructure	47,825	41,093
Total	<u>\$102,231</u>	<u>101,679</u>

Pottawattamie County had depreciation/amortization expense of \$6,839,037 in fiscal year 2017 and total accumulated depreciation/amortization of approximately \$96.7 million on the capital assets at the end of fiscal year 2017. 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 2017, Pottawattamie County had approximately \$7,560,000 of long-term debt outstanding compared to approximately \$10,685,000 outstanding at the end of fiscal year 2016, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2017	2016
General obligation bonds	\$ 2,275	2,965
General obligation capital loan notes	5,285	7,720
Total	\$ 7,560	10,685

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 \$440 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 2018 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 August 2017 stands at 3.0% versus 3.5% a year ago. This compares with the State's unemployment rate of 3.3% and the national rate of 4.4%.

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 increase was 1.5% for fiscal year 2017, through the month of September, compared with the national rate of 2.2%.

The economy and unemployment indicators were taken into account when adopting the County budget for fiscal year 2018. Budgeted expenditures for fiscal year 2018 are \$79,311,072, an increase of \$4,046,358 over the fiscal year 2017 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, 2017

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 42,276,392
U.S. Treasury Securities on deposit with escrow agent	585,326
Receivables:	
Property tax:	
Delinquent	126,213
Succeeding year	42,811,000
Interest and penalty on property tax	783,609
Accounts	371,689
Accrued interest	372
Drainage assessments	50
Due from other governments	1,590,719
Inventories	691,102
Prepaid items	264,674
Capital assets not being depreciated/amortized	15,661,056
Capital assets net of accumulated depreciation/amortization	<u>86,570,267</u>
Total assets	<u>191,732,469</u>
Deferred Outflows of Resources	
Pension related deferred outflows	6,444,119
OPEB related deferred outflows	<u>342,743</u>
Total deferred outflows of resources	<u>6,786,862</u>
Liabilities	
Accounts payable	662,712
Accrued interest payable	12,451
Salaries and benefits payable	600,538
Due to other governments	127,451
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	535,000
General obligation capital loan notes	2,285,000
Compensated absences	1,619,764
Portion due or payable after one year:	
General obligation bonds	1,740,000
General obligation capital loan notes	3,000,000
Compensated absences	456,027
Net pension liability	15,470,412
Net OPEB liability	<u>1,665,822</u>
Total liabilities	<u>28,175,177</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	42,811,000
Pension related deferred inflows	<u>1,034,685</u>
Total deferred inflows of resources	<u>43,845,685</u>
Net Position	
Net investment in capital assets	95,984,456
Restricted for:	
Supplemental levy purposes	5,898,043
Mental health purposes	620,418
Rural services purposes	1,340,534
Secondary roads purposes	10,438,540
Debt service	1,111,233
Capital projects	1,117,833
Other purposes	4,026,418
Unrestricted	<u>5,960,994</u>
Total net position	<u>\$ 126,498,469</u>

See notes to financial statements.

Pottawattamie County

Statement of Activities

Year ended June 30, 2017

	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	\$ 26,901,326	3,713,101	411,293	-	(22,776,932)
Physical health and social services	4,254,004	203,694	1,969,663	-	(2,080,647)
Mental health	2,569,930	-	208,328	-	(2,361,602)
County environment and education	4,664,917	599,530	674,431	1,131,256	(2,259,700)
Roads and transportation	14,565,335	16,909	7,480,294	3,067,240	(4,000,892)
Governmental services to residents	2,304,990	1,500,321	-	-	(804,669)
Administration	7,589,815	420,585	-	-	(7,169,230)
Interest on long-term debt	205,684	-	-	-	(205,684)
Total	\$ 63,056,001	6,454,140	10,744,009	4,198,496	(41,659,356)
General Revenues:					
Property and other county tax levied for:					
General purposes					39,164,376
Debt service					3,667,972
Penalty and interest on property tax					391,795
State tax credits					3,254,681
Local option sales tax					3,494,236
Gaming and wagering tax					2,075,324
Unrestricted investment earnings					70,951
Gain on disposition of capital assets					80,096
Miscellaneous					1,232,168
Total general revenues					53,431,599
Change in net position					11,772,243
Net position beginning of year, restated					114,726,226
Net position end of year					\$ 126,498,469

See notes to financial statements.

Pottawattamie County

Balance Sheet
Governmental Funds

June 30, 2017

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash, cash equivalents and pooled investments	\$ 22,651,752	693,735	1,422,131	9,737,868
U.S. Treasury Securities on deposit with escrow agent	-	-	-	-
Receivables:				
Property tax:				
Delinquent	96,596	6,222	12,336	-
Succeeding year	32,184,000	2,057,000	5,734,000	-
Interest and penalty on property tax	783,609	-	-	-
Accounts	343,541	-	2,446	1,617
Accrued interest	-	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	538,185	-	45,011	907,720
Inventories	-	-	-	691,102
Prepaid items	264,674	-	-	-
Total assets	\$ 56,862,357	2,756,957	7,215,924	11,338,307
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 305,456	-	17,204	288,835
Salaries and benefits payable	495,276	11,529	14,897	78,405
Due to other governments	125,419	-	-	1,732
Total liabilities	926,151	11,529	32,101	368,972
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	32,184,000	2,057,000	5,734,000	-
Other	905,132	6,184	12,335	-
Total deferred inflows of resources	33,089,132	2,063,184	5,746,335	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	691,102
Prepaid items	264,674	-	-	-
Restricted for:				
Supplemental levy purposes	5,806,099	-	-	-
Mental health purposes	-	682,244	-	-
Rural services purposes	-	-	1,429,988	-
Secondary roads purposes	-	-	-	10,278,233
Drainage warrants/drainage improvement certificates	-	-	-	-
Conservation land acquisition/capital improvements	335,603	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	27,659	-	7,500	-
Assigned for:				
Property tax relief	960,125	-	-	-
County Attorney's Office	235,273	-	-	-
Land purchase	1,064,058	-	-	-
Flood and erosion	173,155	-	-	-
Conservation structures	118,485	-	-	-
Unassigned	13,861,943	-	-	-
Total fund balances	22,847,074	682,244	1,437,488	10,969,335
Total liabilities, deferred inflows of resources and fund balances	\$ 56,862,357	2,756,957	7,215,924	11,338,307

See notes to financial statements.

Debt Service	Nonmajor	Total
526,927	6,014,633	41,047,046
585,326	-	585,326
11,059	-	126,213
2,836,000	-	42,811,000
-	-	783,609
-	24,085	371,689
372	-	372
-	50	50
-	99,803	1,590,719
-	-	691,102
-	-	264,674
3,959,684	6,138,571	88,271,800

-	51,217	662,712
-	431	600,538
-	300	127,451
-	51,948	1,390,701

2,836,000	-	42,811,000
11,006	15,295	949,952
2,847,006	15,295	43,760,952

-	-	691,102
-	-	264,674
-	-	5,806,099
-	-	682,244
-	-	1,429,988
-	-	10,278,233
-	10,754	10,754
-	-	335,603
1,112,678	-	1,112,678
-	2,415,721	2,415,721
-	3,644,853	3,680,012
-	-	960,125
-	-	235,273
-	-	1,064,058
-	-	173,155
-	-	118,485
-	-	13,861,943
1,112,678	6,071,328	43,120,147
3,959,684	6,138,571	88,271,800

Pottawattamie County

Pottawattamie County

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

June 30, 2017

Total governmental fund balances (page 21)	\$ 43,120,147
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 \$198,978,222 and the accumulated depreciation/amortization is \$96,746,899.	102,231,323
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.	949,952
The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	1,229,346
Pension and OPEB 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	\$ 6,786,862
Deferred inflows of resources	<u>(1,034,685)</u>
	5,752,177
Long-term liabilities, including bonds payable, notes payable, compensated absences payable, other postemployment benefits payable, net pension liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(26,784,476)</u>
Net position of governmental activities (page 18)	<u>\$ 126,498,469</u>

See notes to financial statements.

Pottawattamie County

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

Year ended June 30, 2017

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 33,697,287	2,036,391	5,490,403	-
Local option sales tax	-	-	524,020	2,445,424
Interest and penalty on property tax	339,351	-	-	-
Intergovernmental	8,590,805	371,598	331,717	7,480,294
Licenses and permits	300	-	240,358	5,415
Charges for service	2,952,986	-	40,881	-
Use of money and property	101,589	-	-	-
Miscellaneous	405,382	-	7,677	94,840
Total revenues	46,087,700	2,407,989	6,635,056	10,025,973
Expenditures:				
Operating:				
Public safety and legal services	24,348,576	-	196,576	-
Physical health and social services	4,090,315	-	206,426	-
Mental health	768	2,546,235	-	-
County environment and education	2,083,826	-	1,303,294	-
Roads and transportation	-	-	-	12,061,549
Governmental services to residents	2,155,798	-	3,740	-
Administration	6,995,195	-	144,250	-
Debt service	-	-	-	-
Capital projects	-	-	-	2,056,654
Total expenditures	39,674,478	2,546,235	1,854,286	14,118,203
Excess (deficiency) of revenues over (under) expenditures	6,413,222	(138,246)	4,780,770	(4,092,230)
Other financing sources (uses):				
Transfers in	436,495	-	-	4,900,000
Transfers out	-	-	(4,900,000)	-
Total other financing sources (uses)	436,495	-	(4,900,000)	4,900,000
Change in fund balances	6,849,717	(138,246)	(119,230)	807,770
Fund balances beginning of year	15,997,357	820,490	1,556,718	10,161,565
Fund balances end of year	\$ 22,847,074	682,244	1,437,488	10,969,335

See notes to financial statements.

Debt Service	Nonmajor	Total
3,667,641	-	44,891,722
-	524,792	3,494,236
-	-	339,351
291,412	464,269	17,530,095
-	-	246,073
-	15,567	3,009,434
2,473	25,337	129,399
-	1,728,109	2,236,008
<u>3,961,526</u>	<u>2,758,074</u>	<u>71,876,318</u>
-	149,801	24,694,953
-	-	4,296,741
-	-	2,547,003
-	1,128,965	4,516,085
-	-	12,061,549
-	6,408	2,165,946
-	-	7,139,445
3,334,750	-	3,334,750
-	1,373,814	3,430,468
<u>3,334,750</u>	<u>2,658,988</u>	<u>64,186,940</u>
<u>626,776</u>	<u>99,086</u>	<u>7,689,378</u>
-	-	5,336,495
-	(436,495)	(5,336,495)
-	(436,495)	-
626,776	(337,409)	7,689,378
485,902	6,408,737	35,430,769
<u>1,112,678</u>	<u>6,071,328</u>	<u>43,120,147</u>

Pottawattamie County

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

Year ended June 30, 2017

Change in fund balances - Total governmental funds (page 25) \$ 7,689,378

**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	\$ 4,244,437	
Capital assets contributed by others	3,067,240	
Depreciation/amortization expense	<u>(6,839,037)</u>	472,640

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. 80,096

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	17,427	
Other	<u>(213,646)</u>	(196,219)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 3,125,000

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. 2,532,126

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	(98,805)	
Interest on long-term debt	4,067	
Pension expense	(2,214,156)	
OPEB expense	<u>(49,497)</u>	(2,358,391)

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. 427,613

Change in net position of governmental activities (page 19) \$ 11,772,243

See notes to financial statements.

Pottawattamie County
Statement of Net Position
Proprietary Fund
June 30, 2017

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	<u>\$ 1,229,346</u>
Net Position	
Unrestricted	<u>\$ 1,229,346</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, 2017

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$7,174,625
Miscellaneous		<u>127,455</u>
Total operating revenues		7,302,080
Operating expenses:		
Medical claims	\$ 1,162,353	
Administrative and other fees	180,487	
Insurance premiums	<u>5,532,437</u>	<u>6,875,277</u>
Operating income		426,803
Non-operating revenues:		
Interest income		<u>810</u>
Net income		427,613
Net position beginning of year		<u>801,733</u>
Net position end of year		<u>\$ 1,229,346</u>

See notes to financial statements.

Pottawattamie County

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2017

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating funds	\$ 7,174,625
Cash received from miscellaneous operations	127,455
Cash paid for medical claims	(1,162,353)
Cash paid for administrative and other fees	(180,487)
Cash paid for insurance premiums	<u>(5,532,437)</u>
Net cash provided by operating activities	426,803
Cash flows from investing activities:	
Interest on investments	<u>810</u>
Net increase in cash and cash equivalents	427,613
Cash and cash equivalents beginning of year	<u>801,733</u>
Cash and cash equivalents end of year	<u>\$ 1,229,346</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income and net cash provided by operating activities	<u>\$ 426,803</u>

See notes to financial statements.

Pottawattamie County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2017

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 22,452,221
Other County officials	209,474
Receivables:	
Property tax:	
Delinquent	537,828
Succeeding year	131,986,000
Accounts	53,709
Special assessments	1,155,474
Drainage assessments	286,749
Due from other governments	445,153
Prepaid items	45,258
	<hr/>
Total assets	157,171,866

Liabilities

Accounts payable	567,233
Stamped warrants payable	268,863
Salaries and benefits payable	44,340
Due to other governments	155,622,351
Trusts payable	168,060
Compensated absences	501,019
	<hr/>
Total liabilities	157,171,866

Net position	\$ -
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See notes to financial statements.

Pottawattamie County

Notes to Financial Statements

June 30, 2017

(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, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2016.

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, 2017, 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, furniture and equipment and intangibles acquired after July 1, 1980 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 and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments 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, 2017. 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 unrecognized items not yet credited to pension expense.

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, 2017 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, 2017, the County and the Conservation Foundation had the following investments:

Investments	Carrying Amount	Fair Value
Conservation Foundation: Vanguard Mutual Funds	\$ 258,339	258,339
Held in escrow: Money market funds (U.S. Government Securities, U.S. Treasury obligations and Repurchase Agreements)	\$ 585,326	585,326

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 City.

Fair Value Measurement – The County and the Conservation Foundation use 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 and Level 3 inputs are significant unobservable inputs.

The recurring fair value measurement for the mutual fund of \$258,339 was determined using the last reported sales price at current exchange rates. (Level 1 inputs)

County investments that do not have a readily determinable fair value, such as ownership interest in open end money market accounting, are reported using Net Asset Value per share (NAV). Used as a practical expedient for the estimated fair value, NAV per share or its equivalent is provided by the fund manager and reviewed by the County. Investment holdings using the NAV as a practical expedient consist of County interests in open end mutual funds.

Due to the nature of the investments held by the funds, changes in market conditions, economic environment, regulatory environment, currency exchange rates, interest rates and commodity price fluctuations may significantly impact the NAV of the funds and, consequently, the fair value of the County’s interest in the funds and could materially affect the amounts reported in the financial statements. The County’s escrow agent attempts to manage these risks through diversification, ongoing due diligence, maintain adequate liquidity and continuously monitoring economic and market conditions.

The following table reflects fair value measurements of investment assets at June 30, 2017 as categorized by level of the fair value hierarchy or NAV:

	Quoted Market Prices for Identical Assets (Level 1)	Net Asset Value	Total
Conservation Foundation: Vanguard Mutual Funds	\$ 258,339	-	258,339
Held in escrow: Money market funds	-	585,326	585,326
	\$ 258,339	585,326	843,665

The following table summarizes the County's investments at June 30, 2017 for which net asset value was used as a practical expedient to estimate fair value:

Asset Class	Fair Value Determined Using NAV	Unfunded Commitments at June 30, 2017	Redemption Frequency	Redemption Notice Period
Money market funds	\$ 585,326	-	Daily	N/A

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer to	Transfer from	Amount
General	Capital Projects	\$ 436,495
Special Revenue: Secondary Roads	Special Revenue: Rural Services	4,900,000
Total		<u>\$ 5,336,495</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, 2017 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	39,000	-	6,723,530
Intangibles, road network	4,185,189	-	-	4,185,189
Construction in progress	10,849,196	5,956,964	12,053,823	4,752,337
Total capital assets not being depreciated/amortized	21,718,915	5,995,964	12,053,823	15,661,056
Capital assets being depreciated/amortized:				
Buildings	36,125,732	2,395,914	-	38,521,646
Improvements other than buildings	2,542,913	30,036	-	2,572,949
Equipment and vehicles	38,718,519	1,393,281	393,563	39,718,237
Intangibles, other	227,338	-	-	227,338
Infrastructure, road network	91,863,677	9,657,909	-	101,521,586
Infrastructure, other	823,410	-	68,000	755,410
Total capital assets being depreciated/amortized	170,301,589	13,477,140	461,563	183,317,166
Less accumulated depreciation/amortization for:				
Buildings	15,044,027	948,935	-	15,992,962
Improvements other than buildings	1,239,128	134,007	-	1,373,135
Equipment and vehicles	22,237,559	2,845,573	381,922	24,701,210
Intangibles, other	227,338	-	-	227,338
Infrastructure, road network	51,327,618	2,872,830	-	54,200,448
Infrastructure, other	266,247	37,692	52,133	251,806
Total accumulated depreciation/amortization	90,341,917	6,839,037	434,055	96,746,899
Total capital assets being depreciated/amortized, net	79,959,672	6,638,103	27,508	86,570,267
Governmental activities capital assets, net	<u>\$ 101,678,587</u>	<u>12,634,067</u>	<u>12,081,331</u>	<u>102,231,323</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 2,138,313
Physical health and social services	5,421
Mental health	33,550
County environment and education	393,582
Roads and transportation	3,506,532
Governmental services to residents	99,968
Administration	661,671
Total depreciation/amortization expense - governmental activities	<u>\$ 6,839,037</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, 2017 is as follows:

Fund	Description	Amount
General	Services	\$ 125,419
Special Revenue:		
Secondary Roads	Services	1,732
County Attorney Drug Forfeiture		300
Total for governmental funds		<u>\$ 127,451</u>
Agency:		
County Assessor	Collections	\$ 1,890,797
Mental Health Region		14,463,873
Schools		67,518,250
Community Colleges		6,024,043
Corporations		56,902,550
E911 Surcharge		2,372,753
Auto License and Use Tax		2,124,000
All other		4,326,085
Total for agency funds		<u>\$ 155,622,351</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	General Obligation Bonds	General Obligation Capital Loan Notes	Compen- sated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year, as restated	\$ 2,965,000	7,720,000	1,976,986	10,814,884	1,273,582	24,750,452
Increases	-	-	2,996,137	4,655,528	392,240	8,043,905
Decreases	690,000	2,435,000	2,897,332	-	-	6,022,332
Balance end of year	<u>2,275,000</u>	<u>5,285,000</u>	<u>2,075,791</u>	<u>15,470,412</u>	<u>1,665,822</u>	<u>26,772,025</u>
Due within one year	<u>\$ 535,000</u>	<u>2,285,000</u>	<u>1,619,764</u>	<u>-</u>	<u>-</u>	<u>4,439,764</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 2.0% 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
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		-	-	2.00	135,000	9,540
2023-2024		-	-	2.40	285,000	10,320
Total		<u>\$ 175,000</u>	<u>1,575</u>		<u>\$ 940,000</u>	<u>80,833</u>

Year Ending June 30,	Issued September 23, 2014			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
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	2.00	225,000	4,500	360,000	14,040	374,040
2023-2024	2.00	-	-	285,000	10,320	295,320
Total		<u>\$ 1,160,000</u>	<u>68,800</u>	<u>\$ 2,275,000</u>	<u>151,208</u>	<u>2,426,208</u>

During the year ended June 30, 2017, \$690,000 of general obligation bonds were retired. In May 2017, the County paid \$555,000 and \$30,000 to Bankers Trust to be held in escrow for the calling and redemption of general obligation bonds series 2013B and general obligation bonds series 2014 on June 1, 2020. The balance held in the escrow account at June 30, 2017 of \$585,326 is reported in the County's Debt Service Fund. The bonds to be redeemed in June 2020 are not considered to be defeased at June 30, 2017.

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.

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
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		-	-	2.00	115,000	12,425
2023-2027		-	-	2.00-2.25	470,000	31,613
Total		<u>\$ 1,165,000</u>	<u>23,300</u>		<u>\$ 4,120,000</u>	<u>240,538</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
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	115,000	12,425	127,425
2023-2027	470,000	31,613	501,613
Total	<u>\$ 5,285,000</u>	<u>263,838</u>	<u>5,548,838</u>

During the year ended June 30, 2017, \$2,435,000 of general obligation capital loan notes were 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 2017, 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 9.63% of covered payroll for a total rate of 19.26%. 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, 2017 totaled \$2,532,126.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the County reported a liability of \$15,470,412 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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, 2016, the County's proportion was 0.245823%, which was an increase of 0.026920% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$2,214,156. At June 30, 2017, 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	\$ 122,192	435,179
Changes of assumptions	210,938	85,825
Net difference between projected and actual earnings on IPERS' investments	3,529,927	-
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	48,936	513,681
County contributions subsequent to the measurement date	2,532,126	-
Total	<u>\$ 6,444,119</u>	<u>1,034,685</u>

\$2,532,126 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, 2018. 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
2018	\$ 141,655
2019	141,655
2020	1,646,812
2021	976,075
2022	<u>(28,889)</u>
Total	<u>\$ 2,877,308</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2016 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, 2016 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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
	<u>100%</u>	

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	\$ 29,952,963	15,470,412	3,262,121

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, 2017.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The County administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their dependents. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

OPEB Benefits - Individuals who are employed by Pottawattamie County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. 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.

Retired participants must be age 55 or older at retirement. At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	10
Active employees	<u>419</u>
Total	<u>429</u>

Total OPEB Liability - The County's total OPEB liability of \$1,665,822 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	3.00% per annum.
Rates of salary increase (effective June 30, 2017)	3.00% per annum.
Discount rate (effective June 30, 2017)	3.58% compounded annually, including inflation.
Healthcare cost trend rate	5.0% for all years.

Discount rate – The discount rate used to measure the total OPEB liability was 3.58% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP-2014 annuitant distinct mortality table adjusted to 2016 with MP 2016 generational projection of future mortality improvement. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used for IPERS.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
OPEB balance beginning of year, as restated	\$ 1,273,582
Changes for the year:	
Service cost	43,437
Interest	57,423
Differences between expected and actual experiences	248,898
Changes in assumptions	125,289
Benefit payments	<u>(82,807)</u>
Net changes	<u>392,240</u>
OPEB balance end of year	<u>\$ 1,665,822</u>

Changes of assumptions reflect a change in the discount rate from 4.50% in fiscal year 2016 to 3.58% in fiscal year 2017.

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using a discount rate that is 1 % lower (2.58%) or 1% higher (4.58%) than the current discount rate.

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB liability	\$ 1,828,630	1,665,822	1,522,470

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (4.0%) or 1% higher (6.0%) than the current health care cost trend rates.

	Healthcare		
	1% Decrease (4.0%)	Cost Trend Rate (5.0%)	1% Increase (6.0%)
Total OPEB liability	\$ 1,493,848	1,665,822	1,867,698

OPEB Expense and Deferred outflows of Resources Related to OPEB – For the year ended June 30, 2017, the County recognized OPEB expense of \$49,497. At June 30, 2017, the County reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 227,982
Changes of assumptions	114,761
Total	<u>\$ 342,743</u>

The amount reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2018	\$ 31,444
2019	31,444
2020	31,444
2021	31,444
2022	31,444
Thereafter	185,523
Total	<u>\$ 342,743</u>

(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 753 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, 2017 were \$500,888.

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 \$500,000 per claim. Claims exceeding \$500,000 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, 2017, no liability has been recorded in the County's financial statements. As of June 30, 2017, 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, 2017, the County paid \$6,743,619 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, 2017, the County’s grant payments totaled \$96,280, bringing the cumulative principal and interest paid to \$3,417,940. 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. The final payment is due during fiscal year 2018.

(12) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2017 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Avoca	Urban renewal and economic development projects	\$ 14,560
City of Council Bluffs	Urban renewal and economic development projects	\$ 731,909
City of Crescent	Urban renewal and economic development projects	\$ 23,578
City of Neola	Urban renewal and economic development projects	\$ 8,661
City of Underwood	Urban renewal and economic development projects	\$ 15,560
City of Walnut	Urban renewal and economic development projects	\$ 26,272

(13) 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, 2017:

Additions:		
Reimbursements from Counties:		
Pottawattamie County	\$ 1,045,695	
Shelby County	44,979	
Harrison County	50,818	
Cass County	100,892	
Audubon County	23,980	
Mills County	48,334	
Montgomery County	111,453	
Fremont County	104,868	
Page County	<u>54,049</u>	\$ 1,585,068
State direct receiving grant		39,643
State reimbursement		295,024
Interest on investments		420
Adult waived juvenile fees		72,435
Iowa Communities Assurance Pool refund		1,999
Mid American Energy refund		6,260
Miscellaneous		<u>220</u>
Total additions		2,001,069
Deductions:		
Salaries	954,328	
Employee benefits	378,571	
Commodities and nutrition services	50,423	
Office supplies	19,517	
Communications and transportation	4,214	
Professional services	14,594	
Utilities	20,496	
Building repair and maintenance	66,100	
Insurance	52,490	
Refunds to counties	433,875	
Miscellaneous	<u>2,495</u>	<u>1,997,103</u>
Net		3,966
Balance beginning of year		<u>613,529</u>
Balance end of year		<u>\$ 617,495</u>

(14) 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 \$283,968 has been recorded in the Agency, County Assessor Fund for this benefit program.

For the year ended June 30, 2017, there were no payments for benefits under the Sick Leave upon Retirement program.

(15) 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.

(16) 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, 2017 have been estimated at \$6,261. The County has restricted \$7,500 at June 30, 2017 in the Special Revenue, Rural Services Fund to cover these costs.

(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, 2017 as follows:

Revenues:		
Property and other county tax		\$ 2,036,391
Intergovernmental:		
State tax credits	\$ 163,270	
Other	<u>208,328</u>	<u>371,598</u>
Total revenues		<u>2,407,989</u>
Expenditures:		
Services to persons with:		
Mental illness		605,766
General administration:		
Direct administration	230,469	
Purchased administration	10,000	
Distribution to regional fiscal agent	<u>1,700,000</u>	<u>1,940,469</u>
Total expenditures		<u>2,546,235</u>
Deficiency of revenues under expenditures		(138,246)
Fund balance beginning of year		<u>820,490</u>
Fund balance end of year		<u>\$ 682,244</u>

(18) New Accounting Pronouncement

The County adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about the County's tax abatements and tax abatements of other entities which impact the County.

(19) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions, was implemented during fiscal year 2017. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method. Also GASB Statement requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning net OPEB liability, as follows:

	<u>Governmental Activities</u>
Net position June 30, 2017, as previously reported	\$ 115,235,808
OPEB liability measured under previous standards	764,000
OPEB Liability at June 30, 2017	<u>(1,273,582)</u>
Net position July 1, 2017, as restated	<u>\$ 114,726,226</u>

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, 2017

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 48,053,090	-	48,053,090
Interest and penalty on property tax	339,972	-	339,972
Intergovernmental	20,171,605	-	20,171,605
Licenses and permits	253,883	-	253,883
Charges for service	3,024,799	-	3,024,799
Use of money and property	129,258	23,225	106,033
Miscellaneous	2,446,956	144,892	2,302,064
Total receipts	<u>74,419,563</u>	<u>168,117</u>	<u>74,251,446</u>
Disbursements:			
Public safety and legal services	28,133,862	-	28,133,862
Physical health and social services	4,350,624	-	4,350,624
Mental health	2,572,551	-	2,572,551
County environment and education	4,559,837	61,436	4,498,401
Roads and transportation	12,003,757	-	12,003,757
Governmental services to residents	2,229,353	-	2,229,353
Administration	7,151,312	-	7,151,312
Debt service	3,334,751	-	3,334,751
Capital projects	3,816,018	-	3,816,018
Total disbursements	<u>68,152,065</u>	<u>61,436</u>	<u>68,090,629</u>
Excess (deficiency) of receipts over (under) disbursements	6,267,498	106,681	6,160,817
Other financing, sources, net	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	6,267,498	106,681	6,160,817
Balance beginning of year	<u>35,364,874</u>	<u>364,025</u>	<u>35,000,849</u>
Balance end of year	<u>\$ 41,632,372</u>	<u>470,706</u>	<u>41,161,666</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to Net Variance
Original	Final	
48,954,037	48,954,037	(900,947)
317,000	317,000	22,972
18,755,519	19,737,019	434,586
284,925	284,925	(31,042)
2,288,675	2,369,675	655,124
108,855	108,855	(2,822)
3,418,200	3,693,200	(1,391,136)
<u>74,127,211</u>	<u>75,464,711</u>	<u>(1,213,265)</u>
28,403,924	28,898,924	765,062
5,193,520	5,202,520	851,896
3,161,149	3,161,149	588,598
6,805,598	6,805,598	2,307,197
15,309,835	15,309,835	3,306,078
2,436,536	2,446,536	217,183
7,753,564	8,166,064	1,014,752
3,895,588	3,930,588	595,837
2,305,000	5,357,143	1,541,125
<u>75,264,714</u>	<u>79,278,357</u>	<u>11,187,728</u>
(1,137,503)	(3,813,646)	9,974,463
-	-	-
(1,137,503)	(3,813,646)	9,974,463
<u>24,992,256</u>	<u>24,992,256</u>	<u>10,008,593</u>
<u>23,854,753</u>	<u>21,178,610</u>	<u>19,983,056</u>

Pottawattamie County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2017

	<u>Governmental Funds</u>		
	<u>Cash</u>	<u>Accrual</u>	<u>Modified</u>
	<u>Basis</u>	<u>Adjust-</u>	<u>Accrual</u>
		<u>ments</u>	<u>Basis</u>
Revenues	\$ 74,419,563	(2,543,245)	71,876,318
Expenditures	68,152,065	(3,965,125)	64,186,940
Net	6,267,498	1,421,880	7,689,378
Other financing sources, net	-	-	-
Beginning fund balances	35,364,874	65,895	35,430,769
Ending fund balances	<u>\$ 41,632,372</u>	<u>1,487,775</u>	<u>43,120,147</u>

See accompanying independent auditor's report.

Pottawattamie County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2017

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 \$4,013,643. 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, 2017, 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 Three Years*
(In Thousands)

Required Supplementary Information

	2017	2016	2015
County's proportion of the net pension liability	0.245823%	0.218903%	0.198134%
County's proportionate share of the net pension liability	\$ 15,470	10,815	7,858
County's covered-employee payroll	\$ 25,415	24,863	24,508
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.87%	43.50%	32.06%
IPERS' net position as a percentage of the total pension liability	81.82%	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

	2017	2016	2015	2014
Statutorily required contribution	\$ 2,532	2,355	2,324	2,289
Contributions in relation to the statutorily required contribution	(2,532)	(2,355)	(2,324)	(2,289)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered-employee payroll	\$ 27,371	25,415	24,863	24,508
Contributions as a percentage of covered-employee payroll	9.25%	9.27%	9.35%	9.34%

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
2,212	2,043	1,806	1,661	1,491	1,273
(2,212)	(2,043)	(1,806)	(1,661)	(1,491)	(1,273)
-	-	-	-	-	-
24,038	23,373	22,780	22,505	21,271	20,203
9.20%	8.74%	7.93%	7.38%	7.01%	6.30%

Pottawattamie County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2017

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 (unfunded actuarial liability) 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.

Pottawattamie County
 Schedule of Changes in the County's
 Total OPEB Liability and Related Ratios
 For the Current Year
 Required Supplementary Information

	2017
Service cost	\$ 43,437
Interest cost	57,423
Difference between expected and actual experiences	248,898
Changes of assumptions	125,289
Benefit payments	(82,807)
Net change in total OPEB liability	392,240
Total OPEB liability beginning of year, as restated	1,273,582
Total OPEB liability end of year	\$ 1,665,822
Covered employee payroll	\$ 24,616,912
Total OPEB Liability bas a percentage of covered- employee payroll	6.77%

Notes to Schedule of Changes in the County's Total OPEB Liability and Related Ratios

Changes of benefit terms:

There were no significant changes in benefit terms.

Changes of assumptions:

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Year ended June 30, 2017	3.58%
Year ended June 30, 2016	4.50%

Pottawattamie County

Supplementary Information

Pottawattamie County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2017

	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	Special
Assets								
Cash, cash equivalents and pooled investments	\$ 151,071	45,851	75,474	-	10,754	7,290	588,066	
Accounts receivable	-	-	-	-	-	-	-	
Drainage assessments receivable	-	-	-	-	50	-	-	
Due from other governments	13,847	-	-	-	-	-	13,847	
Total assets	\$ 164,918	45,851	75,474	-	10,804	7,290	601,913	
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities:								
Accounts payable	\$ 8,777	-	-	-	-	-	-	
Salaries and benefits payable	-	431	-	-	-	-	-	
Due to other governments	-	-	-	-	-	-	-	
Total liabilities	8,777	431	-	-	-	-	-	
Deferred inflows of resources:								
Unavailable revenues:								
Other	-	-	-	-	50	-	-	
Fund balances:								
Restricted for:								
Drainage warrants/drainage improvement certificates	-	-	-	-	10,754	-	-	
Capital projects	-	-	-	-	-	-	-	
Other purposes	156,141	45,420	75,474	-	-	7,290	601,913	
Total fund balances	156,141	45,420	75,474	-	10,754	7,290	601,913	
Total liabilities, deferred inflows of resources and fund balances	\$ 164,918	45,851	75,474	-	10,804	7,290	601,913	

See accompanying independent auditor's report.

Revenue									
Soil Conservation District West	Conservation Foundation	Animal Shelter Donations	County Attorney Drug Forfeiture	Special Law Enforcement	Hitchcock Nature Area	District Enhancement Area East	Community Improvement To Increase Economic Stability	Capital Projects	Total
391,143	459,952	50,623	299,931	1,534,117	2,302	533	7,571	2,389,955	6,014,633
-	-	-	-	-	-	-	24,085	-	24,085
-	-	-	-	-	-	-	-	-	50
13,847	-	-	-	2,006	-	-	-	56,256	99,803
404,990	459,952	50,623	299,931	1,536,123	2,302	533	31,656	2,446,211	6,138,571
22,732	-	-	4,463	-	-	-	-	15,245	51,217
-	-	-	-	-	-	-	-	-	431
-	-	-	300	-	-	-	-	-	300
22,732	-	-	4,763	-	-	-	-	15,245	51,948
-	-	-	-	-	-	-	-	15,245	15,295
-	-	-	-	-	-	-	-	-	10,754
-	-	-	-	-	-	-	-	2,415,721	2,415,721
382,258	459,952	50,623	295,168	1,536,123	2,302	533	31,656	-	3,644,853
382,258	459,952	50,623	295,168	1,536,123	2,302	533	31,656	2,415,721	6,071,328
404,990	459,952	50,623	299,931	1,536,123	2,302	533	31,656	2,446,211	6,138,571

Pottawattamie County

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

Year ended June 30, 2017

	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	\$ 174,673	-	-	-	-	-	175,446	174,673
Intergovernmental	15,000	39,688	-	-	-	-	-	-
Charges for service	-	-	15,567	-	-	-	-	-
Use of money and property	-	45	60	5	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	189,673	39,733	15,627	5	-	-	175,446	174,673
Expenditures:								
Operating:								
Public safety and legal services	-	-	-	7,889	-	-	-	-
County environment and education	90,012	38,111	-	-	-	-	92,208	129,699
Governmental services to residents	-	-	6,408	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Total expenditures	90,012	38,111	6,408	7,889	-	-	92,208	129,699
Excess (deficiency) of revenues over (under) expenditures	99,661	1,622	9,219	(7,884)	-	-	83,238	44,974
Other financing sources (uses):								
Transfers out	-	-	-	-	-	-	-	-
Change in fund balances	99,661	1,622	9,219	(7,884)	-	-	83,238	44,974
Fund balances beginning of year	56,480	43,798	66,255	7,884	10,754	7,290	518,675	337,284
Fund balances end of year	\$ 156,141	45,420	75,474	-	10,754	7,290	601,913	382,258

See accompanying independent auditor's report.

Revenue								
Conservation Foundation	Animal Shelter Donations	County Attorney Drug Forfeiture	Special Law Enforcement	Hitchcock Nature Area	District Enhancement Area East	Community Improvement To Increase Economic Stability	Capital Projects	Total
-	-	-	-	-	-	-	-	524,792
-	-	133,443	154,198	50	-	-	121,890	464,269
-	-	-	-	-	-	-	-	15,567
23,225	-	-	-	-	-	-	2,002	25,337
144,892	4,773	20	2,410	-	-	501,014	1,075,000	1,728,109
168,117	4,773	133,463	156,608	50	-	501,014	1,198,892	2,758,074
-	-	141,617	295	-	-	-	-	149,801
61,436	7,245	-	-	348	-	709,906	-	1,128,965
-	-	-	-	-	-	-	-	6,408
-	-	-	-	-	-	-	1,373,814	1,373,814
61,436	7,245	141,617	295	348	-	709,906	1,373,814	2,658,988
106,681	(2,472)	(8,154)	156,313	(298)	-	(208,892)	(174,922)	99,086
-	-	-	-	-	-	-	(436,495)	(436,495)
106,681	(2,472)	(8,154)	156,313	(298)	-	(208,892)	(611,417)	(337,409)
353,271	53,095	303,322	1,379,810	2,600	533	240,548	3,027,138	6,408,737
459,952	50,623	295,168	1,536,123	2,302	533	31,656	2,415,721	6,071,328

Pottawattamie County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	Mental Health Region	Schools	Community Colleges
Assets						
Cash, cash equivalents and pooled investments:						
County Treasurer	\$ -	2,719	772,903	14,985,519	707,153	69,261
Other County officials	206,974	-	-	-	-	-
Receivables:						
Property tax:						
Delinquent	-	674	4,590	-	209,097	20,782
Succeeding year	-	536,000	1,576,000	-	66,602,000	5,934,000
Accounts	1,733	-	-	1,626	-	-
Special assessments	-	-	-	-	-	-
Drainage assessments	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Total assets	\$ 208,707	539,393	2,353,493	14,987,145	67,518,250	6,024,043
Liabilities						
Accounts payable	\$ -	-	9,039	523,272	-	-
Stamped warrants payable	-	-	-	-	-	-
Salaries and benefits payable	-	-	19,292	-	-	-
Due to other governments	144,590	539,393	1,890,797	14,463,873	67,518,250	6,024,043
Trusts payable	64,117	-	-	-	-	-
Compensated absences	-	-	434,365	-	-	-
Total liabilities	\$ 208,707	539,393	2,353,493	14,987,145	67,518,250	6,024,043

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
565,816	9,429	46,127	5,251	273,641	2,191,841	2,124,000	698,561	22,452,221
-	-	-	-	2,500	-	-	-	209,474
176,734	2,756	123,150	-	-	-	-	45	537,828
56,160,000	1,164,000	-	-	-	-	-	14,000	131,986,000
-	-	-	-	-	50,350	-	-	53,709
-	-	1,056,811	98,663	-	-	-	-	1,155,474
-	-	-	-	-	-	-	286,749	286,749
-	-	-	-	301,740	132,656	-	10,757	445,153
-	-	-	-	39,614	-	-	5,644	45,258
56,902,550	1,176,185	1,226,088	103,914	617,495	2,374,847	2,124,000	1,015,756	157,171,866
-	-	-	-	31,592	2,094	-	1,236	567,233
-	-	-	-	-	-	-	268,863	268,863
-	-	-	-	21,132	-	-	3,916	44,340
56,902,550	1,176,185	1,226,088	-	518,762	2,372,753	2,124,000	721,067	155,622,351
-	-	-	103,914	-	-	-	29	168,060
-	-	-	-	46,009	-	-	20,645	501,019
56,902,550	1,176,185	1,226,088	103,914	617,495	2,374,847	2,124,000	1,015,756	157,171,866

Pottawattamie County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	Mental Health Region	Schools	Community Colleges
Assets and Liabilities						
Balances beginning of year	\$ 220,921	296,335	2,272,259	15,537,289	66,179,758	6,911,274
Additions:						
Property and other county tax	-	535,562	1,573,095	-	66,461,579	5,925,827
E911 surcharge	-	-	-	-	-	-
State tax credits	-	21,983	120,435	-	5,340,035	545,973
Intergovernmental	-	-	-	3,797,488	-	-
Office fees and collections	2,199,492	-	17	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	4,414,642	-	-	-	-	-
Miscellaneous	-	-	886	32,641	-	-
Total additions	6,614,134	557,545	1,694,433	3,830,129	71,801,614	6,471,800
Deductions:						
Agency remittances:						
To other funds	1,262,013	-	-	-	-	-
To other governments	952,236	314,487	1,613,199	4,380,273	70,463,122	7,359,031
Trusts paid out	4,412,099	-	-	-	-	-
Total deductions	6,626,348	314,487	1,613,199	4,380,273	70,463,122	7,359,031
Balances end of year	\$ 208,707	539,393	2,353,493	14,987,145	67,518,250	6,024,043

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
54,373,322	1,154,465	1,027,692	141,151	613,529	2,280,101	2,182,466	689,461	153,880,023
56,003,863	1,163,349	11,704	-	-	-	-	15,347	131,690,326
-	-	-	-	-	854,686	-	-	854,686
5,032,285	56,341	-	-	-	-	-	1,179	11,118,231
-	-	-	-	2,000,649	-	-	3,178,809	8,976,946
-	-	-	-	-	-	-	15,568	2,215,077
-	-	-	-	-	-	26,294,696	-	26,294,696
-	-	1,014,421	58,558	-	-	-	26,642	1,099,621
-	-	-	-	-	-	-	226,594	4,641,236
-	-	-	-	420	6,399	-	119,116	159,462
61,036,148	1,219,690	1,026,125	58,558	2,001,069	861,085	26,294,696	3,583,255	187,050,281
-	-	-	-	286,234	-	840,330	-	2,388,577
58,506,920	1,197,970	827,729	95,795	148,643	766,339	25,512,832	3,525,823	175,664,399
-	-	-	-	1,562,226	-	-	-	5,974,325
58,506,920	1,197,970	827,729	95,795	1,997,103	766,339	26,353,162	3,525,823	184,027,301
56,902,550	1,176,185	1,226,088	103,914	617,495	2,374,847	2,124,000	746,893	156,903,003

Pottawattamie County

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

For the Last Ten Years

	2017	2016	2015	2014
Revenues:				
Property and other county tax	\$ 44,891,722	45,486,380	45,742,273	39,548,540
Local option sales tax	3,494,236	3,196,050	4,349,793	3,405,980
Interest and penalty on property tax	339,351	347,738	384,464	344,692
Intergovernmental	17,530,095	16,583,665	17,741,021	16,549,486
Licenses and permits	246,073	222,617	349,597	306,705
Charges for service	3,009,434	2,901,437	2,718,505	2,696,599
Use of money and property	129,399	140,007	147,657	160,514
Miscellaneous	2,236,008	2,008,879	2,530,247	1,162,080
Total	\$ 71,876,318	70,886,773	73,963,557	64,174,596
Expenditures:				
Operating:				
Public safety and legal services	\$ 24,694,953	24,491,150	23,413,305	22,832,688
Physical health and social services	4,296,741	4,847,817	5,155,835	5,410,187
Mental health	2,547,003	3,469,916	8,580,556	2,613,398
County environment and education	4,516,085	4,804,455	5,420,349	7,374,041
Roads and transportation	12,061,549	12,107,500	11,758,649	9,700,321
Governmental services to residents	2,165,946	2,008,389	2,069,334	1,942,339
Administration	7,139,445	6,886,005	6,540,195	6,205,492
Debt service	3,334,750	4,339,507	4,077,315	3,793,670
Capital projects	3,430,468	7,406,853	1,127,231	1,580,254
Total	\$ 64,186,940	70,361,592	68,142,769	61,452,390

See accompanying independent auditor's report.

Modified Accrual Basis					
2013	2012	2011	2010	2009	2008
37,694,564	36,691,020	35,723,484	32,789,867	29,728,916	27,495,386
3,174,885	3,057,227	3,235,122	2,670,586	3,043,404	2,753,544
376,744	318,477	414,271	351,370	344,333	356,284
17,335,587	17,905,091	19,562,312	21,344,671	19,330,150	21,421,683
261,812	187,760	208,229	274,843	1,300,866	249,417
2,695,884	2,737,391	2,541,245	2,472,731	2,612,651	2,441,290
193,326	264,844	333,615	366,219	667,913	1,208,059
1,708,008	1,666,853	1,168,054	1,748,258	2,872,115	2,430,096
63,440,810	62,828,663	63,186,332	62,018,545	59,900,348	58,355,759
21,367,688	20,699,015	19,690,040	19,163,904	18,066,898	16,846,481
3,472,444	3,197,434	3,115,222	3,084,140	2,823,430	2,737,240
5,229,934	11,276,784	9,446,510	9,007,878	9,074,447	10,399,127
6,494,809	5,668,115	5,674,072	5,450,475	6,027,498	4,328,580
12,574,966	11,503,354	10,438,155	11,023,675	10,813,416	9,713,450
2,110,519	1,889,398	1,689,187	1,764,682	1,906,468	1,728,610
7,031,198	6,685,534	5,939,596	6,268,178	7,803,198	5,884,988
4,642,100	3,826,036	3,832,133	9,647,748	2,651,674	2,116,214
3,258,248	2,790,082	3,054,456	10,667,991	4,462,404	7,269,540
66,181,906	67,535,752	62,879,371	76,078,671	63,629,433	61,024,230

Schedule 6

Pottawattamie County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2017

Grantor/Program	CFDA Number	Pass-through Entity Identifying Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	2014-MO-BX-008	\$ 61,201
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5886A052	154,619
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5886A091	13,131
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5887A091	32,387
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5887A052	408,289
			<u>608,426</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		82,148
Iowa Department of Agriculture and Land Stewardship:			
WIC Farmers' Market Nutrition Program (FMNP)	10.572		664
U.S. Department of Justice:			
Iowa Department of Human Rights:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	04-JD15-16F-78	8,195
City of Council Bluffs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0584	30,000
U.S. Federal Highway Administration:			
Omaha-Council Bluffs Metropolitan Area Planning Agency:			
Highway Planning and Construction	20.205	17904101501	35,000
Iowa Department of Transportation:			
Recreational Trails Program	20.219	2014-NRT-004	109,709
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 16-402-MOOP, Task 32-80-00	3,736
State and Community Highway Safety	20.600	PAP 17-402-MOOP, Task 33-40-00	3,842
			<u>7,578</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	5885BT478	5,265
Immunization Cooperative Agreements	93.268	5886I465	6,454
Immunization Cooperative Agreements	93.268	5888I465	2,966
			<u>9,420</u>
Assistance Programs for Chronic Disease Prevention and Control	93.945	5887CD33	4,600

Pottawattamie County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2017

Grantor/Program	CFDA Number	Pass-through Entity Identifying Number	Program Expenditures
Indirect (continued):			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance_State			
Administered Programs	93.566		254
Child Care Mandatory and Matching			
Funds of the Child Care and Development Fund	93.596		23,559
Foster Care_Title IV-E	93.658		30,581
Adoption Assistance	93.659		9,384
Social Services Block Grant	93.667		24,231
Children's Health Insurance Program	93.767		658
Medican Assistance Program	93.778		143,795
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security			
and Emergency Management Division:			
Emergency Management Performance Grants	97.042	EMPG-16-PT-78	6,745
Emergency Management Performance Grants	97.042	EMPG-17-PT-78	39,000
			45,745
			1,179,212
			\$ 1,240,413

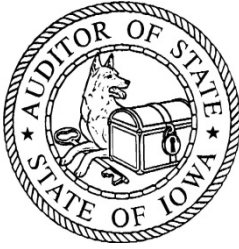
Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Pottawattamie County under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements 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.

Indirect Cost Rate – 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

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

To the Officials of Pottawattamie County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pottawattamie County, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon date January 4, 2018.

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 have not been 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-17 and II-B-17 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-17 and II-D-17 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, 2017 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

January 4, 2018

**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

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Auditor of State

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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, 2017. 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 federal statutes, regulations and the terms and conditions of its federal awards 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, 2017.

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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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

January 4, 2018

Pottawattamie County
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (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) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (e) The audit did not disclose audit findings required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (f) The major program was as follows:
 - CFDA Number 10.557 – Special Supplemental Nutrition Program for Women, Infants and Children.
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (h) Pottawattamie County did not qualify as a low-risk auditee.

Pottawattamie County
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2017

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-17 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.	Board of Supervisors
(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) Board of Supervisors – We have developed policies to be followed when receiving receipts.
- (b) 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.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

II-B-17 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 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 will develop an Asset Management policy to address the issues of identifying and properly reporting county fixed assets and financial statements. The policy will address material amounts of capital assets and related depreciation.

Conclusion – Response accepted.

II-C-17 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 County Sheriff's Civil Division 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.

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, 2017

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.

Response – Our Office is working to correct any differences with the book balances and identify same. The Office is currently in the process of purchasing a new software program that will be implemented throughout all aspects of all Divisions to include the Civil Division. The new software is more "user" friendly and reports are easily created to provide a more detailed spreadsheet for documentation and auditing purposes.

Conclusion – Response accepted.

II-D-17 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 daily basis.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Pottawattamie County
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Pottawattamie County
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2017

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-17 Certified Budget – Disbursements during the year ended June 30, 2017 did not exceed the amounts budgeted.

IV-B-17 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
Cardmember service	Retirement cake	267
Cardmember service	Retirement party supplies	376
Cardmember service	Late fees and interest charges expended by the county	79

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-17 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-17 Business Transactions – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Betty Collinson, Sheriff employee	Garment repairs, per bid	\$ 1,545
	Other garment repairs	340
Jeremy Meyers, Building and Grounds employee	Mowing - Building and grounds	550

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the mowing transaction and garment repairs totaling \$340 do not appear to represent conflicts of interest since the transactions with the individual was less than \$1,500 during the fiscal year. In accordance with Chapter 331.342(2)(c) the garment repairs totaling \$1,545 do not appear to represent a conflict of interest since it was entered into through competitive bid.

- IV-E-17 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-17 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-17 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-H-17 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-17 Solid Waste Fees – During the year ended June 30, 2017, the County retained \$7,500 of solid waste fees in accordance with Chapter 455B.30 of the Code of Iowa.
- IV-J-17 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, 2017 exceeds the total estimated costs at that date and, accordingly, the costs are fully funded.
- IV-K-17 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	Purchase of plants	\$ 69

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

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

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 will take appropriate action to either establish the policy or clarify the public purpose.

Conclusion – Response accepted.

- IV-L-17 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, 2017 did not exceed the amount budgeted.

- IV-M-17 Conservation Credit Card Processing – The County made payments totaling \$1,421 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 credit card processing to Square. We began charging fees to offset a major portion of transaction costs in January 2017 which only accounted for half of the fiscal year. We established a 3% administrative fee with Square. MyCountyParks will not allow us to establish a percentage, so we increased our prices to include a 3% administrative fee for all of our facilities. Currently, we retroactively deduct a 3% processing fee for all of our program registration booked through MyCountyParks, but we intend to increase our prices to include the 3% fee soon. We continue to breakout hotel motel tax for cabins.

Conclusion – Response accepted.

- IV-N-17 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The image of the back of each cancelled check was not obtained by the County Recorder.

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

Response – The bank has been contacted and copies of the front and back images of each cancelled check has been ordered.


Conclusion – Response accepted.

Pottawattamie County

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
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Cody L. Mathews, Assistant Auditor
Matthew A. Miller, Assistant Auditor
Micaela A. Tintjer, Assistant Auditor
Luis O. Hernandez, Auditor Intern

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State