



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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

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**NEWS RELEASE**

FOR RELEASE

April 29, 2020

Contact: Marlys Gaston  
515/281-5834

Auditor of State Rob Sand today released an audit report on Pottawattamie County, Iowa.

**FINANCIAL HIGHLIGHTS:**

The County's revenues totaled \$76,808,754 for the year ended June 30, 2019, a 2.9% increase over the prior year. Expenses for County operations for the year ended June 30, 2019 totaled \$65,805,879, a 2.4% decrease from the prior year.

**AUDIT FINDINGS:**

Sand reported six findings related to the receipt and expenditure of taxpayer funds. They are found on pages 86 through 92 of this report. The findings address issues such as lack of segregation of duties, the advance signing of checks by the South West Iowa Juvenile Emergency Services (SWIJES), expenditures which may not meet the public purpose criteria, payment of credit card processing fees, noncompliance with Chapter 554D.114 of the Code of Iowa pertaining to retaining cancelled checks and noncompliance with Chapter 509A.15 of the Code of Iowa requiring an actuary opinion for the County's self-funded employee group health insurance fund. Sand provided the County with recommendations to address each of these findings.

Four of the findings discussed above are repeated from the prior year. The County Board of Supervisors and other elected officials have a fiduciary responsibility to provide oversight of the County's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

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**POTTAWATTAMIE COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2019**

**Pottawattamie County**



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Rob Sand  
Auditor of State

April 14, 2020

Officials of Pottawattamie County  
Council Bluffs, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Pottawattamie County for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of Pottawattamie County throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand  
Auditor of State

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**Pottawattamie County**

**Officials**

**(Before January 2019)**

<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
Penny Ravlin	County Assessor	Jan 2022

**(After January 2019)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marilyn Jo Drake	Board of Supervisors	Jan 2021
Tim Wichman	Board of Supervisors	Jan 2021
Scott Belt	Board of Supervisors	Jan 2023
Lynn Grobe	Board of Supervisors	Jan 2023
Justin Schultz	Board of Supervisors	Jan 2023
Melvyn Houser	County Auditor	Jan 2021
Lea Voss	County Treasurer	Jan 2023
Mark Brandenburg	County Recorder	Jan 2023
Jeffrey Danker	County Sheriff	Jan 2021
Matthew Wilber	County Attorney	Jan 2023
Penny Ravlin	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, 2019, 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, 2019 and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 8 through 15 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.

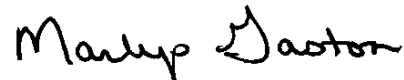
### *Supplementary Information*

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 ten years ended June 30, 2018 (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 April 14, 2020 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.



Marlys K. Gaston, CPA  
Deputy Auditor of State

April 14, 2020

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Pottawattamie County provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2019. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2019 FINANCIAL HIGHLIGHTS**

- Pottawattamie County's governmental activities revenues increased 2.9%, or approximately \$2,170,000, over fiscal year 2018. Capital grants, contributions and restricted interest decreased approximately \$1,171,000 while charges for service, operating grants, contributions and restricted interest and property and other county tax increased approximately \$942,000, \$605,000 and \$753,000, respectively.
- Pottawattamie County's governmental activities expenses decreased 2.4%, or approximately \$1,602,000, from fiscal year 2018. Roads and transportation expenses decreased approximately \$1,892,000.
- Pottawattamie County's net position at June 30, 2019 increased approximately \$11,003,000 over the June 30, 2018 balance.
- As of the close of fiscal year 2019, Pottawattamie County had ending fund balances of \$32,660,373 in the General Fund, \$485,560 in the Special Revenue, Mental Health Fund, \$1,773,233 in the Special Revenue, Rural Services Fund, \$9,587,531 in the Special Revenue, Secondary Roads Fund and \$1,315,016 in the Debt Service Fund.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes.

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 2019 totaled approximately \$144.7 million. This compares to the fiscal year 2018 balance of approximately \$133.7 million. The analysis that follows focuses on the net position of governmental activities.

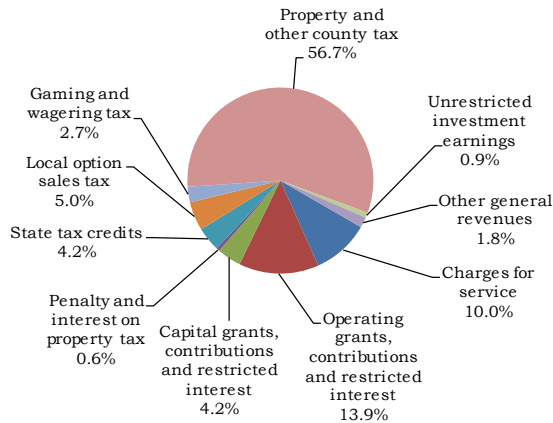
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2019	2018
Current and other assets	\$ 102,921	97,939
Capital assets	109,843	105,226
Total assets	212,764	203,165
Deferred outflows of resources	7,161	7,672
Long-term liabilities	25,555	30,810
Other liabilities	1,592	1,593
Total liabilities	27,147	32,403
Deferred inflows of resources	48,045	44,705
Net position:		
Net investment in capital assets	105,191	99,707
Restricted	24,245	24,052
Unrestricted	15,296	9,970
Total net position	\$ 144,732	133,729

Net position of Pottawattamie County's governmental activities increased approximately \$11,003,000 over the fiscal year 2018 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 balance of approximately \$10.0 million at June 30, 2018 to approximately \$15.3 million at the end of this year. The increase is mainly due to an increased balance in the General Fund and a decrease in the net pension liability from June 30, 2018 to June 30, 2019.

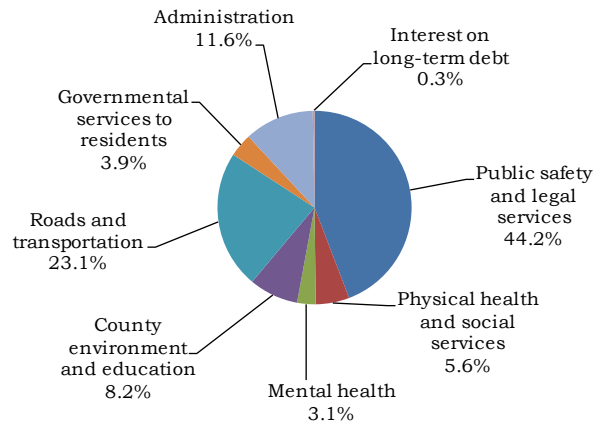
Changes in Net Position of Governmental Activities  
(Expressed in Thousands)

	Year ended June 30,	
	2019	2018
Revenues:		
Program revenues:		
Charges for service	\$ 7,672	6,730
Operating grants, contributions and restricted interest	10,673	10,068
Capital grants, contributions and restricted interest	3,240	4,411
General revenues:		
Property and other county tax	43,571	42,818
Penalty and interest on property tax	485	439
State tax credits	3,203	3,109
Local option sales tax	3,864	3,341
Gaming and wagering tax	2,055	2,145
Unrestricted investment earnings	695	388
Other general revenues	1,351	1,190
Total revenues	<u>76,809</u>	<u>74,639</u>
Program expenses:		
Public safety and legal services	29,064	28,534
Physical health and social services	3,677	3,475
Mental health	2,053	2,557
County environment and education	5,424	5,390
Roads and transportation	15,215	17,107
Governmental services to residents	2,576	2,226
Administration	7,608	7,941
Interest on long-term debt	187	178
Total expenses	<u>65,806</u>	<u>67,408</u>
Change in net position	11,003	7,231
Net position beginning of year	133,729	126,498
Net position end of year	<u>\$ 144,732</u>	<u>133,729</u>

**Revenues by Source**



**Expenses by Program**



Pottawattamie County's net position of governmental activities increased approximately \$11,003,000, or 8.2%, during the year. Revenues increased approximately \$2,170,000 and expenses decreased approximately \$1,602,000.

Pottawattamie County's property tax levy rates for the general basic decreased \$.240000, general supplemental increased \$.250000, mental health services levy decreased \$.052080 per \$1,000 of taxable valuation, and the debt service levy decreased \$0.007950 per \$1,000 of taxable valuation. The countywide taxable property valuation increased \$144,690,866, or 3.0% and the rural taxable property valuation decreased \$2,284,532, or 0.1%.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Pottawattamie County completed the year, its governmental funds reported a combined fund balance of \$52,560,623, which is \$2,672,974 more than the combined fund balance of \$49,887,649 at the end of fiscal year 2018.

The General Fund, the operating fund for Pottawattamie County, ended fiscal year 2019 with a \$32,660,373 ending fund balance. This was an increase of \$5,337,346 over the fiscal year 2018 ending fund balance. Revenues increased approximately \$1,702,000, or 3.7%, from fiscal year 2018 to fiscal year 2019. Expenditures increased approximately \$357,000, less than 1.0%, from fiscal year 2018 to fiscal year 2019.

The Special Revenue, Mental Health Fund ended fiscal year 2019 with a \$485,560 balance compared to the prior year ending balance of \$497,485 a decrease of \$11,925 or 2.4%.

The Special Revenue, Rural Services Fund ended fiscal year 2019 with a \$1,773,233 balance compared to the prior year ending balance of \$1,131,663. Rural Services Fund revenues increased approximately \$944,000; expenditures decreased \$77,000. The increase in revenues was primarily a result of increased licenses and permits related to wind farms.

The Special Revenue, Secondary Roads Fund ended fiscal year 2019 with a \$9,587,531 balance compared to the prior year ending balance of \$10,824,542. Secondary Roads Fund revenues increased approximately \$1,737,000, or 18.1%, over fiscal year 2018 due to increases in local option sales tax, reimbursements from the IDOT for projects and insurance reimbursements. Secondary Roads Fund expenditures increased approximately \$2,903,000, or 19.8%, over fiscal year 2018, mainly due to more maintenance and capital projects during the year.

The Debt Service Fund ended fiscal year 2019 with a \$1,315,016 balance compared to the prior year ending balance of \$1,212,635, an increase of \$102,381 or 8.4%.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Pottawattamie County amended its budget two times. The first amendment was made on March 12, 2019. This amendment resulted in an increase in budgeted receipts of \$611,600, primarily related to additional CDBG, Iowa West, public safety and WIC grants. It also resulted in an increase in budgeted disbursements of \$1,576,850 related to public safety and legal services, physical health and social services, county environment and education, administration and capital projects. The amendment also resulted in a decrease in the budgeted fund balance of \$965,250. The second amendment was made on May 28, 2019. This amendment resulted in an increase in budgeted disbursements of \$1,751,350 related to physical health and social services, county environment and education, and roads and transportation. The increase in expenditures were for secondary road projects and 2019 flood expenses.



The County's receipts were \$834,381, or 1.1% more than the budgeted amount. Total disbursements were \$11,221,324 less than the amended budget. Actual disbursements for the capital projects, county environment and education, and roads and transportation functions were \$5,301,032, \$2,163,157, and \$1,356,317, respectively, less than budgeted. The difference in expenditures was primarily due to the 2019 flooding which delayed many projects.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of fiscal year 2019, Pottawattamie County had approximately \$109,843,000 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 \$4,617,000, or 4.4%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2019	2018
Land	\$ 6,930	6,930
Intangibles, not amortized	4,185	4,185
Construction in progress	8,695	4,888
Buildings and improvements	23,369	22,974
Equipment and vehicles	16,048	14,509
Intangibles, amortized	867	-
Infrastructure	49,748	51,740
Total	<u>\$ 109,843</u>	<u>105,226</u>

Pottawattamie County had depreciation/amortization expense of \$8,434,497 in fiscal year 2019 and total accumulated depreciation/amortization of approximately \$106.4 million on the capital assets at the end of fiscal year 2019. 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 2019, Pottawattamie County had \$7,190,000 of long-term debt outstanding compared to \$10,000,000 outstanding at the end of fiscal year 2018, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2019	2018
General obligation bonds	\$ 1,370	1,740
General obligation capital loan notes	5,820	8,260
Total	<u>\$ 7,190</u>	<u>10,000</u>

Outstanding debt decreased as a result of making scheduled debt payments in fiscal year 2019. 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 \$453 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 2020 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 April 2019 stands at 1.8% versus 2.3% a year ago. This compares with the State's unemployment rate of 2.1% and the national rate of 3.6%.

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 1.4% for fiscal year 2019, through the month of September, compared with the national rate of 1.7%.

The economy and unemployment indicators were taken into account when adopting the County budget for fiscal year 2020. Budgeted expenditures for fiscal year 2020 are \$83,777,603, a decrease of \$1,464,948 from the fiscal year 2019 final 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. 6<sup>th</sup> Street, Council Bluffs, Iowa 51501 or by telephone at (712) 328-5700.

**Pottawattamie County**

## **Basic Financial Statements**

Pottawattamie County  
Statement of Net Position  
June 30, 2019

	Governmental Activities
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 52,438,994
U.S. Treasury Securities on deposit with escrow agent	604,545
Receivables:	
Property tax:	
Delinquent	176,455
Succeeding year	45,349,000
Interest and penalty on property tax	978,845
Accounts	366,059
Accrued interest	1,137
Drainage assessments	50
Due from other governments	2,157,294
Inventories	593,465
Prepaid items	255,198
Capital assets not being depreciated/amortized	19,810,146
Capital assets net of accumulated depreciation/amortization	90,032,662
<b>Total assets</b>	212,763,850
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	6,370,262
OPEB related deferred outflows	790,542
<b>Total deferred outflows of resources</b>	7,160,804
<b>Liabilities</b>	
Accounts payable	825,372
Accrued interest payable	11,720
Salaries and benefits payable	737,173
Due to other governments	18,194
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	370,000
General obligation capital loan notes	2,500,000
Compensated absences	1,478,974
Portion due or payable after one year:	
General obligation bonds	1,000,000
General obligation capital loan notes	3,320,000
Compensated absences	696,956
Net pension liability	13,922,442
Total OPEB liability	2,266,652
<b>Total liabilities</b>	27,147,483
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	45,349,000
Pension related deferred inflows	2,696,098
<b>Total deferred inflows of resources</b>	48,045,098
<b>Net Position</b>	
Net investment in capital assets	105,190,657
Restricted for:	
Supplemental levy purposes	6,663,457
Mental health purposes	422,588
Rural services purposes	1,723,918
Secondary roads purposes	9,446,833
Debt service	1,315,120
Capital projects	321,452
Other purposes	4,352,003
Unrestricted	15,296,045
<b>Total net position</b>	\$ 144,732,073

See notes to financial statements.

Pottawattamie County

Statement of Activities

Year ended June 30, 2019

	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	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 29,064,428	3,842,324	402,166	-	(24,819,938)
Physical health and social services	3,677,319	214,439	1,556,667	-	(1,906,213)
Mental health	2,053,211	-	-	-	(2,053,211)
County environment and education	5,424,330	1,473,655	462,424	62,891	(3,425,360)
Roads and transportation	15,215,432	251,518	8,494,440	2,922,552	(3,546,922)
Governmental services to residents	2,576,376	1,539,331	-	-	(1,037,045)
Administration	7,607,939	350,662	12,000	-	(7,245,277)
Interest on long-term debt	186,844	-	-	-	(186,844)
<b>Total</b>	<b>\$ 65,805,879</b>	<b>7,671,929</b>	<b>10,927,697</b>	<b>2,985,443</b>	<b>(44,220,810)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					40,696,721
Debt service					2,874,247
Penalty and interest on property tax					485,127
State tax credits					3,203,254
Local option sales tax					3,864,062
Gaming and wagering tax					2,054,563
Unrestricted investment earnings					694,650
Miscellaneous					1,351,061
<b>Total general revenues</b>					<b>55,223,685</b>
Change in net position					11,002,875
Net position beginning of year					133,729,198
Net position end of year					<b>\$ 144,732,073</b>

See notes to financial statements.

Pottawattamie County

Balance Sheet  
Governmental Funds

June 30, 2019

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ 32,199,080	504,206	1,730,149	8,509,697
Component unit	-	-	-	-
U.S. Treasury Securities on deposit with escrow agent	-	-	-	-
Receivables:				
Property tax:				
Delinquent	142,331	8,043	14,257	-
Succeeding year	34,276,000	2,238,000	5,951,000	-
Interest and penalty on property tax	978,845	-	-	-
Accounts	346,636	-	18,853	570
Accrued interest	-	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	845,416	-	74,087	1,101,095
Inventories	-	-	-	593,465
Prepaid items	255,198	-	-	-
<b>Total assets</b>	<b>\$ 69,043,506</b>	<b>2,750,249</b>	<b>7,788,346</b>	<b>10,204,827</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 355,092	-	24,636	273,037
Salaries and benefits payable	604,521	18,646	24,929	89,077
Due to other governments	14,817	-	303	574
Total liabilities	974,430	18,646	49,868	362,688
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	34,276,000	2,238,000	5,951,000	-
Other	1,132,703	8,043	14,245	254,608
Total deferred inflows of resources	35,408,703	2,246,043	5,965,245	254,608
Fund balances:				
Nonspendable:				
Inventories	-	-	-	593,465
Prepaid items	255,198	-	-	-
Restricted for:				
Supplemental levy purposes	6,560,232	-	-	-
Mental health purposes	-	485,560	-	-
Rural services purposes	-	-	1,765,733	-
Secondary roads purposes	-	-	-	8,994,066
Drainage warrants/drainage improvement certificates	-	-	-	-
Conservation land acquisition/capital improvements	315,138	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	49,964	-	7,500	-
Assigned for:				
Property tax relief	812,078	-	-	-
County Attorney's Office	226,316	-	-	-
Land purchase	4,679,129	-	-	-
Flood and erosion	173,155	-	-	-
Conservation structures	99,742	-	-	-
Unassigned	19,489,421	-	-	-
Total fund balances	32,660,373	485,560	1,773,233	9,587,531
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 69,043,506</b>	<b>2,750,249</b>	<b>7,788,346</b>	<b>10,204,827</b>

See notes to financial statements.

Debt Service	Nonmajor	Total
709,334	6,081,600	49,734,066
-	695,721	695,721
604,545	-	604,545
11,824	-	176,455
2,884,000	-	45,349,000
-	-	978,845
-	-	366,059
1,137	-	1,137
-	50	50
-	136,696	2,157,294
-	-	593,465
-	-	255,198
<u>4,210,840</u>	<u>6,914,067</u>	<u>100,911,835</u>
-	172,607	825,372
-	-	737,173
-	2,500	18,194
-	175,107	1,580,739
2,884,000	-	45,349,000
11,824	50	1,421,473
<u>2,895,824</u>	<u>50</u>	<u>46,770,473</u>
-	-	593,465
-	-	255,198
-	-	6,560,232
-	-	485,560
-	-	1,765,733
-	-	8,994,066
-	10,754	10,754
-	-	315,138
1,315,016	-	1,315,016
-	2,859,301	2,859,301
-	3,868,855	3,926,319
-	-	812,078
-	-	226,316
-	-	4,679,129
-	-	173,155
-	-	99,742
-	-	19,489,421
<u>1,315,016</u>	<u>6,738,910</u>	<u>52,560,623</u>
<u>4,210,840</u>	<u>6,914,067</u>	<u>100,911,835</u>



**Pottawattamie County**

Pottawattamie County

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

June 30, 2019

**Total governmental fund balances (page 21)** \$ 52,560,623

***Amounts reported for governmental activities in the  
Statement of Net Position are different because:***

109,842,808

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 \$216,284,355 and the accumulated depreciation/amortization is \$106,441,547.

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.

1,421,473

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.

2,009,207

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	\$ 7,160,804	
Deferred inflows of resources	<u>(2,696,098)</u>	4,464,706

Long-term liabilities, including bonds payable, notes payable, compensated absences payable, net pension liability, total OPEB liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(25,566,744)

**Net position of governmental activities (page 18)** \$ 144,732,073

See notes to financial statements.

Pottawattamie County

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

Year ended June 30, 2019

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 35,120,094	1,868,428	5,721,727	-
Local option sales tax	-	-	579,609	2,704,844
Interest and penalty on property tax	370,328	-	-	-
Intergovernmental	7,961,997	146,017	383,980	8,239,832
Licenses and permits	500	-	972,258	8,550
Charges for service	2,965,174	-	91,774	-
Use of money and property	671,111	-	-	-
Miscellaneous	710,501	-	54,791	386,293
<b>Total revenues</b>	<b>47,799,705</b>	<b>2,014,445</b>	<b>7,804,139</b>	<b>11,339,519</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	26,930,761	-	498,235	-
Physical health and social services	3,363,118	-	193,258	-
Mental health	-	2,026,370	-	-
County environment and education	2,405,018	-	1,473,048	-
Roads and transportation	739	-	-	15,225,718
Governmental services to residents	2,183,566	-	6,238	-
Administration	7,411,406	-	18,290	-
Debt service	-	-	-	-
Capital projects	167,751	-	-	2,324,312
<b>Total expenditures</b>	<b>42,462,359</b>	<b>2,026,370</b>	<b>2,189,069</b>	<b>17,550,030</b>
Excess (deficiency) of revenues over (under) expenditures	5,337,346	(11,925)	5,615,070	(6,210,511)
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	4,973,500
Transfers out	-	-	(4,973,500)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(4,973,500)</b>	<b>4,973,500</b>
Change in fund balances	5,337,346	(11,925)	641,570	(1,237,011)
Fund balances beginning of year	27,323,027	497,485	1,131,663	10,824,542
Fund balances end of year	\$ 32,660,373	485,560	1,773,233	9,587,531

See notes to financial statements.

<hr/>		
Debt		
Service	Nonmajor	Total
2,871,140	-	45,581,389
-	579,609	3,864,062
-	-	370,328
223,675	239,697	17,195,198
-	-	981,308
-	13,518	3,070,466
31,273	72,702	775,086
-	536,085	1,687,670
<hr/>	<hr/>	<hr/>
3,126,088	1,441,611	73,525,507
-	109,823	27,538,819
-	-	3,556,376
-	-	2,026,370
-	1,287,455	5,165,521
-	-	15,226,457
-	3,227	2,193,031
-	-	7,429,696
3,023,707	-	3,023,707
-	2,200,493	4,692,556
<hr/>	<hr/>	<hr/>
3,023,707	3,600,998	70,852,533
<hr/>	<hr/>	<hr/>
102,381	(2,159,387)	2,672,974
-	-	4,973,500
-	-	(4,973,500)
<hr/>	<hr/>	<hr/>
-	-	-
<hr/>	<hr/>	<hr/>
102,381	(2,159,387)	2,672,974
1,212,635	8,898,297	49,887,649
<hr/>	<hr/>	<hr/>
1,315,016	6,738,910	52,560,623

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, 2019

**Change in fund balances - Total governmental funds (page 25)** \$ 2,672,974

**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	\$ 10,913,719	
Capital assets contributed by others	2,958,552	
Depreciation/amortization expense	<u>(8,434,497)</u>	5,437,774

In the Statement of Activities, the loss on the sale of capital assets is reported, whereas the governmental funds report the proceeds from the sale as a increase in financial resources. (821,429)

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	45,312	
Other	<u>276,599</u>	321,911

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. 2,810,000

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. 2,737,287

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	25,471	
Interest on long-term debt	26,863	
Pension expense	(2,415,993)	
OPEB expense	<u>(97,883)</u>	(2,461,542)

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. 305,900

**Change in net position of governmental activities (page 19)** \$ 11,002,875

See notes to financial statements.

Pottawattamie County  
Statement of Net Position  
Proprietary Fund  
June 30, 2019

	<u>Internal Service - Employee Group Health</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 714,007
Cash held by health plan trustee	<u>1,295,200</u>
	<u>\$ 2,009,207</u>
<b>Net Position</b>	
Unrestricted	<u>\$ 2,009,207</u>

See notes to financial statements.

**Exhibit H**

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

Year ended June 30, 2019

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 8,037,924
Miscellaneous		<u>170,969</u>
Total operating revenues		8,208,893
Operating expenses:		
Medical claims	\$ 1,334,045	
Administrative and other fees	174,446	
Insurance premiums	<u>6,397,286</u>	<u>7,905,777</u>
Operating income		303,116
Non-operating revenues:		
Interest income		<u>2,784</u>
Net income		305,900
Net position beginning of year		<u>1,703,307</u>
Net position end of year		<u>\$ 2,009,207</u>

See notes to financial statements.

Pottawattamie County

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2019

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating funds	\$ 8,037,924
Cash received from miscellaneous operations	170,969
Cash paid for medical claims	(1,334,045)
Cash paid for administrative and other fees	(174,446)
Cash paid for insurance premiums	<u>(6,397,286)</u>
Net cash provided by operating activities	303,116
Cash flows from investing activities:	
Interest on investments	<u>2,784</u>
Net increase in cash and cash equivalents	305,900
Cash and cash equivalents beginning of year	<u>1,703,307</u>
Cash and cash equivalents end of year	<u>\$ 2,009,207</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income and net cash provided by operating activities	<u>\$ 303,116</u>

See notes to financial statements.



**Pottawattamie County**

Pottawattamie County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2019

**Assets**

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 19,300,204
Other County officials	274,927
Receivables:	
Property tax:	
Delinquent	617,528
Succeeding year	143,122,000
Accounts	43,004
Special assessments	852,783
Drainage assessments	708,684
Due from other governments	480,581
Prepaid items	40,122
	<u>165,439,833</u>

**Total assets**

**Liabilities**

Accounts payable	664,539
Stamped warrants payable	160,506
Salaries and benefits payable	54,474
Due to other governments	163,681,459
Trusts payable	373,300
Compensated absences	505,555
	<u>165,439,833</u>

**Total liabilities**

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

Pottawattamie County

Notes to Financial Statements

June 30, 2019

**(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 911 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.

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, 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 Balance/Net Position

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 reported as a deferred inflow of resources 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, 2017 assessed property valuations; is for the tax accrual period July 1, 2018 through June 30, 2019 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2018.

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. Drainage assessments receivable represent assessments which are due and payable but have not been collected and remaining assessments which are payable but not yet due.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not 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 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 if purchased or constructed. 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 - 50
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 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, 2019. 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. The net pension 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.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the Pottawattamie County’s actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB 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.

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 in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

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, unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

Fund Balance – 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, 2019 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, 2019, the County and the Conservation Foundation had the following investments:

<u>Investments</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Held in escrow:		
Money market funds (U.S. Government Securities, U.S. Treasury obligations and Repurchase Agreements)	<u>\$ 604,545</u>	<u>604,545</u>
Conservation Foundation:		
Vanguard Mutual Funds	<u>\$ 310,794</u>	<u>375,271</u>

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

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 \$375,271 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, 2019 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	\$ 375,271	-	375,271
Held in escrow: Money market funds	-	604,545	604,545
	<u>\$ 375,271</u>	<u>604,545</u>	<u>979,816</u>

The following table summarizes the County's investments at June 30, 2019 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, 2018	Redemption Frequency	Redemption Notice Period
Money market funds	\$ 604,545	-	Daily	N/A

### (3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>\$ 4,973,500</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, 2019 was as follows:

	Beginning Balance of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated/amortized:				
Land	\$ 6,929,923	-	-	6,929,923
Intangibles, road network	4,185,189	-	-	4,185,189
Construction in progress	4,887,947	6,855,600	3,048,513	8,695,034
Total capital assets not being depreciated/amortized	16,003,059	6,855,600	3,048,513	19,810,146
Capital assets being depreciated/amortized:				
Buildings	38,777,607	962,829	-	39,740,436
Improvements other than buildings	2,602,879	434,298	87,533	2,949,644
Equipment and vehicles	41,469,623	6,471,021	5,986,047	41,954,597
Intangibles, other	227,338	905,063	-	1,132,401
Infrastructure, road network	108,649,748	1,291,973	-	109,941,721
Infrastructure, other	755,410	-	-	755,410
Total capital assets being depreciated/amortized	192,482,605	10,065,184	6,073,580	196,474,209
Less accumulated depreciation/amortization for:				
Buildings	16,946,176	915,534	-	17,861,710
Improvements other than buildings	1,459,809	87,321	87,533	1,459,597
Equipment and vehicles	26,960,837	4,110,227	5,164,618	25,906,446
Intangibles, other	227,338	37,711	-	265,049
Infrastructure, road network	57,377,810	3,248,887	-	60,626,697
Infrastructure, other	287,231	34,817	-	322,048
Total accumulated depreciation/amortization	103,259,201	8,434,497	5,252,151	106,441,547
Total capital assets being depreciated/amortized, net	89,223,404	1,630,687	821,429	90,032,662
Governmental activities capital assets, net	\$ 105,226,463	8,486,287	3,869,942	109,842,808

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 1,774,086
Physical health and social services	757
Mental health	30,551
County environment and education	392,916
Roads and transportation	5,727,284
Governmental services to residents	70,400
Administration	438,503
Total depreciation/amortization expense - governmental activities	\$ 8,434,497

**(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, 2019 is as follows:

Fund	Description	Amount
General	Services	\$ 14,817
Special Revenue:		
Rural Services		303
Secondary Roads		574
Community Improvement to Increase Economic Stability		2,500
Total for governmental funds		<u>\$ 18,194</u>
Agency:		
County Assessor	Collections	\$ 2,569,732
Mental Health Region		11,143,639
Schools		72,310,274
Community Colleges		6,542,128
Corporations		62,764,515
E911 Surcharge		1,736,413
Auto License and Use Tax		2,195,808
All other		4,418,950
Total for agency funds		<u>\$ 163,681,459</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2019 is as follows:

	General Obligation Bonds	General Obligation Capital Loan Notes	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year	\$ 1,740,000	8,260,000	2,201,401	16,919,602	1,689,526	30,810,529
Increases	-	-	2,348,709	-	577,126	2,925,835
Decreases	370,000	2,440,000	2,374,180	2,997,160	-	8,181,340
Balance end of year	<u>1,370,000</u>	<u>5,820,000</u>	<u>2,175,930</u>	<u>13,922,442</u>	<u>2,266,652</u>	<u>25,555,024</u>
Due within one year	<u>\$ 370,000</u>	<u>2,500,000</u>	<u>1,478,974</u>	<u>-</u>	<u>-</u>	<u>4,348,974</u>

General Obligation Bonds

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 December 20, 2013			Issued September 23, 2014		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2020	1.55%	\$ 130,000	14,255	2.00%	\$ 240,000	13,700
2021	2.00	135,000	12,240	2.00	220,000	8,900
2022	2.00	135,000	9,540	2.00	225,000	4,500
2023	2.40	140,000	6,840	2.00	-	-
2024	2.40	145,000	3,480	2.00	-	-
Total		<u>\$ 685,000</u>	<u>46,355</u>		<u>\$ 685,000</u>	<u>27,100</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2020	\$ 370,000	27,955	397,955
2021	355,000	21,140	376,140
2022	360,000	14,040	374,040
2023	140,000	6,840	146,840
2024	145,000	3,480	148,480
Total	<u>\$ 1,370,000</u>	<u>73,455</u>	<u>1,443,455</u>

During the year ended June 30, 2019, \$370,000 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, 2019 of \$604,545 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, 2019.

#### General Obligation Capital Loan Notes

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.

On March 6, 2018, the County issued \$5,260,000 of general obligation capital loan notes with interest rates ranging from 1.45% to 2.25% per annum. A portion of the notes (\$550,000) was issued to pay for equipping public buildings and computers and software from the Zuercher Suite pertaining to document management, storage and retrieval. A portion of the notes (\$1,300,000) was issued to pay for peace officer communications equipment and other emergency services communication equipment and system provided in the Zuercher Suite, radio upgrades and improvements to the Carson Tower. A portion of the notes (\$520,000) was issued to pay for the cost of equipping, remodeling and reconstruction of the Sheriff's Department and the Jail. A portion of the notes (\$370,000) was issued to pay for the works and facilities useful for the collections and disposal of solid waste, including vehicles and buildings used for recycling. A portion of the notes (\$120,000) was issued to pay for the equipping of public buildings, including the digitalization of records in the County Recorder's Office. A portion of the notes (\$300,000)

was issued to pay for equipping, remodeling and reconstruction of the courthouse basement. A portion of the notes (\$900,000) was issued to pay for equipping, remodeling and reconstruction of the first floor of the courthouse. A portion of the notes (\$900,000) was issued to pay for architectural and engineering studies, plans and designs for the future equipping, remodeling, reconstruction and extension of the current Law Enforcement Center building. A portion of the notes (\$300,000) was issued to pay for the costs of vehicles for the Sheriff's Department.

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

Year Ending June 30,	Issued June 7, 2016			Issued March 6, 2018		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2020	2.00%	\$ 1,160,000	37,925	1.65%	\$ 1,340,000	74,760
2021	2.00	115,000	14,725	1.80	700,000	52,650
2022	2.00	115,000	12,425	1.95	700,000	40,050
2023	2.00	90,000	10,125	2.10	700,000	26,400
2024	2.00	90,000	8,325	2.25	520,000	11,700
2025-2027	2.25	290,000	13,163		-	-
Total		\$ 1,860,000	96,688		\$ 3,960,000	205,560

Year Ending June 30,	Total		
	Principal	Interest	Total
2020	\$ 2,500,000	112,685	2,612,685
2021	815,000	67,375	882,375
2022	815,000	52,475	867,475
2023	790,000	36,525	826,525
2024	610,000	20,025	630,025
2025-2027	290,000	13,163	303,163
Total	\$ 5,820,000	302,248	6,122,248

During the year ended June 30, 2019, \$2,440,000 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 PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://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 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% of covered payroll, for a total rate of 15.73%. The Sheriff, deputies and the County each contributed 9.76% of covered payroll, for a total rate of 19.52%. Protection occupation members contributed 6.81% of covered payroll and the County contributed 10.21% of covered payroll, for a total rate of 17.02%.

The County's contributions to IPERS for the year ended June 30, 2019 totaled \$2,737,287.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the County reported a liability of \$13,922,442 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the County's proportion was 0.220005%, which was a decrease of 0.033995% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$2,415,993. At June 30, 2019, 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	\$ 161,370	507,136
Changes of assumptions	3,217,486	772,916
Net difference between projected and actual earnings on IPERS' investments	-	723,132
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	254,119	692,914
County contributions subsequent to the measurement date	2,737,287	-
Total	<u>\$ 6,370,262</u>	<u>2,696,098</u>

\$2,737,287 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, 2020. 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
2020	\$ 1,219,739
2021	551,086
2022	(452,853)
2023	(283,677)
2024	(97,418)
Total	<u>\$ 936,877</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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>
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability (asset)	\$ 30,544,241	13,922,442	(13,416)

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](http://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, 2019.

**(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 spouses. 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 No. 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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	13
Active employees	437
Total	450

Total OPEB Liability – The County's total OPEB liability of \$2,266,652 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2019 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, 2019)	3.00% per annum.
Rates of salary increase (effective June 30, 2019)	3.00% per annum, including inflation.
Discount rate (effective June 30, 2019)	3.50% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2019)	5.00% for all years.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.50% 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 2006 with MP-2018. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 1,689,526
Changes for the year:	
Service cost	59,432
Interest	60,905
Differences between expected and actual experiences	311,343
Changes in assumptions	240,863
Benefit payments	<u>(95,417)</u>
Net changes	<u>577,126</u>
Total OPEB liability end of year	<u>\$ 2,266,652</u>

Changes of assumptions reflect a change in the discount rate from 3.58% in fiscal year 2018 to 3.50% in fiscal year 2019.

Sensitivity of the County's 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 (2.50%) or 1% higher (4.50%) than the current discount rate.

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 2,468,216	2,266,652	2,085,090

Sensitivity of the County's 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 (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

	1% Decrease (4.00%)	Healthcare Cost Trend Rate (5.00%)	1% Increase (6.00%)
Total OPEB liability	\$ 2,031,553	2,266,652	2,545,114

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the year ended June 30, 2019, the County recognized OPEB expense of \$97,883. At June 30, 2019, the County reported deferred outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 474,084
Changes in assumptions	316,458
Total	<u>\$ 790,542</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
2020	\$ 72,963
2021	72,963
2022	72,963
2023	72,963
2024	72,963
Thereafter	425,727
	<u>\$ 790,542</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 778 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, 2019 were \$438,785.

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, 2019, no liability has been recorded in the County's financial statements. As of June 30, 2019, 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, 2019, the County paid \$7,531,146 to the EBS account.

**(11) 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, 2019 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	\$ 17,288
City of Carter Lake	Urban renewal and economic development projects	56,899
City of Council Bluffs	Urban renewal and economic development projects	848,607
City of Underwood	Urban renewal and economic development projects	22,900
City of Walnut	Urban renewal and economic development projects	24,985

**(12) Construction Commitment**

The County has entered into a contract totaling \$824,043 for a bike trail project. As of June 30, 2019, costs of \$810,162 on the project have been incurred. The \$13,881 balance remaining on the contract at June 30, 2019 will be paid as work on the project progresses.



**(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, 2019:

Additions:		
Reimbursements from Counties:		
Pottawattamie County	\$ 985,676	
Shelby County	62,092	
Harrison County	79,295	
Cass County	138,027	
Audubon County	55,775	
Mills County	57,657	
Montgomery County	75,935	
Fremont County	119,211	
Page County	<u>73,112</u>	\$ 1,646,780
State direct receiving grant		42,000
State reimbursement		283,801
Interest on investments		5,303
Adult waived juvenile fees		75,240
Iowa Communities Assurance Pool refund		999
Miscellaneous		<u>832</u>
Total additions		2,054,955
Deductions:		
Salaries	979,158	
Employee benefits	385,020	
Commodities and nutrition services	56,571	
Office supplies	16,831	
Communications and transportation	3,595	
Professional services	15,566	
Utilities	18,253	
Building repair and maintenance	54,828	
Insurance	44,162	
Refunds to counties	424,522	
Miscellaneous	<u>6,514</u>	<u>2,005,020</u>
Net		49,935
Balance beginning of year		<u>621,607</u>
Balance end of year		<u>\$ 671,542</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:

<b><u>If the sick leave balance is:</u></b>	<b><u>The conversion rate is:</u></b>
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 compensated absences liability of \$302,324 has been recorded in the Agency, County Assessor Fund for this benefit program.

For the year ended June 30, 2019, two employees have retired and received benefits totaling \$26,716 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, 2019 have been estimated at \$6,842. The County has restricted \$7,500 at June 30, 2019 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, 2019 as follows:

Revenues:		
Property and other county tax		\$ 1,868,428
Intergovernmental:		
State tax credits	\$ 145,232	
Other	785	146,017
Total revenues		<u>2,014,445</u>
Expenditures:		
Services to persons with:		
Mental illness		702,632
General administration:		
Direct administration	373,738	
Distribution to regional fiscal agent	950,000	1,323,738
Total expenditures		<u>2,026,370</u>
Deficiency of revenues under expenditures		(11,925)
Fund balance beginning of year		<u>497,485</u>
Fund balance end of year		<u>\$ 485,560</u>

**(18) Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

**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, 2019

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 49,370,285	-	49,370,285
Interest and penalty on property tax	371,053	-	371,053
Intergovernmental	20,070,141	-	20,070,141
Licenses and permits	969,149	-	969,149
Charges for service	3,023,641	-	3,023,641
Use of money and property	774,607	37,246	737,361
Miscellaneous	1,913,059	239,065	1,673,994
<b>Total receipts</b>	<b>76,491,935</b>	<b>276,311</b>	<b>76,215,624</b>
<b>Disbursements:</b>			
Public safety and legal services	30,884,494	-	30,884,494
Physical health and social services	3,526,740	-	3,526,740
Mental health	2,022,689	-	2,022,689
County environment and education	5,085,783	131,328	4,954,455
Roads and transportation	15,260,473	-	15,260,473
Governmental services to residents	2,180,844	-	2,180,844
Administration	7,419,857	-	7,419,857
Debt service	3,023,707	-	3,023,707
Capital projects	4,747,968	-	4,747,968
<b>Total disbursements</b>	<b>74,152,555</b>	<b>131,328</b>	<b>74,021,227</b>
Excess (deficiency) of receipts over (under) disbursements	2,339,380	144,983	2,194,397
Balance beginning of year	48,694,952	561,492	48,133,460
Balance end of year	\$ 51,034,332	706,475	50,327,857

See accompanying independent auditor's report.

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Budgeted Amounts		Final to
Original	Final	Net
		Variance
49,545,364	49,545,364	(175,079)
315,000	315,000	56,053
18,423,354	18,679,954	1,390,187
275,800	275,800	693,349
2,354,955	2,429,955	593,686
71,870	71,870	665,491
3,783,300	4,063,300	(2,389,306)
74,769,643	75,381,243	834,381
31,417,624	31,508,624	624,130
3,816,584	3,989,534	462,794
2,490,981	2,490,981	468,292
6,410,612	7,117,612	2,163,157
14,996,790	16,616,790	1,356,317
2,425,421	2,425,421	244,577
7,963,431	8,020,681	600,824
3,023,908	3,023,908	201
9,369,000	10,049,000	5,301,032
81,914,351	85,242,551	11,221,324
(7,144,708)	(9,861,308)	12,055,705
38,586,190	38,586,190	9,547,270
31,441,482	28,724,882	21,602,975

**Pottawattamie County**

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Pottawattamie County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2019

	<u>Governmental Funds</u>		
	<u>Cash</u>	<u>Accrual</u>	<u>Modified</u>
	<u>Basis</u>	<u>Adjustments</u>	<u>Accrual</u>
			<u>Basis</u>
Revenues	\$ 76,491,935	(2,966,428)	73,525,507
Expenditures	74,152,555	(3,300,022)	70,852,533
Net	2,339,380	333,594	2,672,974
Beginning fund balances	48,694,952	1,192,697	49,887,649
Ending fund balances	<u>\$ 51,034,332</u>	<u>1,526,291</u>	<u>52,560,623</u>

See accompanying independent auditor's report.



Pottawattamie County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2019

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 \$3,328,200. 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 911 System by the Joint 911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2019, disbursements did not exceed the amounts budgeted.

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Pottawattamie County

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

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

Required Supplementary Information

	2019	2018	2017	2016	2015
County's proportion of the net pension liability	0.220005%	0.254000%	0.245823%	0.218903%	0.198134%
County's proportionate share of the net pension liability	\$ 13,922	16,920	15,470	10,815	7,858
County's covered payroll	\$ 26,891	27,371	25,415	24,863	24,508
County's proportionate share of the net pension liability as a percentage of its covered payroll	51.77%	61.82%	60.87%	43.50%	32.06%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	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.

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Pottawattamie County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 2,737	2,474	2,532	2,355
Contributions in relation to the statutorily required contribution	<u>(2,737)</u>	<u>(2,474)</u>	<u>(2,532)</u>	<u>(2,355)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 28,360	26,891	27,371	25,415
Contributions as a percentage of covered payroll	9.65%	9.20%	9.25%	9.27%

See accompanying independent auditor's report.

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2015	2014	2013	2012	2011	2010
2,324	2,289	2,212	2,043	1,806	1,661
(2,324)	(2,289)	(2,212)	(2,043)	(1,806)	(1,661)
-	-	-	-	-	-
24,863	24,508	24,038	23,373	22,780	22,505
9.35%	9.34%	9.20%	8.74%	7.93%	7.38%

Pottawattamie County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2019

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.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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.

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Pottawattamie County

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

For the Last Three Years  
Required Supplementary Information

	2019	2018	2017
Service cost	\$ 59,432	57,701	43,437
Interest cost	60,905	60,020	57,423
Difference between expected and actual experiences	311,343	-	248,898
Changes in assumptions	240,863	-	125,289
Benefit payments	(95,417)	(94,017)	(82,807)
Net change in total OPEB liability	577,126	23,704	392,240
Total OPEB liability beginning of year	1,689,526	1,665,822	1,273,582
Total OPEB liability end of year	\$ 2,266,652	1,689,526	1,665,822
Covered-employee payroll	\$ 26,639,939	25,355,419	24,616,912
Total OPEB liability as a percentage of covered-employee payroll	8.51%	6.66%	6.77%

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

*Changes in benefit terms:*

There were no significant changes in benefit terms.

*Changes in assumptions:*

Changes in 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, 2019	3.50%
Year ended June 30, 2018	3.58%
Year ended June 30, 2017	3.58%

**Pottawattamie County**

## **Supplementary Information**



Pottawattamie County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2019

	Special					
	Conservation Local Option Tax	Resource Enhance- ment and Protection	County Recorder's Records Management	Drainage Districts	Juvenile Diversion	Soil Conservation District East
<b>Assets</b>						
Cash, cash equivalents and pooled investments:						
County Treasurer	\$ 145,850	40,677	80,017	10,754	7,290	530,687
Component unit	-	-	-	-	-	-
Drainage assessments receivable	-	-	-	50	-	-
Due from other governments	14,303	113	-	-	-	14,303
<b>Total assets</b>	<b>\$ 160,153</b>	<b>40,790</b>	<b>80,017</b>	<b>10,804</b>	<b>7,290</b>	<b>544,990</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 47,852	4,367	-	-	-	2,724
Due to other governments	-	-	-	-	-	-
Total liabilities	47,852	4,367	-	-	-	2,724
Deferred inflows of resources:						
Unavailable revenues:						
Other	-	-	-	50	-	-
Fund balances:						
Restricted for:						
Drainage warrants/drainage improvement certificates	-	-	-	10,754	-	-
Capital projects	-	-	-	-	-	-
Other purposes	112,301	36,423	80,017	-	7,290	542,266
Total fund balances	112,301	36,423	80,017	10,754	7,290	542,266
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 160,153</b>	<b>40,790</b>	<b>80,017</b>	<b>10,804</b>	<b>7,290</b>	<b>544,990</b>

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	
273,290	-	22,306	296,688	1,682,207	437	533	173,144	2,817,720	6,081,600	
-	695,721	-	-	-	-	-	-	-	695,721	
-	-	-	-	-	-	-	-	-	50	
14,303	-	-	5,154	24,135	-	-	-	64,385	136,696	
<b>287,593</b>	<b>695,721</b>	<b>22,306</b>	<b>301,842</b>	<b>1,706,342</b>	<b>437</b>	<b>533</b>	<b>173,144</b>	<b>2,882,105</b>	<b>6,914,067</b>	
94,860	-	-	-	-	-	-	-	22,804	172,607	
-	-	-	-	-	-	-	2,500	-	2,500	
<b>94,860</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,500</b>	<b>22,804</b>	<b>175,107</b>	
-	-	-	-	-	-	-	-	-	50	
-	-	-	-	-	-	-	-	-	10,754	
-	-	-	-	-	-	-	-	2,859,301	2,859,301	
192,733	695,721	22,306	301,842	1,706,342	437	533	170,644	-	3,868,855	
192,733	695,721	22,306	301,842	1,706,342	437	533	170,644	2,859,301	6,738,910	
<b>287,593</b>	<b>695,721</b>	<b>22,306</b>	<b>301,842</b>	<b>1,706,342</b>	<b>437</b>	<b>533</b>	<b>173,144</b>	<b>2,882,105</b>	<b>6,914,067</b>	

Pottawattamie County

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

Year ended June 30, 2019

	Special					
	Conservation Local Option Tax	Resource Enhance- ment and Protection	County Recorder's Records Management	Drainage Districts	Juvenile Diversion	Soil Conservation District East
Revenues:						
Local option sales tax	\$ 193,203	-	-	-	-	193,203
Intergovernmental	-	35,526	-	-	-	-
Charges for service	-	-	13,518	-	-	-
Use of money and property	-	394	713	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	193,203	35,920	14,231	-	-	193,203
Expenditures:						
Operating:						
Public safety and legal services	-	-	-	-	-	-
County environment and education	197,506	42,220	-	-	-	191,399
Governmental services to residents	-	-	3,227	-	-	-
Capital projects	-	-	-	-	-	-
Total expenditures	197,506	42,220	3,227	-	-	191,399
Change in fund balances	(4,303)	(6,300)	11,004	-	-	1,804
Fund balances beginning of year	116,604	42,723	69,013	10,754	7,290	540,462
Fund balances end of year	\$ 112,301	36,423	80,017	10,754	7,290	542,266

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
193,203	-	-	-	-	-	-	-	-	579,609
-	-	-	20,108	44,787	-	-	-	139,276	239,697
-	-	-	-	-	-	-	-	-	13,518
-	37,246	-	-	-	-	-	-	34,349	72,702
-	239,065	2,962	-	1,428	-	-	192,630	100,000	536,085
193,203	276,311	2,962	20,108	46,215	-	-	192,630	273,625	1,441,611
-	-	-	44,527	65,296	-	-	-	-	109,823
274,094	131,328	2,719	-	-	1,720	-	446,469	-	1,287,455
-	-	-	-	-	-	-	-	-	3,227
-	-	-	-	-	-	-	-	2,200,493	2,200,493
274,094	131,328	2,719	44,527	65,296	1,720	-	446,469	2,200,493	3,600,998
(80,891)	144,983	243	(24,419)	(19,081)	(1,720)	-	(253,839)	(1,926,868)	(2,159,387)
273,624	550,738	22,063	326,261	1,725,423	2,157	533	424,483	4,786,169	8,898,297
192,733	695,721	22,306	301,842	1,706,342	437	533	170,644	2,859,301	6,738,910

Pottawattamie County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2019

	County Offices	Agricultural Extension Education	County Assessor	Mental Health Region	Schools	Community Colleges	Corporations
<b>Assets</b>							
Cash, cash equivalents and pooled investments:							
County Treasurer	\$ -	3,983	1,295,404	11,725,009	642,655	52,870	663,116
Other County officials	272,427	-	-	-	-	-	-
Receivables:							
Property tax:							
Delinquent	-	2,007	7,121	-	297,619	26,258	281,399
Succeeding year	-	566,000	1,729,000	-	71,370,000	6,463,000	61,820,000
Accounts	802	-	-	15,473	-	-	-
Special assessments	-	-	-	-	-	-	-
Drainage assessments	-	-	-	-	-	-	-
Due from other governments	-	-	-	27,150	-	-	-
Prepaid items	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 273,229</b>	<b>571,990</b>	<b>3,031,525</b>	<b>11,767,632</b>	<b>72,310,274</b>	<b>6,542,128</b>	<b>62,764,515</b>
<b>Liabilities</b>							
Accounts payable	\$ -	-	6,214	623,993	-	-	-
Stamped warrants payable	-	-	-	-	-	-	-
Salaries and benefits payable	-	-	20,530	-	-	-	-
Due to other governments	255,454	571,990	2,569,732	11,143,639	72,310,274	6,542,128	62,764,515
Trusts payable	17,775	-	-	-	-	-	-
Compensated absences	-	-	435,049	-	-	-	-
<b>Total liabilities</b>	<b>\$ 273,229</b>	<b>571,990</b>	<b>3,031,525</b>	<b>11,767,632</b>	<b>72,310,274</b>	<b>6,542,128</b>	<b>62,764,515</b>

See accompanying independent auditor's report.

Townships	City Special Assessments	Special Assessments	SWI Juvenile Emergency Services Board	911 Surcharge	Auto License and Use Tax	Other	Total	
	4,031	82,369	873	349,046	1,549,079	2,195,808	735,961	19,300,204
	-	-	-	2,500	-	-	-	274,927
	3,066	-	-	-	-	-	58	617,528
1,160,000	-	-	-	-	-	-	14,000	143,122,000
	-	-	-	-	26,729	-	-	43,004
	-	836,004	16,779	-	-	-	-	852,783
	-	180,429	337,873	-	-	-	190,382	708,684
	-	-	-	284,993	165,484	-	2,954	480,581
	-	-	-	35,003	-	-	5,119	40,122
<b>1,167,097</b>	<b>1,098,802</b>	<b>355,525</b>	<b>671,542</b>	<b>1,741,292</b>	<b>2,195,808</b>	<b>948,474</b>	<b>165,439,833</b>	
	-	-	-	5,629	4,879	-	23,824	664,539
	-	-	-	-	-	-	160,506	160,506
	-	-	-	28,627	-	-	5,317	54,474
1,167,097	1,098,802	355,525	590,393	1,736,413	2,195,808	735,214	164,036,984	
	-	-	-	-	-	-	-	17,775
	-	-	-	46,893	-	-	23,613	505,555
<b>1,167,097</b>	<b>1,098,802</b>	<b>355,525</b>	<b>671,542</b>	<b>1,741,292</b>	<b>2,195,808</b>	<b>948,474</b>	<b>165,439,833</b>	

Pottawattamie County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2019

<b>Assets and Liabilities</b>	County Offices	Agricultural Extension Education	County Assessor	Mental Health Region	Schools	Community Colleges
Balances beginning of year	\$ 227,811	546,997	2,669,739	14,027,498	69,877,342	6,305,324
Additions:						
Property and other county tax	-	563,679	1,723,456	-	71,202,479	6,443,264
911 surcharge	-	-	-	-	-	-
State tax credits	-	39,968	128,589	-	5,533,985	484,089
Intergovernmental	-	-	695	2,606,222	-	-
Office fees and collections	2,343,253	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	4,814,951	-	-	-	-	-
Miscellaneous	-	-	1,426	189,429	-	-
Total additions	7,158,204	603,647	1,854,166	2,795,651	76,736,464	6,927,353
Deductions:						
Agency remittances:						
To other funds	1,299,222	-	-	-	-	-
To other governments	1,048,936	578,654	1,492,380	5,055,517	74,303,532	6,690,549
Trusts paid out	4,764,628	-	-	-	-	-
Total deductions	7,112,786	578,654	1,492,380	5,055,517	74,303,532	6,690,549
Balances end of year	\$ 273,229	571,990	3,031,525	11,767,632	72,310,274	6,542,128

See accompanying independent auditor's report.

Corporations	Townships	City Special Assessments	Special Assessments	SWI Juvenile Emergency Services Board	911 Surcharge	Auto License and Use Tax	Other	Total
60,977,158	1,145,975	1,121,290	369,223	621,607	1,638,062	2,366,831	1,306,571	163,201,428
61,536,025	1,160,105	-	-	-	-	-	15,281	142,644,289
-	-	-	-	-	683,306	-	-	683,306
5,522,701	53,305	-	-	-	-	-	1,054	11,763,691
-	-	-	-	2,049,652	-	-	3,887,823	8,544,392
-	-	-	-	-	-	-	13,529	2,356,782
-	-	-	-	-	-	27,865,211	-	27,865,211
-	-	798,751	332,083	-	-	-	117,785	1,248,619
-	-	-	-	-	-	-	372,936	5,187,887
-	-	-	-	5,303	15,174	-	177,175	388,507
67,058,726	1,213,410	798,751	332,083	2,054,955	698,480	27,865,211	4,585,583	200,682,684
-	-	-	-	254,096	-	888,282	-	2,441,600
65,271,369	1,192,288	821,239	345,781	170,397	595,250	27,147,952	4,372,300	189,086,144
-	-	-	-	1,580,527	-	-	731,886	7,077,041
65,271,369	1,192,288	821,239	345,781	2,005,020	595,250	28,036,234	5,104,186	198,604,785
62,764,515	1,167,097	1,098,802	355,525	671,542	1,741,292	2,195,808	787,968	165,279,327



Pottawattamie County

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

For the Last Ten Years

	2019	2018	2017	2016
<b>Revenues:</b>				
Property and other county tax	\$ 45,581,389	44,958,746	44,891,722	45,486,380
Local option sales tax	3,864,062	3,341,048	3,494,236	3,196,050
Interest and penalty on property tax	370,328	355,815	339,351	347,738
Intergovernmental	17,195,198	15,611,477	17,530,095	16,583,665
Licenses and permits	981,308	208,602	246,073	222,617
Charges for service	3,070,466	3,140,296	3,009,434	2,901,437
Use of money and property	775,086	458,157	129,399	140,007
Miscellaneous	1,687,670	2,037,362	2,236,008	2,008,879
<b>Total</b>	<b>\$ 73,525,507</b>	<b>70,111,503</b>	<b>71,876,318</b>	<b>70,886,773</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 27,538,819	26,663,989	24,694,953	24,491,150
Physical health and social services	3,556,376	3,491,566	4,296,741	4,847,817
Mental health	2,026,370	2,499,749	2,547,003	3,469,916
County environment and education	5,165,521	5,499,199	4,516,085	4,804,455
Roads and transportation	15,226,457	13,886,826	12,061,549	12,107,500
Governmental services to residents	2,193,031	2,113,367	2,165,946	2,008,389
Administration	7,429,696	7,745,381	7,139,445	6,886,005
Debt service	3,023,707	2,971,908	3,334,750	4,339,507
Capital projects	4,692,556	3,732,016	3,430,468	7,406,853
<b>Total</b>	<b>\$ 70,852,533</b>	<b>68,604,001</b>	<b>64,186,940</b>	<b>70,361,592</b>

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
45,742,273	39,548,540	37,694,564	36,691,020	35,723,484	32,789,867
4,349,793	3,405,980	3,174,885	3,057,227	3,235,122	2,670,586
384,464	344,692	376,744	318,477	414,271	351,370
17,741,021	16,549,486	17,335,587	17,905,091	19,562,312	21,344,671
349,597	306,705	261,812	187,760	208,229	274,843
2,718,505	2,696,599	2,695,884	2,737,391	2,541,245	2,472,731
147,657	160,514	193,326	264,844	333,615	366,219
2,530,247	1,162,080	1,708,008	1,666,853	1,168,054	1,748,258
73,963,557	64,174,596	63,440,810	62,828,663	63,186,332	62,018,545
23,413,305	22,832,688	21,367,688	20,699,015	19,690,040	19,163,904
5,155,835	5,410,187	3,472,444	3,197,434	3,115,222	3,084,140
8,580,556	2,613,398	5,229,934	11,276,784	9,446,510	9,007,878
5,420,349	7,374,041	6,494,809	5,668,115	5,674,072	5,450,475
11,758,649	9,700,321	12,574,966	11,503,354	10,438,155	11,023,675
2,069,334	1,942,339	2,110,519	1,889,398	1,689,187	1,764,682
6,540,195	6,205,492	7,031,198	6,685,534	5,939,596	6,268,178
4,077,315	3,793,670	4,642,100	3,826,036	3,832,133	9,647,748
1,127,231	1,580,254	3,258,248	2,790,082	3,054,456	10,667,991
68,142,769	61,452,390	66,181,906	67,535,752	62,879,371	76,078,671

**Schedule 6**

Pottawattamie County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2019

Grantor/Program	CFDA Number	Pass-through Entity Identifying Number	Program Expenditures
Direct:			
U.S. Department of the Interior: National Wildlife Refuge Fund	15.659		\$ 4,016
Indirect:			
U.S. Department of Agriculture: Iowa Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5888A052	123,015
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5888A091	9,832
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5889A091	30,874
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5889A052	<u>360,799</u>
			<u>524,520</u>
Iowa Department of Human Services: Human Services Administrative Reimbursements: SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>74,348</u>
Iowa Department of Agriculture and Land Stewardship: WIC Farmers' Market Nutrition Program (FMNP)	10.572		<u>858</u>
U.S. Department of Justice: Iowa Department of Human Rights:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	#04-JD13-17F-78	10,500
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	#04-JD17-18F-78	<u>18,686</u>
			<u>29,186</u>
City of Council Bluffs: Edward Byrne Memorial Justice Assistance Grant Program	16.738	2018-DJ-BX-0919	<u>13,135</u>
U.S. Federal Highway Administration: Iowa Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	BROS-C078(192)--8J-78	627,320
Highway Planning and Construction	20.205	BROS-C078(193)--8J-78	516,750
Highway Planning and Construction	20.205	TAP-R-C078(194)--8T-78	24,621
Omaha - Council Bluffs Metropolitan Area Planning Agency: Highway Planning and Construction	20.205	1990310006	<u>30,000</u>
			<u>1,198,691</u>
Iowa Department of Transportation: Recreational Trails Program	20.219	2014-NRT-004	<u>60,645</u>
U.S. Department of Transportation National Highway Traffic Safety Administration (NHTSA): Iowa Department of Public Safety: Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	PAP 19-402-MOOP, Task 33-30-00	<u>285</u>

Pottawattamie County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2019

Grantor/Program	CFDA Number	Pass-through Entity Identifying Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Centers for Disease Control and Prevention			
Immunization Cooperative Agreements	93.268	5889I474	15,300
HIV Care Formula Grant	93.917	5888AP05A	74,622
HIV Care Formula Grant	93.917	5889AP05A	46,861
			<u>121,483</u>
HIV Prevention Activites_Health Department Based	93.940	5888AP05A	31,850
HIV Prevention Activites_Health Department Based	93.940	5889AP05A	10,002
			<u>41,852</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance_State			
Administered Programs	93.566		312
Child Care Mandatory and Matching			
Funds of the Child Care and Development Fund	93.596		18,890
Foster Care_Title IV-E	93.658		26,147
Adoption Assistance	93.659		8,863
Social Services Block Grant	93.667		21,963
Children's Health Insurance Program	93.767		514
Medicaid Cluster:			
Medical Assistance Program	93.778		119,528
U.S. Department of Homeland Security:			
Iowa Department of Public Defense			
Iowa Homeland Security and Emergency Management Division			
Homeland Security Grant Program	97.067	EMW-2016-SS-00017	100,000
Homeland Security Grant Program	97.067	EMW-2018-SS-00010	35,000
			<u>135,000</u>
Total indirect			<u>2,411,520</u>
Total			<u>\$ 2,415,536</u>

**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, 2019. 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.



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

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

To the Officials of Pottawattamie County:

We have audited 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, 2019, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 14, 2020.

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 item II-A-19 to be a material weakness.

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 deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-19 to be a significant deficiency.

### 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, 2019 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.

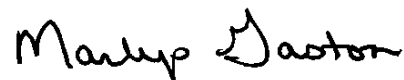
### Pottawattamie County's Responses to the Findings

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.

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

April 14, 2020



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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, 2019. 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, 2019.

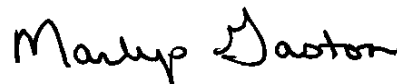
## Report on Internal Control Over Compliance

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.



Marlys K. Gaston, CPA  
Deputy Auditor of State

April 14, 2020



Pottawattamie County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2019

**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) A significant deficiency and a material weakness 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 200.516.
- (f) The major program was as follows:
  - CFDA Number 20.205 – Highway Planning and Construction Cluster.
- (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, 2019

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

**INTERNAL CONTROL DEFICIENCIES:**

II-A-19 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 and the County Ag Extension’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:

	<u>Applicable Offices</u>
(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 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 each office’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 office should review the control activities to obtain the maximum internal control possible under the circumstances. The offices 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 reviewing 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, 2019

II-B-19 Southwest Iowa Juvenile Emergency Service Petty Cash Checking Account

Criteria – Management is responsible for establishing and maintain internal controls. A good system of internal control provides for adequate supporting documentation and approval of disbursements prior to preparing and paying for the claim.

Condition – The signing of checks in advance is not prohibited. Southwest Iowa Juvenile Emergency Service (SWIJES) Board Director signs checks in advance to facilitate the purchase of goods from stores and suppliers in a timely manner.

Cause – SWIJES policies do not require and procedures have not been established to prevent the advance signing of checks.

Effect – The advance signing of checks could adversely affect SWIJES's ability to prevent or detect and correct misstatements, errors or misappropriation of assets by employees in the normal course of performing their assigned functions.

Recommendation – SWIJES should establish policies and procedures to ensure the signing of checks in advance is prohibited.

Response – SWIJES will be looking into establishing charge accounts with their suppliers or other alternative measures.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Pottawattamie County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2019

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

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

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

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

IV-A-19 Certified Budget – Disbursements during the year ended June 30, 2019 did not exceed the amounts budgeted.

IV-B-19 Questionable Expenditures – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain expenditures were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

Paid to	Purpose	Amount
CardMember Service	Flowers for funeral	\$ 65

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 this expenditure before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including the requirement for proper public purpose documentation.

Responses – We will develop a policy stating the public purpose.

Conclusion – Response accepted.

IV-C-19 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-19 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, County Sheriff employee	Garment repairs, per bid	\$ 1,918

In accordance with Chapter 331.342(2)(c) the garment repairs totaling \$1,918 do not appear to represent a conflict of interest since it was entered into through competitive bid.

IV-E-19 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.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

- IV-F-19 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-19 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-19 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-19 Solid Waste Fees – During the year ended June 30, 2019, the County retained \$7,500 of solid waste fees in accordance with Chapter 455B.30 of the Code of Iowa.
- IV-J-19 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, 2019 exceeds the total estimated costs at that date and, accordingly, the costs are fully funded.
- IV-K-19 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, 2019 for the County Extension Office did not exceed the amount budgeted.
- IV-L-19 Conservation Credit Card Processing – The County Conservation Department made payments totaling \$3,024 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.” The Department did not adjust fees to reflect this cost.

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 charge a flat processing fee onto the customer on My County Parks. However, we are charged varying rates. This is what causes the discrepancy. We are planning to host all reservations and registrations on our newly developed website starting in January 2020, and we plan to use Square for those transactions that better/more closely captures these fees.

Conclusion – Response acknowledged. Given the risks surrounding the use of a Square, the County Conservation Department should ensure internal control procedures are in place to mitigate the risks.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

IV-M-19 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 Extension Offices or the County Sheriff’s Office.

Recommendation – The County Extension Offices and County Sheriff’s Office should obtain and retain an image of both the front and back of each cancelled check as required.

Responses

- a) County Extension Offices – The office has contacted the bank and images of the back of each cancelled check should be on the statements starting January 2020.
- b) County Sheriff’s Office – The office has contacted the bank and implemented the change to get images of both the front and back of all checks.

Conclusion – Responses accepted.

IV-N-19 Employee Group Health – The County provides employees health insurance and other benefits through a self-insured benefit plan. Chapter 509A.15 of the Code of Iowa requires the County to obtain an actuarial opinion issued by a fellow of the Society of Actuaries which attests to the adequacy of reserves, rates and the financial condition of the plan. The County did not obtain an actuarial opinion for the fiscal year 2019.

Recommendation – The County should obtain an actuarial opinion, issued by the fellow of Society of Actuaries, as required.

Response – We have since acquired an actuarial opinion and will monitor this more closely in the future.

Conclusion – Response accepted.

Pottawattamie County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy  
Donna F. Kruger, CPA, Manager  
Ryan J. Pithan, CPA, Senior Auditor II  
Coltin R. Collins, Staff Auditor  
Nicholas J. Gassman, Staff Auditor  
Noelle M. Johnson, Staff Auditor  
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Nichole D. Tucker, Staff Auditor  
Nathan A. DeWit, Assistant Auditor  
Corey D. Hauptmann, Assistant Auditor  
Cara N. Roush, Assistant Auditor  
Michael S. Team, Assistant Auditor  
Nathan A. Mathews, Intern Auditor