



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

April 2, 2007

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

The County had local tax revenue of \$113,374,331 for the year ended June 30, 2006, which included \$3,707,517 in tax credits from the state. The County forwarded \$90,188,688 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$23,185,643 of the local tax revenue to finance County operations, a 6 percent increase over the prior year. Other revenues included charges for service of \$6,331,135, operating grants, contributions and restricted interest of \$11,636,948, capital grants, contributions and restricted interest of \$3,815,072, local option sales tax of \$3,212,180, pari-mutuel and gaming wager tax of \$2,243,435, tax increment financing of \$728,795, unrestricted investment earnings of \$932,635 and other general revenues of \$1,030,538.

Expenses for County operations totaled \$48,333,519, a 6.5 percent increase over the prior year. Expenses included \$15,847,642 for public safety and legal services, \$10,936,308 for roads and transportation and \$7,589,652 for mental health.

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

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

JUNE 30, 2006

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Pottawattamie County

Officials

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

Pottawattamie County



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Independent Auditor's Report

To the Officials of Pottawattamie County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pottawattamie County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Pottawattamie County's management. Our responsibility is to express opinions on these financial statements based on our audit.

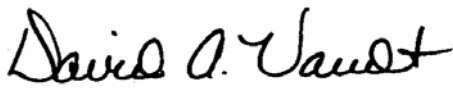
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Pottawattamie County at June 30, 2006, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

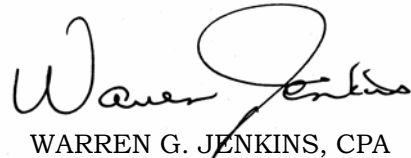
In accordance with Government Auditing Standards, we have also issued our report dated January 5, 2007, except for Note 11, as to which the date is March 9, 2007, on our consideration of Pottawattamie County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 14 and 42 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pottawattamie County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2003 (which are not presented herein) and expressed qualified opinions on those financial statements due to the omission of general fixed assets or capital assets and supplies inventory for the Secondary Roads Fund. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 5, 2007, except for Note 11,
as to which the date is March 9, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pottawattamie County provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- Pottawattamie County's governmental funds revenue increased 9.3%, or approximately \$4.5 million, over fiscal year 2005 (FY05). This included increases in property tax revenue of approximately \$1.3 million, operating grants, contributions and restricted interest of approximately \$923,000, local option sales tax of approximately \$664,000 and capital grants, contributions and restricted interest of approximately \$624,000.
- Pottawattamie County's governmental activities expenses increased to \$48.3 million in fiscal year 2006 (FY06) from \$45.4 million in FY05.
- Pottawattamie County's net assets increased approximately \$4.8 million from FY05.
- As of the close of FY06, Pottawattamie County had ending fund balances of \$7,077,119 in the General Fund, \$1,252,641 in the Mental Health Fund, \$290,565 in the Rural Services Fund and \$5,389,492 in the Secondary Roads Fund.

USING THIS ANNUAL REPORT

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

- *Management's Discussion and Analysis* introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The *Government-wide Financial Statements* consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Pottawattamie County as a whole and present an overall view of the County's finances.
- The *Fund Financial Statements* tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Pottawattamie County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Pottawattamie County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- *Notes to Financial Statements* provide additional information essential to a full understanding of the data provided in the basic financial statements.
- *Required Supplementary Information* further explains and supports the financial statements with a comparison of the County's budget for the year.
- *Other Supplementary Information* provides detailed information about the nonmajor governmental and the individual fiduciary funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY AS A WHOLE:

The Statement of Net Assets and the Statement of Activities

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

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

REPORTING THE COUNTY BY FUNDS:

The Fund Financial Statements

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

The County has two kinds of funds:

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

The governmental funds required financial statements include a *balance sheet* and a *statement of revenues, expenditures and changes in fund balances*.

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

The fiduciary funds required financial statement is a *statement of fiduciary assets and liabilities*.

Summary reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Pottawattamie County's net assets for FY06 increased to approximately \$72.1 million. This compares to FY05 at approximately \$67.3 million. The analysis that follows focuses on the changes of the net assets for our governmental activities.

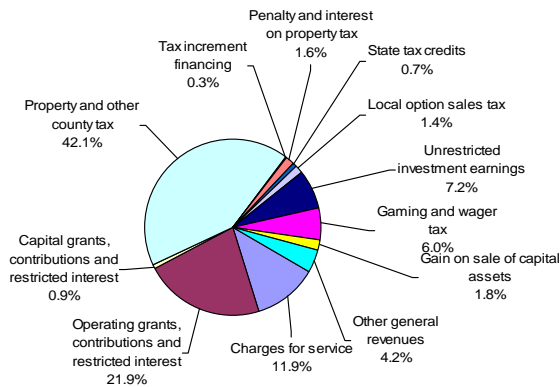
Net Assets of Governmental Activities		
	June 30,	
	2006	2005
Current and other assets	\$ 44,756,202	53,307,624
Capital assets	68,167,986	65,152,747
Total assets	112,924,188	118,460,371
Long-term liabilities	14,077,905	25,792,686
Other liabilities	26,792,236	25,396,500
Total liabilities	40,870,141	51,189,186
Net assets:		
Invested in capital assets, net of related debt	55,980,485	51,430,797
Restricted	10,582,597	10,257,143
Unrestricted	5,490,965	5,583,245
Total net assets	\$ 72,054,047	67,271,185

Total net assets of Pottawattamie County's governmental activities in FY06 increased approximately \$4.8 million from FY05. The largest portion of the County's net assets is Invested in Capital Assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with resources other than capital assets since they are unavailable for future spending. Restricted net assets represent resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements—decreased from approximately \$5.6 million at June 30, 2005 to approximately \$5.5 million at the end of this year, a decrease of 2 percent.

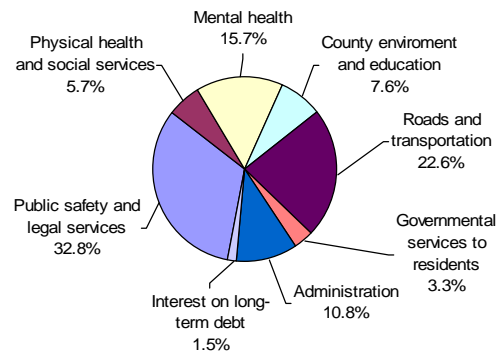
Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2006	2005
Revenues:		
Program revenues:		
Charges for service	\$ 6,331,135	6,303,538
Operating grants, contributions and restricted interest	11,636,948	10,713,991
Capital grants, contributions and restricted interest	3,815,072	3,190,705
General revenues:		
Property and other county tax	22,323,852	21,002,987
Tax increment financing	728,795	650,117
Penalty and interest on property tax	353,101	390,454
State tax credits	861,791	841,927
Local option sales tax	3,212,180	2,548,453
Unrestricted investment earnings	932,635	504,451
Gaming and wager tax	2,243,435	2,277,728
Gain on sale of capital assets	501,676	51,527
Other general revenues	175,761	123,588
Total revenues	53,116,381	48,599,466
Program expenses:		
Public safety and legal services	15,847,642	15,139,659
Physical health and social services	2,745,950	2,610,270
Mental health	7,589,652	7,224,615
County environment and education	3,675,244	2,577,638
Roads and transportation	10,936,308	9,779,076
Governmental services to residents	1,579,469	1,380,847
Administration	5,216,045	5,598,140
Interest on long-term debt	743,209	1,070,857
Total expenses	48,333,519	45,381,102
Increase in net assets	4,782,862	3,218,364
Net assets beginning of year	67,271,185	64,052,821
Net assets end of year	\$ 72,054,047	67,271,185

Revenue by Source



Expenses by Program



Pottawattamie County's net assets of governmental activities increased by approximately \$4.8 million during the year. Revenues increased by approximately \$4.5 million and expenses increased by approximately \$3 million.

Pottawattamie County increased property tax levy rates by \$.22055 per \$1,000 of taxable valuation in the rural levy and increased property tax levy rates by \$.21461 per \$1,000 of taxable valuation in the countywide levy, for a total levy increase of \$.43516 in FY06. The rural assessed property valuation increased \$3,542,107 and the countywide assessed property valuation increased \$76,152,909.

INDIVIDUAL MAJOR FUND ANALYSIS

As Pottawattamie County completed the year, its governmental funds reported a combined fund balance of \$16,413,553, which is less than the \$27,541,197 combined fund balance of FY05. This difference is due mainly to a decrease in the Debt Service Fund balance to refund \$10,745,000 of debt with funds held in escrow.

The General Fund, as the operating fund for Pottawattamie County, ended FY06 with a \$7,077,119 ending balance. This was an increase from FY05's ending balance of \$6,570,535. The General Fund balance includes the gaming dollars reserved for ongoing construction and remodeling of the courthouse and other county buildings, along with economic development, capital projects and some property tax relief. The countywide property valuation increased in FY06 to \$2,829,468,636 from \$2,766,373,532 in FY05. The General Fund levy rate increased to \$5.64329 per \$1,000 of taxable valuation in FY06 from \$5.29455 per \$1,000 of taxable valuation in FY05.

Pottawattamie County continues to effectively manage the rising costs of mental health services. FY06 Mental health expenditures were \$7,583,258, up from \$7,208,328 in FY05, an increase of \$374,930, or 5.2%. The Mental Health Fund at the beginning of FY06 was \$1,827,760 compared to \$1,252,641 at the end of the fiscal year. The FY06 tax levy decreased \$.14044 per \$1,000 of taxable valuation from \$1.20071 per \$1,000 of taxable valuation in FY05 to \$1.06027 per \$1,000 of taxable valuation.

The Rural Services Fund increased slightly to an ending fund balance of \$290,565 for FY06 compared to the prior year ending balance of \$281,431. Property tax revenue for the Rural Services Fund increased \$202,982. Local option sales tax revenue increased to \$481,816 in FY06 from \$382,268 in FY05. Expenditures increased for Uniform Patrol Services and the Animal Control Program. The transfer to the Secondary Roads Fund from the Rural Services Fund increased \$9,219 in FY06.

The Secondary Roads Fund ended FY06 with approximately a \$5.39 million balance compared to the prior year ending balance of approximately \$6.0 million. Capital project expenditures increased \$234,037 to \$1,602,230 in FY06 from \$1,368,193 in FY05. The Department maintained 1,500 miles of rock, dirt and paved roads during the year and continued work on construction projects. The non-capital expenditures of Secondary Roads increased to \$9,090,186 in FY06 from \$7,654,396 in FY05.

The Debt Service Fund ended FY06 with a fund balance of \$540,546 compared to an ending fund balance of \$11,321,210 in FY05. In FY04 and FY05, crossover refunding bonds were issued. In a crossover refunding, liabilities for both the old and new debt, as well as the U.S. Treasury Securities on deposit with the escrow agent, are reported in the government-wide financial statements. However, only the U.S. Treasury Securities are reported in the fund financial statements since the liabilities are not a fund liability. The crossover date for both issuances was met during FY06, so the old debt was refunded with the U.S. Treasury Securities on deposit with the escrow agent.

Budgetary Highlights

Over the course of the year, Pottawattamie County amended the FY05-06 budget twice—on May 31, 2006 and June 28, 2006. The amendments were for federal and state grants used to purchase federal mandated election equipment updates and conservation park projects, animal control expansion, medical examiner fees, county attorney costs and Sheriff's department disbursements.

The County's receipts were \$970,661 less than budgeted, a variance of 2%. The most significant variance resulted from the County budgeting intergovernmental receipts related to a highway project that was not started during FY06.

Total disbursements were \$6,781,267 less than the amended budget. Actual disbursements for the capital projects and administration functions were \$3,956,013 and \$1,593,458, respectively, less than budgeted. This was primarily due to budgeting for the highway project that was not started during FY06 and amending the administration function for \$773,000 in error.

Pottawattamie County worked in alliance with Douglas, Sarpy and Washington Counties in Nebraska to share the cost of aerial photography to update mapping records. Cost of the completed project is expected to be \$268,000 and will be completed in FY 06-07. A project to image Pottawattamie County records will be completed in FY 06-07 at a cost of \$365,000.

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

Pottawattamie County has cooperated with the City of Council Bluffs for the expansion of the Council Bluffs Airport. The commitment included a beltway road system surrounding the airport and will eventually connect to the interstate highway system in Pottawattamie County.

Pottawattamie County, through an alliance with the Metropolitan Area Planning Agency, secured a grant to hire an additional employee for the Geographical Information Survey (GIS) department.

Horseshoe Casino (Bluffs Run Casino) completed a multi-million dollar expansion which increased the County's gaming receipts.

Even with the amendments, the County exceeded the budgeted amount in the governmental services to residents function for the year ended June 30, 2006. The County amended the administration function line item in error.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY06, Pottawattamie County had approximately \$68.17 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is an increase of approximately \$3 million over FY05.

Pottawattamie County had depreciation expense of approximately \$4.1 million in FY06 and total accumulated depreciation of approximately \$44 million on the capital assets at the end of FY06. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Debt

At the end of FY06, Pottawattamie County had \$805 thousand in urban renewal revenue capital loan notes outstanding compared to \$980 thousand at the end of FY05.

At the end of FY06, Pottawattamie County had \$12,187,501 in general obligation bonds and notes and other long-term debt outstanding compared to \$23,831,950 at the end of FY05, as shown below.

	Outstanding Debt of Governmental Activities at Year-End	
	June 30,	
	2006	2005
General obligation capital loan notes	\$ -	10,875,000
Urban renewal revenue capital loan notes	805,000	980,000
General obligation refunding bonds	9,850,000	10,595,000
General obligation refunding notes	1,950,000	1,950,000
Mortgage loan	387,501	411,950
Total	\$ 12,992,501	24,811,950

Outstanding debt decreased as a result of the general obligation crossover refunding bond issues. Both debt issues are recorded in the financial statements until the crossover date. The crossover date was met during FY06, so the general obligation capital loan notes were refunded.

Pottawattamie County's general obligation bond rating continues to carry the A1 rating assigned by Moody's Investors Service, a national rating agency. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the county's corporate limits. Pottawattamie County's outstanding general obligation debt of approximately \$13 million is significantly below its constitutional debt limit of \$228 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTS AND NEXT YEAR'S BUDGET AND RATES

Pottawattamie County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates and fees that apply for the various County services. One of those factors is the economy.

The economy and unemployment indicators were taken into account when adopting the General Fund budget for fiscal year 2007. Amounts available for appropriation in the General Fund are approximately \$28,392,717, an increase of \$1,511,830 over the final 2006 budget. Property taxes are a portion of this increase. Pottawattamie County will use the increase in receipts to finance programs currently offered to offset the effect inflation has on program costs. Capital projects, increased support of the communications center, negotiated union and non-union salary adjustments and health care benefits represent the largest portion of the increased expenses. Pottawattamie County elected officials received a 3% salary increase. Pay plan staff received a 3% raise effective July 1, 2006.

If estimates are realized, Pottawattamie County's budgetary General Fund balance is expected to decrease from \$4,984,042 at the end of FY06 to approximately \$3,750,310 at the close of 2006.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Exhibit A

Pottawattamie County
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 15,235,598
Receivables:	
Property tax:	
Delinquent	114,866
Succeeding year	24,387,000
Interest and penalty on property tax	299,198
Accounts	577,260
Accrued interest	80,932
Due from other governments	2,552,644
Inventories	1,177,835
Prepaid insurance	330,869
Capital assets (net of accumulated depreciation)	68,167,986
Total assets	<u>112,924,188</u>
Liabilities	
Accounts payable	1,088,613
Accrued interest payable	41,592
Salaries and benefits payable	365,577
Due to other governments	909,454
Deferred revenue:	
Succeeding year property tax	24,387,000
Long-term liabilities:	
Portion due or payable within one year:	
Urban renewal revenue capital loan notes	185,000
General obligation refunding bonds	885,000
General obligation refunding notes	145,000
Mortgage loan	387,501
Compensated absences	650,284
Portion due or payable after one year:	
Urban renewal revenue capital loan notes	620,000
General obligation refunding bonds	8,965,000
General obligation refunding notes	1,805,000
Compensated absences	435,120
Total liabilities	<u>40,870,141</u>
Net Assets	
Invested in capital assets, net of related debt	55,980,485
Restricted for:	
Supplemental levy purposes	1,479,573
Mental health purposes	1,299,974
Secondary roads purposes	6,183,619
Debt service	504,626
Law enforcement	51,149
Closure and postclosure care	3,000
Other purposes	1,060,656
Unrestricted	5,490,965
Total net assets	<u>\$ 72,054,047</u>

See notes to financial statements.

Pottawattamie County

Statement of Activities

Year ended June 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest		Capital Grants, Contributions and Restricted Interest
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 15,847,642	3,836,978	133,371	-	(11,877,293)
Physical health and social services	2,745,950	96,537	1,284,337	-	(1,365,076)
Mental health	7,589,652	82,240	3,990,305	-	(3,517,107)
County environment and education	3,675,244	373,810	989,232	310,672	(2,001,530)
Roads and transportation	10,936,308	80,439	4,986,238	2,942,869	(2,926,762)
Governmental services to residents	1,579,469	1,462,983	9,498	501,473	394,485
Administration	5,216,045	398,148	67,436	60,058	(4,690,403)
Interest on long-term debt	743,209	-	176,531	-	(566,678)
Total	\$ 48,333,519	6,331,135	11,636,948	3,815,072	(26,550,364)
General Revenues:					
Property and other county tax levied for:					
General purposes					\$ 21,120,767
Debt service					1,203,085
Tax increment financing					728,795
Penalty and interest on property tax					353,101
State tax credits					861,791
Local option sales tax					3,212,180
Unrestricted investment earnings					932,635
Pari-mutuel and gaming wager tax					2,243,435
Gain on sale of capital assets					501,676
Miscellaneous					175,761
Total general revenues					31,333,226
Change in net assets					4,782,862
Net assets beginning of year					67,271,185
Net assets end of year					\$ 72,054,047

See notes to financial statements.

Pottawattamie County

Balance Sheet
Governmental Funds

June 30, 2006

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 6,702,417	1,960,615	268,370	3,990,722
Receivables:				
Property tax:				
Delinquent	80,875	15,743	12,436	-
Succeeding year	16,378,000	3,212,000	3,154,000	-
Interest and penalty on property tax	299,198	-	-	-
Accounts	256,563	15,416	4,353	3,590
Accrued interest	76,378	-	-	-
Due from other governments	532,449	228,091	41,771	1,647,820
Inventories	-	-	-	1,177,835
Prepaid insurance	282,924	-	-	47,945
Total assets	\$ 24,608,804	5,431,865	3,480,930	6,867,912
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 454,327	239,305	11,718	368,504
Salaries and benefits payable	275,768	19,429	9,563	59,551
Due to other governments	12,522	602,680	2,672	15
Deferred revenue:				
Succeeding year property tax	16,378,000	3,212,000	3,154,000	-
Other	411,068	105,810	12,412	1,050,350
Total liabilities	17,531,685	4,179,224	3,190,365	1,478,420
Fund balances:				
Reserved for:				
Supplemental levy purposes	1,554,411	-	-	-
Closure and postclosure care	-	-	3,000	-
Debt service	-	-	-	-
Law enforcement	51,149	-	-	-
Unreserved, reported in:				
General fund	5,471,559	-	-	-
Special revenue funds	-	1,252,641	287,565	5,389,492
Capital projects fund	-	-	-	-
Total fund balances	7,077,119	1,252,641	290,565	5,389,492
Total liabilities and fund balances	\$ 24,608,804	5,431,865	3,480,930	6,867,912

See notes to financial statements.

Debt Service	Nonmajor	Total
541,156	1,772,318	15,235,598
5,812	-	114,866
1,189,000	454,000	24,387,000
-	-	299,198
-	297,338	577,260
-	4,554	80,932
-	102,513	2,552,644
-	-	1,177,835
-	-	330,869
1,735,968	2,630,723	44,756,202
750	14,009	1,088,613
-	1,266	365,577
-	291,565	909,454
1,189,000	454,000	24,387,000
5,672	6,693	1,592,005
1,195,422	767,533	28,342,649
-	-	1,554,411
-	-	3,000
540,546	-	540,546
-	-	51,149
-	-	5,471,559
-	1,860,794	8,790,492
-	2,396	2,396
540,546	1,863,190	16,413,553
1,735,968	2,630,723	44,756,202

Pottawattamie County

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

June 30, 2006

Total governmental fund balances (page 19) \$ 16,413,553

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$112,180,621 and the accumulated depreciation is \$44,012,635. 68,167,986

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 1,592,005

Long-term liabilities, including notes payable, bonds payable, mortgage loan payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (14,119,497)

Net assets of governmental activities (page 16) \$ 72,054,047

See notes to financial statements.

Pottawattamie County

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

Year ended June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 17,812,056	2,894,788	3,302,283	2,248,549
Interest and penalty on property tax	324,973	-	-	-
Intergovernmental	5,489,292	4,093,485	195,492	4,755,335
Licenses and permits	850	-	72,851	3,335
Charges for service	2,255,180	64,865	92,474	19,024
Use of money and property	946,362	-	95	375
Miscellaneous	743,216	-	596	72,163
Total revenues	27,571,929	7,053,138	3,663,791	7,098,781
Expenditures:				
Operating:				
Public safety and legal services	15,022,293	-	180,051	-
Physical health and social services	2,597,598	-	128,025	-
Mental health	-	7,583,258	-	-
County environment and education	2,283,852	-	619,963	-
Roads and transportation	-	-	-	9,090,186
Governmental services to residents	1,962,712	-	2,800	-
Administration	4,926,930	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	1,602,230
Total expenditures	26,793,385	7,583,258	930,839	10,692,416
Excess (deficiency) of revenues over (under) expenditures	778,544	(530,120)	2,732,952	(3,593,635)
Other financing sources (uses):				
Sale of capital assets	21,998	-	-	-
Operating transfers in	44,999	-	-	2,950,175
Operating transfers out	(338,957)	(44,999)	(2,723,818)	-
Payments to note holders for refunded notes	-	-	-	-
Total other financing sources (uses)	(271,960)	(44,999)	(2,723,818)	2,950,175
Net change in fund balances	506,584	(575,119)	9,134	(643,460)
Fund balances beginning of year	6,570,535	1,827,760	281,431	6,032,952
Fund balances end of year	\$ 7,077,119	1,252,641	290,565	5,389,492

See notes to financial statements.

Debt Service	Nonmajor	Total
1,203,587	1,050,005	28,511,268
-	-	324,973
45,213	217,501	14,796,318
-	-	77,036
-	23,826	2,455,369
176,531	95,130	1,218,493
-	1,163,294	1,979,269
1,425,331	2,549,756	49,362,726
-	141,879	15,344,223
-	910	2,726,533
-	-	7,583,258
-	1,693,871	4,597,686
-	-	9,090,186
-	41,819	2,007,331
-	40,808	4,967,738
1,848,183	-	1,848,183
-	-	1,602,230
1,848,183	1,919,287	49,767,368
(422,852)	630,469	(404,642)
-	-	21,998
387,188	178,209	3,560,571
-	(452,797)	(3,560,571)
(10,745,000)	-	(10,745,000)
(10,357,812)	(274,588)	(10,723,002)
(10,780,664)	355,881	(11,127,644)
11,321,210	1,507,309	27,541,197
540,546	1,863,190	16,413,553

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, 2006

Net change in fund balances - Total governmental funds (page 23) \$(11,127,644)**Amounts reported for governmental activities in the Statement of Activities are different because:**

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

Expenditures for capital assets	\$ 4,480,776	
Capital assets contributed by the Iowa Department of Transportation and others	2,126,467	
Depreciation expense	<u>(4,071,682)</u>	2,535,561

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

479,678

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

Property tax	(3,007)	
Other	<u>1,128,519</u>	1,125,512

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

11,819,449

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	(104,668)	
Interest on long-term debt	<u>54,974</u>	<u>(49,694)</u>

Change in net assets of governmental activities (page 17)**\$ 4,782,862**

See notes to financial statements.

Pottawattamie County
 Statement of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2006

Assets

Cash and pooled investments:	
County Treasurer	\$ 5,060,468
Other County officials	92,665
Receivables:	
Property tax:	
Delinquent	445,168
Succeeding year	87,293,000
Accounts	123,307
Special assessments	7,315,152
Drainage assessments	10,375
Due from other governments	284,081
Prepaid items	57,858
Total assets	<u>100,682,074</u>

Liabilities

Accounts payable	32,706
Salaries and benefits payable	28,996
Drainage warrants payable	750
Due to other governments	93,693,507
Trusts payable	6,824,302
Compensated absences	101,813
Total liabilities	<u>100,682,074</u>

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

Pottawattamie County

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

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

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

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

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

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

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

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	10 - 50
Infrastructure	10 - 100
Equipment	3 - 20
Vehicles	5 - 15

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, 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, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the governmental services to residents function. In addition, disbursements in certain departments exceeded the amounts appropriated prior to appropriation amendments.

(2) Cash and Pooled Investments

The County’s deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Mental Health	\$ 44,999
Special Revenue: Secondary Roads	General	226,357
	Special Revenue: Rural Services	2,723,818
Flood and Erosion	General	82,600
Hitchcock Nature Area	General	30,000
	Special Revenue: Conservation Foundation	60,000
District Enhancement Area East	Soil Conservation District East	5,609
Debt Service	Urban Renewal Revenue	387,188
Total		\$ 3,560,571

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, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,298,580	564,000	-	6,862,580
Construction in progress	334,412	3,799,368	2,226,066	1,907,714
Total capital assets not being depreciated	<u>6,632,992</u>	<u>4,363,368</u>	<u>2,226,066</u>	<u>8,770,294</u>
Capital assets being depreciated:				
Buildings	30,778,364	-	-	30,778,364
Improvements other than buildings	899,487	51,763	-	951,250
Equipment and vehicles	12,572,443	2,732,487	2,082,866	13,222,064
Infrastructure, road network	55,604,381	2,226,066	-	57,830,447
Infrastructure, other	628,202	-	-	628,202
Total capital assets being depreciated	<u>100,482,877</u>	<u>5,010,316</u>	<u>2,082,866</u>	<u>103,410,327</u>
Less accumulated depreciation for:				
Buildings	7,073,591	615,767	-	7,689,358
Improvements other than buildings	443,039	48,157	-	491,196
Equipment and vehicles	7,494,919	1,407,064	2,022,169	6,879,814
Infrastructure, road network	26,855,848	1,982,690	-	28,838,538
Infrastructure, other	95,725	18,004	-	113,729
Total accumulated depreciation	<u>41,963,122</u>	<u>4,071,682</u>	<u>2,022,169</u>	<u>44,012,635</u>
Total capital assets being depreciated, net	<u>58,519,755</u>	<u>938,634</u>	<u>60,697</u>	<u>59,397,692</u>
Governmental activities capital assets, net	<u>\$ 65,152,747</u>	<u>5,302,002</u>	<u>2,286,763</u>	<u>68,167,986</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 662,309
Physical health and social services	16,734
Mental health	1,172
County environment and education	97,522
Roads and transportation	2,931,293
Governmental services to residents	48,910
Administration	313,742
Total depreciation expense - governmental activities	<u>\$ 4,071,682</u>

(5) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 12,522
Special Revenue:		
Mental Health	Services	602,680
Rural Services	Services	2,672
Secondary Roads	Services	15
Nonmajor	Services	291,565
		<u>896,932</u>
Total for governmental funds		<u>\$ 909,454</u>
Agency:		
County Assessor	Collections	\$ 1,292,084
Schools		45,989,753
Community Colleges		1,988,882
Corporations		39,171,555
Auto License and Use Tax		1,455,347
All other		3,795,886
		<u>93,693,507</u>
Total for agency funds		<u>\$ 93,693,507</u>

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Urban						
	General Obligation Capital Loan Notes	Renewal Revenue Capital Loan Notes	General Obligation Refunding Bonds	General Obligation Refunding Notes	Mortgage Loan	Compen- sated Absences	Total
Balance beginning of year	\$ 10,875,000	980,000	10,595,000	1,950,000	411,950	980,736	25,792,686
Increases	-	-	-	-	-	1,146,732	1,146,732
Decreases	10,875,000	175,000	745,000	-	24,449	1,042,064	12,861,513
Balance end of year	<u>\$ -</u>	<u>805,000</u>	<u>9,850,000</u>	<u>1,950,000</u>	<u>387,501</u>	<u>1,085,404</u>	<u>14,077,905</u>
Due within one year	<u>\$ -</u>	<u>185,000</u>	<u>885,000</u>	<u>145,000</u>	<u>387,501</u>	<u>650,284</u>	<u>2,252,785</u>

General Obligation Capital Loan Notes

During the year ended June 30, 2006, \$10,875,000 of general obligation capital loan notes were retired. Proceeds of \$10,745,000 of the general obligation refunding bonds and notes issued in prior years were used to retire the notes.

Urban Renewal Revenue Capital Loan Notes

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

Year Ending June 30,	Series 1999		
	Issued December 1, 1999		
	Interest Rates	Principal	Interest
2007	5.60%	\$ 185,000	45,823
2008	5.65	195,000	35,462
2009	5.70	205,000	24,445
2010	5.80	220,000	12,760
Total		\$ 805,000	118,490

The resolution providing for the issuance of the urban renewal revenue capital loan notes includes the following provisions:

- (a) The notes will only be redeemed from the net revenues of the urban renewal project and the note holders hold a lien on the future net revenues of the urban renewal project.
- (b) Sufficient transfers shall be made to a separate debt service urban renewal sinking account for the purpose of making the note principal and interest payments when due.
- (c) Additional transfers will be made to maintain a debt service urban renewal reserve in an amount equal to 10% of the stated principal amount of the notes. These accounts are restricted for the purpose of paying for principal at maturity or interest on the notes if there is insufficient money available in the sinking accounts.

During the year ended June 30, 2006, the County was in compliance with the revenue note provisions.

Also, during the year ended June 30, 2006, \$175,000 of urban renewal revenue capital loan notes were retired.

General Obligation Refunding Bonds

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

On January 1, 2004, the County issued \$9,140,000 of general obligation refunding bonds, with interest rates ranging from 1.75% to 3.70% per annum, for a crossover refunding of a portion of the general obligation capital loan notes issued December 1, 1996. The County entered into an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. Treasury Securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying the \$8,840,000 principal on the general obligation capital loan notes, series 1996A, when they became callable on December 1, 2005 and the interest from

January 1, 2004 to and including December 1, 2005 on the refunding bonds. Annual debt service requirements to maturity of the general obligation refunding bonds are as follows:

Year Ending June 30,	Issued December 1, 2003			Issued January 1, 2004			Total	
	Interest			Interest			Principal	Interest
	Rates	Principal	Interest	Rates	Principal	Interest		
2007	2.25%	\$ 160,000	37,873	3.15%	\$ 725,000	281,062	885,000	318,935
2008	2.50	195,000	34,272	3.15	750,000	258,225	945,000	292,497
2009	2.80	215,000	29,397	3.15	775,000	234,600	990,000	263,997
2010	2.80	225,000	23,377	3.15	805,000	210,188	1,030,000	233,565
2011	3.00	270,000	17,078	3.15	830,000	184,830	1,100,000	201,908
2012-2016	3.15	285,000	8,977	3.25-3.70	4,615,000	498,200	4,900,000	507,177
Total		\$1,350,000	150,974		\$ 8,500,000	1,667,105	9,850,000	1,818,079

During the year ended June 30, 2006, \$745,000 of general obligation refunding bonds were retired.

General Obligation Refunding Notes

On May 3, 2005, the County issued \$1,950,000 of general obligation refunding notes, with interest rates ranging from 3.25% to 4.00% per annum, for a crossover refunding of a portion of the general obligation capital loan notes issued December 1, 1997. The County entered into an escrow agreement whereby the proceeds from the general obligation refunding notes were converted into U.S. Treasury Securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying the \$1,905,000 principal on the general obligation capital loan notes, series 1997, when they became callable on June 1, 2006 and the interest on December 1, 2005 and June 1, 2006 on the refunding notes.

Annual debt service requirements to maturity of the general obligation refunding notes are as follows:

Year Ending June 30,	Series 2005		
	Issued May 3, 2005		
	Interest		
	Rates	Principal	Interest
2007	4.00%	\$ 145,000	72,860
2008	4.00	155,000	67,060
2009	4.00	160,000	60,860
2010	3.25	165,000	54,460
2011	3.35	165,000	49,098
2012-2016	3.45-3.90	945,000	153,290
2017	4.00	215,000	8,600
Total		\$ 1,950,000	466,228

Mortgage Loan

On February 4, 1993, the County borrowed \$600,000 from US Bank and used the proceeds to acquire land for an industrial development site. The loan was secured by a note and first mortgage on the property purchased and required nineteen semi-annual payments of \$22,867, including interest at 5.75% per annum, with a final balloon payment of \$478,292, including principal and interest, originally due on March 1, 2003. The loan was refinanced on March 24, 2003 and now requires nine semi-annual

payments of \$20,404, including interest at 3.97% per annum, beginning September 1, 2003, with a final balloon payment of \$355,197 due on March 1, 2008. At June 30, 2006, the loan balance was \$387,501. The loan payments are paid from the Special Revenue, Industrial Development Site Fund.

The mortgage loan balance was paid in July 2006 from proceeds the County received from the sale of the property.

(7) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$1,122,844, \$1,024,328 and \$956,337, respectively, equal to the required contributions for each year.

(8) Risk Management

Pottawattamie County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 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 due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2006 were \$405,896.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

(9) Jointly Governed Organization

Pottawattamie County participates in the Southwest Iowa Juvenile Emergency Services Board, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as an Agency Fund because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2006:

Additions:

Reimbursements from Counties:

Pottawattamie County	\$ 743,621	
Shelby County	39,532	
Harrison County	61,705	
Cass County	43,033	
Audubon County	16,484	
Mills County	62,191	
Montgomery County	50,716	
Fremont County	31,120	
Page County	34,086	\$ 1,082,488
National school lunch program		11,282
School breakfast program		7,319
Interest on investments		13,974
State direct receiving grant		45,000
Iowa detention facility expense reimbursement		245,736
Adult waived juvenile fees		35,805
Miscellaneous		2,941
Total additions		<u>1,444,545</u>

Deductions:

Salaries	657,643	
Employee benefits	203,214	
Commodities and nutrition services	40,218	
Office supplies	13,055	
Communications and transportation	4,077	
Professional services	18,520	
Utilities	26,271	
Building repair and maintenance	20,191	
Insurance	51,333	
Refunds to counties	471,888	
Miscellaneous	7,421	1,513,831
Net		<u>(69,286)</u>
Balance beginning of year		787,681
Balance end of year		<u>\$ 718,395</u>

(10) Public Safety Commission

The County entered into an intergovernmental cooperative agreement with the City of Council Bluffs under Chapter 28E of the Code of Iowa to coordinate public safety and law enforcement communications. The Commission provides centralized law enforcement facilities and communications. The County was reimbursed \$562,280 by the City for operating the Commission during the year ended June 30, 2006.

(11) Litigation

Pottawattamie County and the Council Bluffs Airport Authority (CBAA) entered into a 28E agreement on February 23, 2004 relating to airport improvements. As a result of these improvements, one County road was closed and another County road was upgraded to provide a replacement route for the disconnected section. The CBAA was to seek, obtain and implement a grant from the Federal Aviation Administration (FAA) for the improvements to the replacement route. Pottawattamie County was to be responsible for 25% of the final cost of the road improvement.

In February 2007, the CBAA filed a petition in the District Court of Iowa in Pottawattamie County claiming the County has refused to pay the first two payments, due on July 1 and December 31, 2006, under the agreement. CBAA also asserted it has suffered damages as a result of the County's refusal to pay.

On March 8, 2007, Pottawattamie County filed an Answer, Defenses and Counter claim with the District Court of Iowa in Pottawattamie County. The County denies it has breached the agreement and is asking for the petition to be dismissed. Controversy exists over the cost the CBAA has applied to the project and the undefined meaning of the term "final cost". The County also asked for a Declaratory Judgment for the Court to declare and construe CBAA's rights and duties under the agreement and to adjudge and declare the rights of the parties.

As of June 30, 2006, the County has reported a liability for the estimated portion of the cost remaining, after the FAA grant has been applied. Additional long term liabilities, if any, will be reported after the culmination of the pending legal matter.

The County is also involved in several other lawsuits as of June 30, 2006. The probability of loss, if any, is undeterminable.

(12) Economic Development Agreement

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

The County has agreed to make an economic development grant to the project, not to exceed \$2,639,478, with interest at 4% per annum. The grant will be paid on a semi-annual basis over a period of thirteen years beginning in fiscal 2005. The first grant payment was made to a local foundation for costs incurred preparing the project site for construction. All remaining grant payments are required to be paid to a trust account established by the City to be used to pay principal and interest on debt incurred by the City to fund the project. During the year ended June 30, 2006, the County's grant payments totaled \$481,400, bringing the cumulative total to \$962,800. The County is funding the economic development grant from para-mutuel and gaming wager tax.

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

(13) Southwest Iowa Training Facility

The County and the City of Council Bluffs entered into a joint 28E agreement to establish, construct and maintain the Southwest Iowa Training Facility. The facility was established for the purpose of coordinating law enforcement training. Construction of the facility will be funded from City, County and federal funds and contributions from the Iowa West Foundation. The total estimated cost is \$3,777,369 and the County's share of the project is \$793,934. During the year ended June 30, 2006, the County remitted \$517,910 to the City for construction costs.

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

(14) Subsequent Event – Real Estate Sales Agreement

On January 26, 2006, the County entered into an agreement with Southwest Iowa Renewal Energy, LLC to sell a parcel of land for \$7,250 per acre for a total price of \$3,458,250. The agreement requires payment of \$2,175,000 at the closing date (in July 2006) and the balance of \$1,283,250 due 180 days after ethanol production begins at the facility or January 31, 2008, whichever occurs first.

The agreement also requires a \$100,000 payment be paid to the County for consideration of vacating the County's animal shelter located on the property.

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, 2006

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 28,778,643	-	28,778,643
Interest and penalty on property tax	425,105	-	425,105
Intergovernmental	14,931,486	-	14,931,486
Licenses and permits	77,977	-	77,977
Charges for service	2,464,305	-	2,464,305
Use of money and property	1,189,020	778	1,188,242
Miscellaneous	1,594,525	26,365	1,568,160
Total receipts	<u>49,461,061</u>	<u>27,143</u>	<u>49,433,918</u>
Disbursements:			
Public safety and legal services	15,693,271	-	15,693,271
Physical health and social services	2,734,384	-	2,734,384
Mental health	7,453,069	-	7,453,069
County environment and education	4,338,607	18,682	4,319,925
Roads and transportation	9,203,474	-	9,203,474
Governmental services to residents	2,023,055	-	2,023,055
Administration	4,999,442	-	4,999,442
Debt service	1,847,984	-	1,847,984
Capital projects	1,358,020	-	1,358,020
Total disbursements	<u>49,651,306</u>	<u>18,682</u>	<u>49,632,624</u>
Excess (deficiency) of receipts over (under) disbursements	(190,245)	8,461	(198,706)
Other financing uses, net	<u>(10,723,002)</u>	<u>(60,000)</u>	<u>(10,663,002)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(10,913,247)	(51,539)	(10,861,708)
Balance beginning of year	<u>26,148,845</u>	<u>85,468</u>	<u>26,063,377</u>
Balance end of year	<u>\$ 15,235,598</u>	<u>33,929</u>	<u>15,201,669</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
27,791,765	27,872,830	905,813
258,000	258,000	167,105
16,934,350	17,680,331	(2,748,845)
81,000	81,000	(3,023)
2,488,500	2,638,500	(174,195)
411,760	666,418	521,824
1,207,500	1,207,500	360,660
49,172,875	50,404,579	(970,661)
15,190,712	15,889,466	196,195
2,996,267	2,996,267	261,883
7,638,619	7,638,619	185,550
3,941,075	4,641,857	321,932
9,814,260	9,814,260	610,786
1,629,079	1,647,940	(375,115)
5,819,421	6,592,900	1,593,458
1,623,891	1,878,549	30,565
5,314,033	5,314,033	3,956,013
53,967,357	56,413,891	6,781,267
(4,794,482)	(6,009,312)	5,810,606
-	-	(10,663,002)
(4,794,482)	(6,009,312)	(4,852,396)
12,412,097	14,899,450	11,163,927
7,617,615	8,890,138	6,311,531

Pottawattamie County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 49,461,061	(98,335)	49,362,726
Expenditures	49,651,306	116,062	49,767,368
Net	(190,245)	(214,397)	(404,642)
Other financing uses, net	(10,723,002)	-	(10,723,002)
Beginning fund balances	26,148,845	1,392,352	27,541,197
Ending fund balances	\$ 15,235,598	1,177,955	16,413,553

See accompanying independent auditor's report.

Pottawattamie County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$2,446,534. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the governmental services to residents function and disbursements in certain departments exceeded the amounts appropriated prior to appropriation amendments.

Pottawattamie County

Other Supplementary Information

Pottawattamie County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2006

	Resource Enhance- ment and Protection	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Juvenile Diversion	Soil Con- servation District East	Soil Con- servation District West	Conservation Foundation
Assets								
Cash and pooled investments	\$ 44,995	58,036	641	10,754	3,882	205,001	243,825	23,175
Receivables:								
Succeeding year property tax	-	-	-	-	-	-	-	-
Accounts	-	-	-	50	-	-	-	-
Accrued interest	-	-	-	-	-	-	-	-
Due from other governments	14,660	-	-	-	-	12,169	12,170	-
Total assets	\$ 59,655	58,036	641	10,804	3,882	217,170	255,995	23,175
Liabilities and Fund Equity								
Liabilities:								
Accounts payable	\$ -	1,282	-	-	-	1,000	-	-
Salaries and benefits payable	-	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-	-
Deferred revenue:								
Succeeding year property tax	-	-	-	-	-	-	-	-
Other	-	-	-	50	-	-	-	-
Total liabilities	-	1,282	-	50	-	1,000	-	-
Fund equity:								
Unreserved fund balances, reported in:								
Special revenue funds	59,655	56,754	641	10,754	3,882	216,170	255,995	23,175
Capital projects fund	-	-	-	-	-	-	-	-
Total fund equity	59,655	56,754	641	10,754	3,882	216,170	255,995	23,175
Total liabilities and fund equity	\$ 59,655	58,036	641	10,804	3,882	217,170	255,995	23,175

See accompanying independent auditor's report.

Special Revenue												
Industrial Development Site	Flood and Erosion	Urban Renewal Revenue	Bent Tree Water-line	Animal Shelter Donations	County Attorney Drug Forfeiture	Special Law Enforcement	Hitchcock Nature Area	District Enhancement Area East	Conservation Land Acquisition Trust	Community Improvement To Increase Economic Stability	Capital Projects	Total
103,950	21,748	858,092	65,928	3,361	89,449	1,000	2,368	24,861	8,856	-	2,396	1,772,318
-	-	454,000	-	-	-	-	-	-	-	-	-	454,000
-	-	-	-	12	-	-	-	-	-	297,276	-	297,338
2,588	-	1,966	-	-	-	-	-	-	-	-	-	4,554
-	-	-	-	-	17,999	-	45,515	-	-	-	-	102,513
106,538	21,748	1,314,058	65,928	3,373	107,448	1,000	47,883	24,861	8,856	297,276	2,396	2,630,723
-	462	-	-	-	5,503	-	4,500	-	-	1,262	-	14,009
-	1,266	-	-	-	-	-	-	-	-	-	-	1,266
-	-	-	-	-	-	-	242	-	-	291,323	-	291,565
-	-	454,000	-	-	-	-	-	-	-	-	-	454,000
-	-	-	-	-	122	-	6,521	-	-	-	-	6,693
-	1,728	454,000	-	-	5,625	-	11,263	-	-	292,585	-	767,533
106,538	20,020	860,058	65,928	3,373	101,823	1,000	36,620	24,861	8,856	4,691	-	1,860,794
-	-	-	-	-	-	-	-	-	-	-	2,396	2,396
106,538	20,020	860,058	65,928	3,373	101,823	1,000	36,620	24,861	8,856	4,691	2,396	1,863,190
106,538	21,748	1,314,058	65,928	3,373	107,448	1,000	47,883	24,861	8,856	297,276	2,396	2,630,723

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

Year ended June 30, 2006

	Resource Enhance- ment and Protection	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Juvenile Diversion	Soil Con- servation District East	Soil Con- servation District West	Conservation Foundation
Revenues:								
Property and other county tax	\$ -	-	-	-	-	160,605	160,605	-
Intergovernmental	34,162	-	-	-	920	-	-	-
Charges for service	-	23,826	-	-	-	-	-	-
Use of money and property	1,075	1,410	162	-	-	-	-	778
Miscellaneous	-	-	-	-	-	400	591	26,365
Total revenues	35,237	25,236	162	-	920	161,005	161,196	27,143
Expenditures:								
Operating:								
Public safety and legal services	-	-	-	-	-	-	-	-
Physical health and social services	-	-	-	-	910	-	-	-
County environment and education	36,179	-	-	-	-	151,478	147,492	18,682
Governmental services to residents	-	12,958	28,861	-	-	-	-	-
Administration	-	-	-	-	-	-	-	-
Total expenditures	36,179	12,958	28,861	-	910	151,478	147,492	18,682
Excess (deficiency) of revenues over (under) expenditures	(942)	12,278	(28,699)	-	10	9,527	13,704	8,461
Other financing sources (uses):								
Operating transfers in	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	(5,609)	-	(60,000)
Total other financing sources (uses)	-	-	-	-	-	(5,609)	-	(60,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(942)	12,278	(28,699)	-	10	3,918	13,704	(51,539)
Fund balances beginning of year	60,597	44,476	29,340	10,754	3,872	212,252	242,291	74,714
Fund balances end of year	\$ 59,655	56,754	641	10,754	3,882	216,170	255,995	23,175

See accompanying independent auditor's report.

Special Revenue												
Industrial Development Site	Flood and Erosion	Urban Renewal Revenue	Bent Tree Water-line	Animal Shelter Donations	County Attorney Drug Forfeiture	Special Law Enforcement	Hitchcock Nature Area	District Enhancement Area East	Conservation Land Acquisition Trust	Community Improvement To Increase Economic Stability	Capital Projects	Total
-	-	728,795	-	-	-	-	-	-	-	-	-	1,050,005
-	-	6,600	13,380	-	79,566	-	82,873	-	-	-	-	217,501
-	-	-	-	-	-	-	-	-	-	-	-	23,826
72,698	-	18,949	-	-	-	-	-	-	-	-	58	95,130
-	-	-	-	1,790	-	-	194,135	-	2,475	937,538	-	1,163,294
72,698	-	754,344	13,380	1,790	79,566	-	277,008	-	2,475	937,538	58	2,549,756
-	-	-	-	-	141,879	-	-	-	-	-	-	141,879
-	-	-	-	-	-	-	-	-	-	-	-	910
-	67,805	-	-	-	-	-	334,906	2,482	2,000	932,847	-	1,693,871
-	-	-	-	-	-	-	-	-	-	-	-	41,819
40,808	-	-	-	-	-	-	-	-	-	-	-	40,808
40,808	67,805	-	-	-	141,879	-	334,906	2,482	2,000	932,847	-	1,919,287
31,890	(67,805)	754,344	13,380	1,790	(62,313)	-	(57,898)	(2,482)	475	4,691	58	630,469
-	82,600	-	-	-	-	-	90,000	5,609	-	-	-	178,209
-	-	(387,188)	-	-	-	-	-	-	-	-	-	(452,797)
-	82,600	(387,188)	-	-	-	-	90,000	5,609	-	-	-	(274,588)
31,890	14,795	367,156	13,380	1,790	(62,313)	-	32,102	3,127	475	4,691	58	355,881
74,648	5,225	492,902	52,548	1,583	164,136	1,000	4,518	21,734	8,381	-	2,338	1,507,309
106,538	20,020	860,058	65,928	3,373	101,823	1,000	36,620	24,861	8,856	4,691	2,396	1,863,190

Pottawattamie County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpor- ations
Assets						
Cash and pooled investments:						
County Treasurer	\$ -	2,935	328,504	691,048	35,123	642,689
Other County officials	90,165	-	-	-	-	-
Receivables:						
Property tax:						
Delinquent	-	770	5,264	226,705	9,759	199,866
Succeeding year	-	181,000	1,061,000	45,072,000	1,944,000	38,329,000
Accounts	14,799	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Drainage assessments	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Total assets	\$ 104,964	184,705	1,394,768	45,989,753	1,988,882	39,171,555
Liabilities						
Accounts payable	\$ -	-	9,910	-	-	-
Salaries and benefits payable	-	-	13,670	-	-	-
Drainage warrants payable	-	-	-	-	-	-
Due to other governments	83,768	184,705	1,292,084	45,989,753	1,988,882	39,171,555
Trusts payable	21,196	-	-	-	-	-
Compensated absences	-	-	79,104	-	-	-
Total liabilities	\$ 104,964	184,705	1,394,768	45,989,753	1,988,882	39,171,555

See accompanying independent auditor's report.

Townships	City Special Assessments	Special Assessments	SWI Juvenile Emergency Services Board	E911 Surcharge	Auto License and Use Tax	Other	Total	
	6,150	84,309	40,700	417,756	934,659	1,455,347	421,248	5,060,468
	-	-	-	2,500	-	-	-	92,665
	2,746	-	-	-	-	-	58	445,168
	691,000	-	-	-	-	-	15,000	87,293,000
	-	-	-	9,182	90,200	-	9,126	123,307
	-	552,772	6,762,380	-	-	-	-	7,315,152
	-	-	-	-	-	-	10,375	10,375
	-	-	-	249,749	16,037	-	18,295	284,081
	-	-	-	39,208	18,650	-	-	57,858
	699,896	637,081	6,803,080	718,395	1,059,546	1,455,347	474,102	100,682,074
	-	-	-	10,015	3,801	-	8,980	32,706
	-	-	-	12,889	-	-	2,437	28,996
	-	-	-	-	-	-	750	750
	699,896	637,081	-	679,928	1,055,745	1,455,347	454,763	93,693,507
	-	-	6,803,080	-	-	-	26	6,824,302
	-	-	-	15,563	-	-	7,146	101,813
	699,896	637,081	6,803,080	718,395	1,059,546	1,455,347	474,102	100,682,074

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

Year ended June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpora- tions
Assets and Liabilities						
Balances beginning of year	\$ 111,291	186,060	1,319,959	41,427,943	2,183,136	36,272,685
Additions:						
Property and other county tax	-	180,719	1,062,396	45,014,432	1,941,226	38,444,757
E911 surcharge	-	-	-	-	-	-
State tax credits	-	7,624	38,656	1,511,527	79,320	1,184,809
Office fees and collections	1,961,262	-	-	-	-	-
Electronic transaction fee	-	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	4,180,847	-	-	-	-	-
Miscellaneous	-	80	11,819	26,855	1,313	27,685
Total additions	6,142,109	188,423	1,112,871	46,552,814	2,021,859	39,657,251
Deductions:						
Agency remittances:						
To other funds	1,269,691	-	-	-	-	-
To other governments	714,376	189,778	1,038,062	41,991,004	2,216,113	36,758,381
Trusts paid out	4,164,369	-	-	-	-	-
Total deductions	6,148,436	189,778	1,038,062	41,991,004	2,216,113	36,758,381
Balances end of year	\$ 104,964	184,705	1,394,768	45,989,753	1,988,882	39,171,555

See accompanying independent auditor's report.

Townships	City Special Assess- ments	Special Assess- ments	SWI Juvenile Emergency Services Board	E911 Surcharge	Auto License and Use Tax	Tax Sale Redemption	Other	Total	
	558,324	580,358	6,369,467	787,681	825,841	1,531,462	-	350,858	92,505,065
	684,035	-	-	-	-	-	15,397	87,342,962	
	-	-	-	-	565,572	-	-	565,572	
	23,379	-	-	-	-	-	411	2,845,726	
	-	-	-	-	-	-	-	1,961,262	
	-	-	-	-	-	-	23,837	23,837	
	-	-	-	-	-	18,055,902	-	18,055,902	
	-	493,728	1,533,709	-	-	-	5,984	2,033,421	
	-	-	-	-	-	1,985,538	61,704	6,228,089	
	153	-	-	1,444,545	33,857	-	440,183	1,986,490	
	707,567	493,728	1,533,709	1,444,545	599,429	18,055,902	1,985,538	547,516	121,043,261
	-	-	-	-	-	664,434	-	-	1,934,125
	565,995	437,005	-	1,513,831	365,724	17,467,583	-	416,660	103,674,512
	-	-	1,100,096	-	-	-	1,985,538	7,612	7,257,615
	565,995	437,005	1,100,096	1,513,831	365,724	18,132,017	1,985,538	424,272	112,866,252
	699,896	637,081	6,803,080	718,395	1,059,546	1,455,347	-	474,102	100,682,074

Pottawattamie County

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

For the Last Seven Years

	Modified Accrual			
	2006	2005	2004	2003
Revenues:				
Property and other county tax	\$ 28,511,268	26,568,821	25,112,918	23,754,832
Interest and penalty on property tax	324,973	424,956	319,773	284,825
Intergovernmental	14,796,318	14,894,659	15,286,787	15,499,143
Licenses and permits	77,036	80,369	81,539	71,929
Charges for service	2,474,318	2,357,948	2,961,916	2,184,911
Use of money and property	1,199,544	785,044	352,015	353,651
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	1,979,269	1,027,912	1,263,788	684,433
Total	\$ 49,362,726	46,139,709	45,378,736	42,833,724
Expenditures:				
Operating:				
Public safety and legal services	\$ 15,344,223	14,629,633	13,554,635	12,419,508
Physical health and social services	2,726,533	2,573,703	2,449,827	2,752,435
Mental health	7,583,258	7,208,328	7,266,366	7,276,003
County environment and education	4,597,686	2,815,719	2,613,891	1,991,358
Roads and transportation	9,090,186	7,654,396	8,916,835	7,829,915
Governmental services to residents	2,007,331	1,387,910	1,345,719	1,224,597
Administration	4,967,738	5,769,591	4,948,132	5,935,402
Debt service	1,848,183	1,978,668	1,900,241	1,593,806
Capital projects	1,602,230	1,368,193	1,803,575	2,746,406
Total	\$ 49,767,368	45,386,141	44,799,221	43,769,430

See accompanying independent auditor's report.

Basis		
2002	2001	2000
21,958,824	20,993,555	20,104,555
290,890	253,539	237,271
15,783,786	15,809,815	18,472,170
76,834	59,905	110,065
2,191,613	2,102,604	2,002,230
586,955	1,325,140	1,074,895
87,214	79,100	26,339
824,062	508,229	579,753
41,800,178	41,131,887	42,607,278
11,534,828	10,777,226	9,503,567
2,433,614	2,454,465	2,031,026
7,720,098	7,486,497	7,291,045
1,800,478	1,437,882	2,618,285
7,662,124	8,439,884	10,013,741
1,207,924	1,018,643	1,090,992
5,804,890	4,473,172	3,449,166
1,576,937	1,576,418	2,091,182
3,821,070	1,809,795	5,808,148
43,561,963	39,473,982	43,897,152

Schedule 6

Pottawattamie County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expendi- tures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Breakfast Program	10.553		\$ 7,319
National School Lunch Program	10.555		11,019
			<u>18,338</u>
Iowa Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5885A052	113,390
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5886A052	284,297
			<u>397,687</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		39,792
Iowa Department of Agriculture and Land Stewardship:			
WIC Farmers' Market Nutrition Program (FMNP)	10.572	1191-05-52	1,784
Hungry Canyons Alliance:			
Soil and Water Conservation	10.902	05-10-F	24,947
Soil and Water Conservation	10.902	05-11-F	15,100
			<u>40,047</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grant/State's Program	14.228	03-ED-004	13,067
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO78(87)--8J-78	263,078
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 06-02, Task 14	9,872
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		3,045
U.S. Environmental Protection Agency:			
Iowa Department of Natural Resources:			
Nonpoint Source Implementation Grants	66.460	06-7145-04	38,995
Elections Assistance Commission:			
Iowa Secretary of State:			
Help America Vote Act Requirements Payment	90.401	06-HAVA-78-100	491,120
Help America Vote Act Requirements Payment	90.401	06-HAVA-78-SA1	10,353
			<u>501,473</u>

Pottawattamie County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expendi- tures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Promoting Safe and Stable Families	93.556		34,052
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		48,108
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		11,422
Foster Care - Title IV-E	93.658		24,722
Adoption Assistance	93.659		6,064
Medical Assistance Program	93.778		64,003
Social Services Block Grant	93.667		31,466
Social Services Block Grant	93.667		353,103
			<u>384,569</u>
Iowa Secretary of State:			
Voting Access for Individuals with Disabilities-Grants to State	93.617	06-HAVA-78-001	609
Voting Access for Individuals with Disabilities-Grants to State	93.617	06-HAVA-78-004	1,000
Voting Access for Individuals with Disabilities-Grants to State	93.617	06-HAVA-78-006	1,875
			<u>3,484</u>
Iowa Department of Public Health:			
National Bioterrorism Hospital Preparedness Program	93.889	5886EM177	7,021
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
State Domestic Preparedness Equipment Support Program	97.004	0001-EOD-2004	210,926
State Domestic Preparedness Equipment Support Program	97.004	ODP-2003-78	70,577
			<u>281,503</u> *
Emergency Management Performance Grants	97.042		18,802
Homeland Security Grant Program	97.067	2004-GE-T4-0046 (HSGP)	21,333
Homeland Security Grant Program	97.067	2004-GE-T4-0046 (CCP)	6,645
Homeland Security Grant Program	97.067	2004-GE-T4-0046 (HSGP Equip)	87,743
Homeland Security Grant Program	97.067	0001-EOD-2005	22,985
			<u>138,706</u> *
State Homeland Security Program (SHSP)	97.073	2005-GE-T5-0056	3,054
Total			<u>\$2,352,688</u>

* - total expended under the Homeland Security Clusters totals \$420,209 and includes \$392,231 of non-cash awards

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

See accompanying independent auditor's report.

Pottawattamie County



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

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Auditor of State

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

To the Officials of Pottawattamie County:

We have audited 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, 2006, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 5, 2007, except for Note 11, as to which the date is March 9, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pottawattamie County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Pottawattamie County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

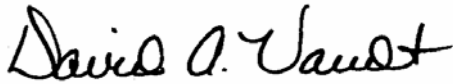
Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 5, 2007, except for Note 11,
as to which the date is March 9, 2007

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

Pottawattamie County



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

To the Officials of Pottawattamie County:

Compliance

We have audited the compliance of Pottawattamie County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Pottawattamie County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Pottawattamie County's management. Our responsibility is to express an opinion on Pottawattamie County's compliance based on our audit.

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

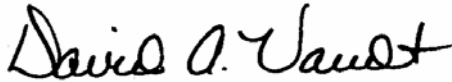
In our opinion, Pottawattamie County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operations that we consider to be material weaknesses.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 5, 2007, except for Note 11,
as to which the date is March 9, 2007

Pottawattamie County
Schedule of Findings and Questioned Costs
Year ended June 30, 2006

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 90.401 – Help America Vote Requirements Payment.
 - CFDA Number 93.667 – Social Services Block Grant.
- Cluster Program:
 - CFDA Number 97.004 – State Domestic Preparedness Equipment Support Program.
 - CFDA Number 97.067 – Homeland Security Grant Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Pottawattamie County did not qualify as a low-risk auditee.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part II: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

II-A-06 Segregation of Duties – During our review of internal control, the existing activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Within the Sheriff's Office, the following were noted:

1. All incoming mail is not opened by an employee who is not authorized to make entries to the accounting records for the jail division.
2. An initial listing of the cash and checks received is not prepared by the mail opener for the jail and civil divisions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, all incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. An initial listing should be prepared for the receipt of cash and checks. The mail should be forwarded to accounting personnel for processing. The initial listing should then be compared to the cash receipt records.

Response – All incoming mail will be opened by the Jail Administrator (JA) or the Assistant Jail Administrator (AJA). All cash and checks received in the mail shall be logged. The mail will then be forwarded to other personnel for entry into the accounting system. The JA or the AJA will then compare several of the log entries with the receipt records each work day.

A large amount of mail is received on a daily basis and it is very time consuming to log checks and cash every day. A random listing of checks will be kept in a separate binder. That listing will be compared to the receipt records.

Conclusion – Response accepted.

II-B-06 County Sheriff Accounts – Bank reconciliations, including outstanding check listings, were not properly prepared and compared to book balances during the year ended June 30, 2006 for the civil department. Small variances between book and bank balances existed which were not investigated and resolved.

Inmate account bank reconciliations included monthly variances with the book balances which were not investigated and resolved. A listing of individual inmate account balances was not prepared at the end of each month and reconciled to the book balance.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

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

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

Response – There will be a print out at the end of each month to reconcile outstanding check listings to book balances. All variances between book and bank balances will be investigated and resolved in a timely manner. After one year, outstanding checks will be issued to the County Treasurer.

Individual inmate account balances will be listed in report form at the end of each month and reconciled to the inmate account book balance. Variances between the inmate account bank reconciliation will be investigated and resolved in a timely manner.

Conclusion – Response accepted.

- II-C-06 Prisoner Room and Board – The County contracts with an outside agency for billing and collecting prisoner room and board fees. The County did not receive an accounts receivable listing or an accounting for inmate collections to support remittances made to the County.

Recommendation – The County should obtain an accounts receivable listing and detailed payment listings from the collection agency. The reports should be reviewed by the County for completeness and accuracy.

Response – The County has contracted with a different vendor to prove billing and collection of prisoner room and board fees. Accounts receivable reports and detailed payment reports from the new vendor will be provided to the County. The County will review the reports for completeness and accuracy.

Conclusion – Response accepted.

- II-D-06 Information Systems – The County does not have a written disaster recovery plan.

Recommendation – A written disaster recovery plan should be developed.

Response – The County Information Technology Department is currently working on a document.

Conclusion – Response accepted.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

II-E-06 Credit and Charge Cards – Various County employees use County issued credit cards and charge cards. We noted the following items related to credit card transactions tested for the year ended June 30, 2006:

- Supporting documentation did not exist to support \$1,294 of \$8,172 card charges tested.
- Two instances of out of state travel were noted which did not include evidence of prior approval of the Board of Supervisors as required by the County's personnel policy.
- Two instances were noted where meals were charged in excess of the maximum daily allowance of \$25 contained in the County's personnel policy.
- Finance charges and late payment penalties of \$53 were incurred.
- Certain supporting documentation was not properly itemized, such as meals without a detailed receipt.

Recommendation – The County should ensure all credit and charge card disbursements are properly supported and the County's travel policy is being followed. In addition, disbursements should be made in a timely manner to avoid finance charges and penalties.

Response – Pottawattamie County will ensure all credit and charge card disbursements are properly supported and the County's travel policy is being followed. In addition, disbursements will be made in a timely manner to avoid finance charges and penalties.

Conclusion – Response accepted.

II-F-06 Vacation and Compensatory Time Balances – The County is not following the provisions of the County's personnel policy and union contracts regarding the maximum allowable carryover of vacation and compensatory time hours. During the year ended June 30, 2006, four of five employees tested had vacation balances in excess of the maximum carryover at the employee's anniversary date. In addition, one of two employees tested had a compensatory time balance exceeding the maximum allowable carryover.

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

Response – Pottawattamie County will endeavor to limit the carryover of employee's vacation and compensatory time hours as prescribed by County policy and union contracts.

Conclusion – Response accepted.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

- II-G-06 County Recorder – Records management fee receipts are not deposited intact since the fees are remitted to the County Treasurer in cash rather than depositing the collections in the County Recorder’s bank account.

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

Response – We will comply with this request.

Conclusion – Response accepted.

- II-H-06 County Assessor – One lodging claim tested did not include adequate supporting documentation since itemized room receipts were not submitted.

Recommendation – Adequate supporting documentation should be retained for all disbursements.

Response – The Assessor’s Office upon being made aware of this problem has issued a memo to all employees that an itemized room receipt must be submitted to the secretary upon return to the office from approved travel.

Conclusion – Response accepted.

- II-I-06 County Engineer – The claims and supporting documentation for two disbursements could not be located. In addition, one disbursement tested was paid twice. The credit balance was used to pay a subsequent claim.

Recommendation – The County Engineer should implement procedures to ensure all claims are properly retained and reviewed to avoid duplicate payments.

Response – Claims are paid only upon invoice and are also reviewed by the Board and other offices. The overpayment was caught and corrected after review. We will work to develop a system to track original documents as they leave our office for review by the Board and other entities. We will more carefully review invoices to determine if previous payments have been credited by the vendor.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Pottawattamie County
Schedule of Findings and Questioned Costs
Year ended June 30, 2006

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amount budgeted in the governmental services to residents function. In addition, disbursements in various departments exceeded the budget appropriations prior to appropriation amendments.

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

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

Response – Pottawattamie County will amend the budget in accordance with Chapter 331.435 of the Code of Iowa before disbursements exceed the budgets. Appropriations to a department budget will be increased or decreased before disbursements are allowed to exceed the appropriation.

Conclusion – Response accepted.

IV-B-06 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-06 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-06 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-E-06 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-06 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

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

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

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

Response – Pottawattamie County will initiate publishing the complete text of resolutions adopted by the Board of Supervisors.

Conclusion – Response accepted.

IV-G-06 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-06 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-06 County Assessor – Disbursements during the year ended June 30, 2006 exceeded the published budget for the Assessment Expense Fund.

The budget was exceeded because the FICA and IPERS amounts were omitted from the proposed expenditures column due to a clerical error. In addition, certain disbursements budgeted from the Special Appraisers Fund were paid from the Assessment Expense Fund and funds were transferred from the Special Appraisal Fund.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The Assessor's Office agrees with the statements above and have taken appropriate steps to ensure that it does not happen in the future.

Conclusion – Response accepted.

IV-J-06 Joint E911 Service Board – The notice of budget hearing for the E911 Commission budget amendment was not published at least 10 days before the public hearing as required by Chapter 24.9 of the Code of Iowa.

Recommendation – The Board should insure the publications are made as required.

Response – We were under the assumption that publishing on February 13 for our hearing the evening of February 22 would be considered the minimal ten day notice. We stand corrected and will ensure that this does not happen in the future.

Conclusion – Response accepted.

Pottawattamie County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

IV-K-06 Deficit Cash Balances – The Hitchcock Nature Area Fund had a deficit cash balance during the year ended June 30, 2006, which appears to violate Chapter 331.476 of the Code of Iowa.

Recommendation – Claims should not be approved for payment when cash balances are not available unless the debt is authorized by resolution of the Board of Supervisors and takes the form of anticipatory warrants, loans from other county funds or other formal short-term debt instruments or obligations.

Response – Claims in Pottawattamie County will not be approved for payment when cash balances are not available unless the debt is authorized by resolution of the Board of Supervisors and takes the form of anticipatory warrants, loans from other County funds, or other formal short-term debt instruments or obligations.

Conclusion – Response accepted.

IV-L-06 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.

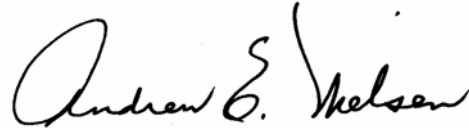
Disbursements during the year ended June 30, 2006 for the East County Extension Office and the West County Extension Office did not exceed the amounts budgeted.

Pottawattamie County

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Donna F. Kruger, CPA, Senior Auditor II
Philip J. Cloos, Staff Auditor
Daniel L. Durbin, CPA, Staff Auditor
Michael J. Hackett, Staff Auditor
Karen J. Kibbe, Staff Auditor
Donald J. Lewis, Staff Auditor
Andrew J. Muff, Staff Auditor
Joseph M. Seuntjens, Assistant Auditor
Janet M. Tiefenthaler, Assistant Auditor
Aaron P. Wagner, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA
Deputy Auditor of State