



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

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ May 18, 2006

Contact: Andy Nielsen  
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Auditor of State David A. Vaudt today released an audit report on Fremont County, Iowa.

The County had local tax revenue of \$10,469,393 for the year ended June 30, 2005, which included \$595,393 in tax credits from the state. The County forwarded \$7,300,888 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,168,505 of the local tax revenue to finance County operations, a less than one percent decrease from the prior year. Other revenues included charges for service of \$641,694, operating grants, contributions and restricted interest of \$2,873,648, capital grants, contributions and restricted interest of \$740,126, tax increment financing of \$246,880, local option sales tax of \$301,586, unrestricted investment earnings of \$124,846, gain on sale of capital assets of \$220,739 and other general revenues of \$30,725.

Expenses for County operations totaled \$7,620,002, a 6.9 percent increase over the prior year. Expenses included \$3,187,738 for roads and transportation, \$1,511,365 for public safety and legal services and \$1,021,795 for mental health.

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

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**FREMONT COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2005**

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**Fremont County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2005)		
Keith D. Hickey	Board of Supervisors	Jan 2005
Chuck Larson	Board of Supervisors	Jan 2007
David Aistrope	Board of Supervisors	Jan 2007
Lucille Hunt	County Auditor	Resigned
Clara Jean Gude (Appointed)	County Auditor	Nov 2004
Joan Kirk (Elected)	County Auditor	Jan 2009
Judith M. Crain	County Treasurer	Jan 2007
Margaret Henkle	County Recorder	Jan 2007
Steven H. MacDonald	County Sheriff	Jan 2005
Vicki R. Danley	County Attorney	Jan 2007
Karen L. Berry	County Assessor	Jan 2010
(After January 2005)		
Chuck Larson	Board of Supervisors	Jan 2007
David Aistrope	Board of Supervisors	Jan 2007
John Whipple	Board of Supervisors	Jan 2009
Joan Kirk	County Auditor	Jan 2009
Judith M. Crain	County Treasurer	Jan 2007
Margaret Henkle	County Recorder	Jan 2007
Steven H. MacDonald	County Sheriff	Jan 2009
Vicki R. Danley	County Attorney	Jan 2007
Karen L. Berry	County Assessor	Jan 2010

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Independent Auditor's Report

To the Officials of Fremont County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Fremont County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Fremont County's management. Our responsibility is to express opinions on these financial statements based on our audit.

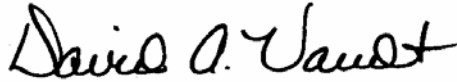
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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 Fremont County at June 30, 2005, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

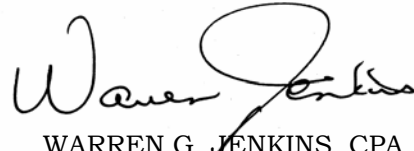
In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2006 on our consideration of Fremont County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other 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 13 and 38 through 41 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Fremont 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 four years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 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 31, 2006

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

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Fremont 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, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities decreased 11.3%, or approximately \$1,061,000, from fiscal 2004 to fiscal 2005. Property and other county tax increased approximately \$58,000 over 2004. Operating grants, contributions and restricted interest increased approximately \$49,000, capital grants, contributions and restricted interest decreased approximately \$1,196,000 and local option sales tax decreased approximately \$8,000.
- Program expenses of the County's governmental activities increased 6.9%, or approximately \$491,000. Roads and transportation expenses increased approximately \$218,000, physical health and social services expenses increased approximately \$30,000 and mental health expenses increased approximately \$35,000.
- The County's net assets increased approximately \$729,000 from June 30, 2004 to June 30, 2005.

### **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 Fremont 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 Fremont 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 Fremont 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 funds and the individual Agency Funds.



## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES:**

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net 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. Therefore, 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 presented 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 tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

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. The governmental funds include: 1) the General Fund and 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

2) 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 and the County Assessor, to name a few.

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

Reconciliations between the government-wide financial statements and the 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. The analysis below shows the changes in the net assets of governmental activities from a year ago.

Net Assets of Governmental Activities		
	June 30,	
	2005	2004
Current and other assets	\$ 8,584,368	9,336,006
Capital assets	7,416,915	5,741,502
Total assets	<u>16,001,283</u>	<u>15,077,508</u>
Long-term liabilities	437,833	326,028
Other liabilities	3,779,857	3,696,634
Total liabilities	<u>4,217,690</u>	<u>4,022,662</u>
Net assets:		
Invested in capital assets, net of related debt	7,342,329	5,671,943
Restricted	2,748,733	3,800,120
Unrestricted	<u>1,692,531</u>	<u>1,582,783</u>
Total net assets	<u>\$ 11,783,593</u>	<u>11,054,846</u>

Net assets of Fremont County’s governmental activities increased by 6.6%, or \$728,747, during the year. The largest portion of the County’s net assets is invested in capital assets (i.e. land, buildings, infrastructure, and equipment, and construction in progress), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. 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, enabling legislation or other legal requirements increased from approximately \$1,583,000 at June 30, 2004 to approximately \$1,693,000 at the end of this year, an increase of 7%.

Changes in Net Assets of Governmental Activities		
	Year ended June 30,	
	2005	2004
Revenues:		
Program revenues:		
Charges for service	\$ 641,694	715,898
Operating grants, contributions and restricted interest	2,873,648	2,824,327
Capital grants, contributions and restricted interest	740,126	1,936,083
General revenues:		
Property and other county tax	2,979,545	2,921,434
Tax increment financing	246,880	193,882
State tax credits	188,960	263,378
Local option sales tax	301,586	309,600
Grants and contributions not restricted to specific purposes	2,152	21,653
Unrestricted investment earnings	124,846	120,405
Gain on sale of capital assets	220,739	69,385
Other general revenues	28,573	33,445
Total revenues	<u>8,348,749</u>	<u>9,409,490</u>
Program expenses:		
Public safety and legal services	1,511,365	1,477,127
Physical health and social services	172,403	142,665
Mental health	1,021,795	986,739
County environment and education	566,298	494,259
Roads and transportation	3,187,738	2,969,424
Governmental services to residents	331,913	276,461
Administration	827,475	782,123
Non-program	1,015	215
Total expenses	<u>7,620,002</u>	<u>7,129,013</u>
Increase in net assets	728,747	2,280,477
Net assets beginning of year	<u>11,054,846</u>	<u>8,774,369</u>
Net assets end of year	<u>\$ 11,783,593</u>	<u>11,054,846</u>

Overall, revenues decreased by \$1,060,741, or 11.3%, during the year. The decrease is primarily due to a decrease in capital contributions from the Iowa Department of Transportation.

Fremont County's property tax rates for fiscal 2005 increased by \$.07 per \$1,000 of valuation in the rural levy and increased \$1.36 per \$1,000 of valuation in the countywide levy. The rural assessed property taxable valuation decreased by \$53,606,126. The countywide assessed property taxable valuation decreased by \$52,367,222. The general basic levy remained at \$3.50 per \$1,000 of valuation, the general supplemental levy increased \$1.18 per \$1,000 of valuation and the mental health levy increased \$.17655 per \$1,000 of valuation.

The cost of all governmental activities this year was approximately \$7.6 million compared to approximately \$7.1 million last year, an increase of only 6.9%.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Fremont County completed the year, its governmental funds reported a combined fund balance of \$4,778,698 compared to \$5,580,702 at June 30, 2004, a decrease of \$802,004, or 14.4%.

The General Fund, the operating fund for Fremont County, ended FY05 with a balance of \$1,522,070, an increase of \$373,169 from the FY04 ending balance of \$1,148,901. The increase in fund balance is primarily due to an increase in revenues and other financing sources of \$503,625, offset by an increase in expenditures of \$247,832. The increase in revenues and other financing sources is primarily due to the collection of \$211,265 from the sale of the residential care facility.

The County has continued to look for ways to effectively manage the cost of mental health services. The Mental Health Fund balance at year-end increased by \$17,986, or 3%, from the prior year to \$609,486. The moderate increase in fund balance was the result of both revenues and expenditures remaining relatively constant when compared to the prior year.

The Rural Services Fund ending fund balance decreased approximately \$80,000 from the prior year to \$623,142. The decrease is primarily the result of a decrease in property tax and local option sales tax revenues of approximately \$225,000 and \$8,000, respectively. These decreases were somewhat offset by a decrease in transfers to the Secondary Roads Fund of \$138,152. Other revenues within the Rural Services Fund remained virtually unchanged. The local option sales tax received and given to the Rural Services Fund meets the requirements of the referendum for property tax relief.

The Secondary Roads Fund ended 2005 with a \$1,884,265 balance, a decrease of approximately \$1,099,000 compared to the prior year ending fund balance of \$2,983,393. The balance in this fund also decreased significantly in the prior year by \$868,803. These decreases indicate expenditures have exceeded revenues and the County has had to utilize balances on hand to meet its obligations for two years. The percentage of fund balance to expenditures has decreased from 71% at June 30, 2004 to 46% at June 30, 2005. Fremont County maintained 1,500 miles of gravel, dirt, and paved roads with the resources of this fund.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Fremont County amended its budget two times. The first amendment was made in September 2004 and resulted in an increase in budgeted disbursements related to a new shop/administration building for secondary roads, mental health indirect costs, a Welcome Center parking lot, County Recorder E commerce and HAVA. The second amendment was made on June 14, 2005 and was related to pass-through revenues and expenditures for FEMA grants, the cost for two state audits paid in FY05, legal fees; Sheriff's prisoner room and board, auction expenses, towing and maintenance.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2005, Fremont County had approximately \$7.4 million invested in a broad range of capital assets, including public safety equipment, buildings, roads and bridges. This is a net increase (including additions and deletions) of \$1,675,413. The increase is primarily due to completion costs for the new secondary roads shop and administration building and the purchase of a dump truck and road grader for the secondary roads department.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2005	2004
Land	\$ 1,542,473	1,542,473
Buildings	2,756,632	644,618
Improvements other than buildings	39,238	40,807
Equipment and vehicles	1,600,142	1,670,614
Infrastructure	1,478,430	758,679
Construction in progress	-	1,084,311
Total	\$ 7,416,915	5,741,502

Fremont County had depreciation expense of \$533,864 in fiscal 2005 and total accumulated depreciation of \$3,951,294 at June 30, 2005. More detailed information about the County's capital assets is included in Note 4 to the financial statements.

### **Long-Term Debt**

At June 30, 2005, the county's outstanding balance of lease purchase agreements was \$74,586 compared to \$69,559 at June 30, 2004. During FY05, the County entered into a new agreement to purchase a mower for the Conservation Department.

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. Fremont County's constitutional debt limit is \$19 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Fremont County's elected and appointed officials and citizens considered many factors when setting the county budget, tax rates and fees for the various County services. One of those factors is the economy.

Amounts available for appropriation in the operating budget are \$9.1 million, an increase of 7.7% over the final 2005 budget. Property tax (including general fund levies set at \$4.90724 per \$1,000 of taxable valuation) and grant receipts are expected to lead this increase. Fremont County will use those increases in receipts to finance programs we currently offer and offset the effect we expect inflation to have on program costs.

Budgeted disbursements are expected to rise by approximately \$1.2 million. The largest increase is in the capital projects function. The County has added no major new programs or initiatives to the 2006 budget.

The Fremont County Board of Supervisors dedicates 30% of the local option sales tax received for property tax relief for the Rural Services Fund.

The County will need to purchase new voting technology with part of the expenses to be reimbursed with State and Federal HAVA dollars.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Fremont 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 Joan Kirk at the Fremont County Auditor's Office, by mail at 506 Filmore, Sidney, IA 51652, or by telephone at (712) 374-2031.

**Fremont County**

## **Basic Financial Statements**



**Exhibit A**

Fremont County  
Statement of Net Assets  
June 30, 2005

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 4,593,599
Receivables:	
Property tax:	
Delinquent	19,032
Succeeding year	3,117,000
Interest and penalty on property tax	10,656
Accounts	1,324
Accrued interest	23,015
Drainage assessments	69
Due from other governments	280,821
Inventories	361,617
Prepaid items	177,235
Capital assets - nondepreciable	1,542,473
Capital assets - depreciable, net	5,874,442
	<u>16,001,283</u>
<b>Total assets</b>	<u>16,001,283</u>
<b>Liabilities</b>	
Accounts payable	399,551
Accrued interest payable	2,701
Salaries and benefits payable	104,505
Due to other governments	156,100
Deferred revenue:	
Succeeding year property tax	3,117,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	22,885
Compensated absences	53,586
Portion due or payable after one year:	
Capital lease purchase agreements	51,701
Compensated absences	309,661
	<u>4,217,690</u>
<b>Total liabilities</b>	<u>4,217,690</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	7,342,329
Restricted for:	
Supplemental levy purposes	371,226
Mental health purposes	600,970
Secondary roads purposes	1,636,743
Other purposes	139,794
Unrestricted	1,692,531
	<u>11,783,593</u>
<b>Total net assets</b>	<u>\$ 11,783,593</u>

See notes to financial statements.

Fremont County  
Statement of Activities  
Year ended June 30, 2005

	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	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,511,365	122,298	226,711	-	(1,162,356)
Physical health and social services	172,403	9,253	64,717	-	(98,433)
Mental health	1,021,795	230,500	364,587	-	(426,708)
County environment and education	566,298	98,633	38,311	-	(429,354)
Roads and transportation	3,187,738	20,007	2,174,525	740,126	(253,080)
Governmental services to residents	331,913	153,121	4,797	-	(173,995)
Administration	827,475	7,882	-	-	(819,593)
Non-program	1,015	-	-	-	(1,015)
<b>Total</b>	<b>\$ 7,620,002</b>	<b>641,694</b>	<b>2,873,648</b>	<b>740,126</b>	<b>(3,364,534)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					2,979,545
Tax increment financing					246,880
State tax credits					188,960
Local option sales tax					301,586
Grants and contributions not restricted to specific purpose					2,152
Unrestricted investment earnings					124,846
Gain on sale of capital assets					220,739
Miscellaneous					28,573
<b>Total general revenues</b>					<b>4,093,281</b>
Change in net assets					728,747
Net assets beginning of year					11,054,846
Net assets end of year					<b>\$ 11,783,593</b>

See notes to financial statements.

Fremont County  
Balance Sheet  
Governmental Funds

June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 1,435,118	767,719	623,661	1,627,282
Receivables:				
Property tax:				
Delinquent	12,341	2,231	4,460	-
Succeeding year	1,886,000	341,000	663,000	-
Interest and penalty on property tax	10,656	-	-	-
Accounts	1,304	-	-	20
Accrued interest	23,015	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	75,769	20,781	-	184,271
Inventories	-	-	-	361,617
Prepaid items	110,100	1,104	-	66,031
<b>Total assets</b>	<b>\$ 3,554,303</b>	<b>1,132,835</b>	<b>1,291,121</b>	<b>2,239,221</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 60,074	23,616	650	315,117
Salaries and benefits payable	58,557	6,208	-	39,740
Due to other governments	5,605	150,396	-	99
Deferred revenue:				
Succeeding year property tax	1,886,000	341,000	663,000	-
Other	21,997	2,129	4,329	-
Total liabilities	<u>2,032,233</u>	<u>523,349</u>	<u>667,979</u>	<u>354,956</u>
Fund balances:				
Reserved for supplemental levy purposes	375,991	-	-	-
Unreserved, reported in:				
General fund	1,146,079	-	-	-
Special revenue funds	-	609,486	623,142	1,884,265
Total fund balances	<u>1,522,070</u>	<u>609,486</u>	<u>623,142</u>	<u>1,884,265</u>
<b>Total liabilities and fund balances</b>	<b>\$ 3,554,303</b>	<b>1,132,835</b>	<b>1,291,121</b>	<b>2,239,221</b>

See notes to financial statements.

Nonmajor Special Revenue	Total
139,819	4,593,599
-	19,032
227,000	3,117,000
-	10,656
-	1,324
-	23,015
69	69
-	280,821
-	361,617
-	177,235
<u>366,888</u>	<u>8,584,368</u>
94	399,551
-	104,505
-	156,100
227,000	3,117,000
59	28,514
<u>227,153</u>	<u>3,805,670</u>
-	375,991
-	1,146,079
139,735	3,256,628
<u>139,735</u>	<u>4,778,698</u>
<u>366,888</u>	<u>8,584,368</u>

**Fremont County**

Fremont County

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

June 30, 2005

**Total governmental fund balances (page 19)** \$ 4,778,698

***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 \$11,368,209 and the accumulated depreciation is \$3,951,294. 7,416,915

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 28,514

Long-term liabilities, including capital lease purchase agreements 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. (440,534)

**Net assets of governmental activities (page 16)** \$ 11,783,593

See notes to financial statements.

Fremont County

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

Year ended June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 2,134,765	433,746	713,812	-
Interest and penalty on property tax	31,149	-	-	-
Intergovernmental	496,042	622,776	54,842	2,173,253
Licenses and permits	11,917	-	-	2,015
Charges for service	266,053	-	-	-
Use of money and property	142,440	-	-	1,358
Miscellaneous	30,372	91	-	17,906
Total revenues	<u>3,112,738</u>	<u>1,056,613</u>	<u>768,654</u>	<u>2,194,532</u>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	1,486,532	-	-	-
Physical health and social services	156,665	-	-	-
Mental health	-	1,011,944	-	-
County environment and education	265,833	-	71,736	-
Roads and transportation	-	-	-	4,048,002
Governmental services to residents	291,838	-	2,574	-
Administration	814,262	-	-	-
Non-program	1,015	-	-	-
Capital projects	25,824	-	-	19,942
Total expenditures	<u>3,041,969</u>	<u>1,011,944</u>	<u>74,310</u>	<u>4,067,944</u>
Excess (deficiency) of revenues over (under) expenditures	<u>70,769</u>	<u>44,669</u>	<u>694,344</u>	<u>(1,873,412)</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	235,837	-	-	-
Operating transfers in	26,683	-	-	774,284
Operating transfers out	-	(26,683)	(774,284)	-
Capital lease purchase agreement	39,880	-	-	-
Total other financing sources (uses)	<u>302,400</u>	<u>(26,683)</u>	<u>(774,284)</u>	<u>774,284</u>
Net change in fund balances	373,169	17,986	(79,940)	(1,099,128)
Fund balances beginning of year	<u>1,148,901</u>	<u>591,500</u>	<u>703,082</u>	<u>2,983,393</u>
Fund balances end of year	<u>\$ 1,522,070</u>	<u>609,486</u>	<u>623,142</u>	<u>1,884,265</u>

See notes to financial statements.

Nonmajor Special Revenue	Total
246,880	3,529,203
-	31,149
8,695	3,355,608
-	13,932
16,031	282,084
785	144,583
16,704	65,073
<u>289,095</u>	<u>7,421,632</u>
3,495	1,490,027
-	156,665
-	1,011,944
262,828	600,397
-	4,048,002
36,863	331,275
-	814,262
-	1,015
-	45,766
<u>303,186</u>	<u>8,499,353</u>
<u>(14,091)</u>	<u>(1,077,721)</u>
-	235,837
3,704	804,671
(3,704)	(804,671)
-	39,880
-	275,717
<u>(14,091)</u>	<u>(802,004)</u>
<u>153,826</u>	<u>5,580,702</u>
<u>139,735</u>	<u>4,778,698</u>



## Fremont County

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

Year ended June 30, 2005

**Net change in fund balances - Total governmental funds (page 23)** \$ (802,004)

**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 expense in the current year, as follows:

Expenditures for capital assets	\$ 1,459,677	
Capital assets contributed by the Iowa Department of Transportation	740,126	
Depreciation expense	<u>(533,864)</u>	1,665,939

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.

9,474

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	(963)	
Other	<u>(32,785)</u>	(33,748)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(39,880)	
Repaid	<u>34,853</u>	(5,027)

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	(106,778)	
Accrued interest payable	<u>891</u>	<u>(105,887)</u>

**Change in net assets of governmental activities (page 17)**

**\$ 728,747**

See notes to financial statements.

Fremont County

Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2005

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 1,078,853
Other County officials	21,474
Receivables:	
Property tax:	
Delinquent	42,452
Succeeding year	6,912,000
Accounts	12,154
Accrued interest	351
Drainage assessments	2,328
Prepaid items	3,100
<b>Total assets</b>	<u>8,072,712</u>

**Liabilities**

Accounts payable	2,705
Stamped drainage warrants payable	915
Salaries and benefits payable	4,294
Due to other governments	7,958,603
Trusts payable	73,041
Compensated absences	33,154
<b>Total liabilities</b>	<u>8,072,712</u>

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

Fremont County

Notes to Financial Statements

June 30, 2005

**(1) Summary of Significant Accounting Policies**

Fremont 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, Fremont 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 Fremont 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.

Thirty-four 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, seven of them are controlled, managed and supervised by the Fremont County Board of Supervisors. These drainage districts are reported as a Special Revenue Fund. The remaining individual drainage districts are reported as an Agency Fund. Financial information of the individual drainage districts can be obtained from the Fremont County Auditor's Office.

Jointly Governed Organizations – The County 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: County Assessor’s Conference Board, County Emergency Management Commission and County Joint E911 Service 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.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Southwest IV Transportation Planning Agency, Job Training Partnership Agency, Multi-County Juvenile Detention Center and Southwest Iowa Crime Commission.

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 roads construction and maintenance.

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 balance sheet:

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 except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

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.

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 (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 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	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Equipment and vehicles	2 - 20

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 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, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health 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 governmental activities column of the Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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, 2005, disbursements did not exceed the amounts budgeted.

### **(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2005 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 investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,692 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Mental Health	\$ 26,683
Special Revenue: Secondary Roads	Special Revenue: Rural Services	774,284
Low to Moderate Income Assistance	Tax Increment Financing Rebate	3,704
Total		<u>\$ 804,671</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,542,473	-	-	1,542,473
Construction in progress	1,084,311	1,959,003	(3,043,314)	-
Total capital assets not being depreciated	<u>2,626,784</u>	<u>1,959,003</u>	<u>(3,043,314)</u>	<u>1,542,473</u>
Capital assets being depreciated:				
Buildings	1,271,933	2,303,188	(400,000)	3,175,121
Improvements other than buildings	47,084	-	-	47,084
Equipment and vehicles	5,036,726	382,800	(331,785)	5,087,741
Infrastructure, road network	621,615	740,126	-	1,361,741
Infrastructure, other	154,049	-	-	154,049
Total capital assets being depreciated	<u>7,131,407</u>	<u>3,426,114</u>	<u>(731,785)</u>	<u>9,825,736</u>
Less accumulated depreciation for:				
Buildings	627,315	71,174	(280,000)	418,489
Improvements other than buildings	6,277	1,569	-	7,846
Equipment and vehicles	3,366,112	440,746	(319,259)	3,487,599
Infrastructure, road network	1,580	15,240	-	16,820
Infrastructure, other	15,405	5,135	-	20,540
Total accumulated depreciation	<u>4,016,689</u>	<u>533,864</u>	<u>(599,259)</u>	<u>3,951,294</u>
Total capital assets being depreciated, net	<u>3,114,718</u>	<u>2,892,250</u>	<u>(132,526)</u>	<u>5,874,442</u>
Governmental activities capital assets, net	<u>\$ 5,741,502</u>	<u>4,851,253</u>	<u>(3,175,840)</u>	<u>7,416,915</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 65,541
Physical health and social services		15,738
Mental health		6,520
County environment and education		14,251
Roads and transportation		400,556
Governmental services to residents		693
Administration		30,565
		<u>30,565</u>
Total depreciation expense - governmental activities		<u>\$ 533,864</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	\$ 5,605
Special Revenue:		
Mental Health	Services	150,396
Secondary Roads		99
		<u>150,495</u>
Total for governmental funds		<u>\$ 156,100</u>
Agency:		
County Assessor	Collections	\$ 325,552
Schools		5,060,976
Community Colleges		267,097
Corporations		1,356,731
Townships		145,207
Auto License and Use Tax		143,129
Drainage Districts		511,894
All other		148,017
		<u>7,558,503</u>
Total for agency funds		<u>\$ 7,958,603</u>

**(6) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Capital Lease Purchase Agreements	Compensated Absences	Total
Balance beginning of year	\$ 69,559	256,469	326,028
Increases	39,880	269,158	309,038
Decreases	34,853	162,380	197,233
	<u>39,880</u>	<u>162,380</u>	<u>197,233</u>
Balance end of year	<u>\$ 74,586</u>	<u>363,247</u>	<u>437,833</u>
Due within one year	<u>\$ 22,885</u>	<u>53,586</u>	<u>76,471</u>

### Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease a golf course irrigation system and a conservation mower with historical costs of \$154,048 and \$39,880, respectively, and accumulated depreciation of \$20,540 and \$1,994, respectively. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 6.10% to 6.27% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2005:

Year ending June 30,	Golf Course		Total
	Irrigation System	Conservation Mower	
2006	\$ 25,845	-	25,845
2007	25,846	7,000	32,846
2008	-	23,396	23,396
Total minimum lease payments	51,691	30,396	82,087
Less amount representing interest	(4,485)	(3,016)	(7,501)
Present value of net minimum lease payments	\$ 47,206	27,380	74,586

Payments under capital lease purchase agreements totaled \$40,680 during the year ended June 30, 2005.

#### **(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, 2005, 2004 and 2003 were \$150,541, \$144,819 and \$135,828, respectively, equal to the required contributions for each year.

#### **(8) Risk Management**

Fremont 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 with over 509 members from 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 and inland marine. 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, 2005 were \$135,979.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 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, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, 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, underground storage tank liability and employee blanket bond in the amount of \$1,000,000, \$500,000 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) Development Agreements**

The County has entered into three development agreements to assist in urban renewal projects, as follows:

The County agreed to rebate 100% of the incremental tax paid by the developer in exchange for the costs of certain improvements. The incremental tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated in twenty semi-annual payments beginning on December 1, 2001. During the year ended June 30, 2005, \$26,403 was rebated to the developer, K&M Lyons, Inc.

The County agreed to rebate 100% of the incremental tax paid by developers and a company organized as an Iowa limited liability company in exchange for the construction and maintenance of certain improvements. The incremental tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developers and company will be rebated in thirty semi-annual payments beginning on December 1, 2002. The total to be paid by the County under this agreement is not to exceed \$5,923,031. During the year ended June 30, 2005, \$210,665 was rebated to the company on behalf of the developers.

The County agreed to rebate 62.26% of the incremental tax paid by the developer in exchange for the construction of certain road, water and sanitary sewer improvements. The incremental tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated in twenty semi-annual payments beginning on December 1, 2003. The total to be paid by the County under this agreement is not to exceed \$300,000. During the year ended June 2005, \$6,109 was rebated to the developer.

**(10) Financial Assurance**

Fremont County participates in an agreement with the Fremont County Landfill Commission, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Commission includes providing economic disposal of solid waste produced or generated within the member counties and municipalities.

The County has provided a local government guarantee for a portion of the closure and postclosure care costs of the Commission in accordance with Chapter 111.6(8) of the Iowa Administrative Code. Total estimated costs for closure and postclosure care of the Commission as of June 30, 2005 are \$818,709 and the County's financial assurance obligation amount is \$668,130.

In the event the Commission fails to perform closure or postclosure care in accordance with the appropriate plan or permit, whenever required to do so, or fails to obtain an alternate financial assurance within 90 days of intent to cancel, the County will perform or pay a third party to perform closure and/or postclosure care or establish a standby trust fund in the name of the Commission or obtain alternate financial assurance in the amount of the assured amount.

**Required Supplementary Information**

Fremont 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, 2005

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 3,522,326	-	3,522,326
Interest and penalty on property tax	30,908	-	30,908
Intergovernmental	3,438,769	-	3,438,769
Licenses and permits	14,252	-	14,252
Charges for service	280,646	-	280,646
Use of money and property	139,412	-	139,412
Miscellaneous	60,010	9,743	50,267
Total receipts	<u>7,486,323</u>	<u>9,743</u>	<u>7,476,580</u>
<b>Disbursements:</b>			
Public safety and legal services	1,457,336	-	1,457,336
Physical health and social services	158,137	-	158,137
Mental health	988,253	-	988,253
County environment and education	559,413	5,265	554,148
Roads and transportation	3,949,221	-	3,949,221
Governmental services to residents	325,308	-	325,308
Administration	779,752	-	779,752
Non-program	1,015	-	1,015
Capital projects	45,510	-	45,510
Total disbursements	<u>8,263,945</u>	<u>5,265</u>	<u>8,258,680</u>
Excess (deficiency) of receipts (over) under disbursements	(777,622)	4,478	(782,100)
Other financing sources, net	<u>243,302</u>	-	<u>243,302</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(534,320)	4,478	(538,798)
Balance beginning of year	<u>5,127,919</u>	<u>46,337</u>	<u>5,081,582</u>
Balance end of year	<u>\$ 4,593,599</u>	<u>50,815</u>	<u>4,542,784</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
3,554,766	3,554,766	(32,440)
21,025	21,025	9,883
3,336,260	3,536,260	(97,491)
11,555	11,555	2,697
285,370	317,370	(36,724)
219,805	219,805	(80,393)
94,055	94,055	(43,788)
<u>7,522,836</u>	<u>7,754,836</u>	<u>(278,256)</u>
1,555,476	1,567,476	110,140
239,823	239,823	81,686
1,324,109	1,337,709	349,456
614,809	634,809	80,661
3,662,000	4,483,000	533,779
347,412	479,412	154,104
875,176	930,176	150,424
6,300	6,300	5,285
146,000	226,000	180,490
<u>8,771,105</u>	<u>9,904,705</u>	<u>1,646,025</u>
(1,248,269)	(2,149,869)	1,367,769
<u>27,000</u>	<u>27,000</u>	<u>(216,302)</u>
(1,221,269)	(2,122,869)	1,151,467
<u>3,607,970</u>	<u>5,065,563</u>	<u>16,019</u>
<u><u>2,386,701</u></u>	<u><u>2,942,694</u></u>	<u><u>1,167,486</u></u>



Fremont County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,486,323	(64,691)	7,421,632
Expenditures	8,263,945	235,408	8,499,353
Net	(777,622)	(300,099)	(1,077,721)
Other financing sources, net	243,302	32,415	275,717
Beginning fund balances	5,127,919	452,783	5,580,702
Ending fund balances	\$ 4,593,599	185,099	4,778,698

See accompanying independent auditor's report.

Fremont County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

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 and the Special Revenue Funds. 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 \$1,133,600. 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, 2005, disbursements did not exceed the amounts budgeted and departmental disbursements did not exceed the amounts appropriated.

**Fremont County**

**Other Supplementary Information**

Fremont County  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds

June 30, 2005

	County Recorder's Records Management	County Recorder's Electronic Transfer Fees	Drainage Districts
<b>Assets</b>			
Cash and pooled investments	\$ 20,326	240	50,815
Receivables:			
Succeeding year property tax	-	-	-
Drainage assessments	-	-	69
<b>Total assets</b>	<b>\$ 20,326</b>	<b>240</b>	<b>50,884</b>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Accounts payable	\$ -	-	-
Deferred revenue:			
Succeeding year property tax	-	-	-
Other	-	-	59
Total liabilities	-	-	59
Fund equity:			
Unreserved fund balances	20,326	240	50,825
<b>Total liabilities and fund equity</b>	<b>\$ 20,326</b>	<b>240</b>	<b>50,884</b>

See accompanying independent auditor's report.

Conservation Land Acquisition	Tax Increment Financing Rebate	Low to Moderate Income Assistance	Resource Enhancement and Protection	County Attorney Special Law Enforcement	Sheriff Special Law Enforcement	Total
1,573	-	4,672	46,084	919	15,190	139,819
-	227,000	-	-	-	-	227,000
-	-	-	-	-	-	69
1,573	227,000	4,672	46,084	919	15,190	366,888
-	-	-	-	-	94	94
-	227,000	-	-	-	-	227,000
-	-	-	-	-	-	59
-	227,000	-	-	-	94	227,153
1,573	-	4,672	46,084	919	15,096	139,735
1,573	227,000	4,672	46,084	919	15,190	366,888

Fremont County

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

Year ended June 30, 2005

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts
Revenues:			
Property and other county tax	\$ -	-	-
Intergovernmental	-	-	-
Charges for service	1,835	14,196	-
Use of money and property	316	148	-
Miscellaneous	-	-	9,753
Total revenues	2,151	14,344	9,753
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	-	5,265
Governmental services to residents	-	36,863	-
Total expenditures	-	36,863	5,265
Excess (deficiency) of revenues over (under) expenditures	2,151	(22,519)	4,488
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	2,151	(22,519)	4,488
Fund balances beginning of year	18,175	22,759	46,337
Fund balances end of year	\$ 20,326	240	50,825

See accompanying independent auditor's report.

Conservation Land Acquisition	Tax Increment Financing Rebate	Low to Moderate Income Assistance	Resource Enhancement and Protection	County Attorney Special Law Enforcement	Sheriff Special Law Enforcement	Total
-	246,880	-	-	-	-	246,880
-	-	-	8,695	-	-	8,695
-	-	-	-	-	-	16,031
-	-	-	321	-	-	785
-	-	-	-	-	6,951	16,704
-	246,880	-	9,016	-	6,951	289,095
-	-	-	-	-	3,495	3,495
-	243,176	-	14,387	-	-	262,828
-	-	-	-	-	-	36,863
-	243,176	-	14,387	-	3,495	303,186
-	3,704	-	(5,371)	-	3,456	(14,091)
-	-	3,704	-	-	-	3,704
-	(3,704)	-	-	-	-	(3,704)
-	(3,704)	3,704	-	-	-	-
-	-	3,704	(5,371)	-	3,456	(14,091)
1,573	-	968	51,455	919	11,640	153,826
1,573	-	4,672	46,084	919	15,096	139,735



Fremont County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ -	1,809	202,645	88,315
Other County officials	21,474	-	-	-
Receivables:				
Property tax:				
Delinquent	-	554	1,018	32,661
Succeeding year	-	85,000	156,000	4,940,000
Accounts	12	-	112	-
Accrued interest	-	-	-	-
Drainage assessments	-	-	-	-
Prepaid items	-	-	3,100	-
<b>Total assets</b>	<b>\$ 21,486</b>	<b>87,363</b>	<b>362,875</b>	<b>5,060,976</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	20	-
Stamped drainage warrants payable	-	-	-	-
Salaries and benefits payable	-	-	4,149	-
Due to other governments	8,491	87,363	325,552	5,060,976
Trusts payable	12,995	-	-	-
Compensated absences	-	-	33,154	-
<b>Total liabilities</b>	<b>\$ 21,486</b>	<b>87,363</b>	<b>362,875</b>	<b>5,060,976</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Drainage Districts	Other	Total
4,404	24,080	2,341	143,129	510,130	102,000	1,078,853
-	-	-	-	-	-	21,474
1,693	5,651	866	-	-	9	42,452
261,000	1,327,000	142,000	-	-	1,000	6,912,000
-	-	-	-	-	12,030	12,154
-	-	-	-	351	-	351
-	-	-	-	2,328	-	2,328
-	-	-	-	-	-	3,100
<b>267,097</b>	<b>1,356,731</b>	<b>145,207</b>	<b>143,129</b>	<b>512,809</b>	<b>115,039</b>	<b>8,072,712</b>
-	-	-	-	-	2,685	2,705
-	-	-	-	915	-	915
-	-	-	-	-	145	4,294
267,097	1,356,731	145,207	143,129	511,894	52,163	7,958,603
-	-	-	-	-	60,046	73,041
-	-	-	-	-	-	33,154
<b>267,097</b>	<b>1,356,731</b>	<b>145,207</b>	<b>143,129</b>	<b>512,809</b>	<b>115,039</b>	<b>8,072,712</b>

Fremont County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 10,013	67,860	368,414	4,938,507
Additions:				
Property and other county tax	-	85,213	157,498	4,944,336
E911 surcharge	-	-	-	-
State tax credits	-	4,221	8,067	303,923
Drivers license fees	-	-	-	-
Office fees and collections	163,433	-	-	-
Electronic transaction fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	110,228	-	-	-
Miscellaneous	2,723	-	5,657	-
Total additions	276,384	89,434	171,222	5,248,259
Deductions:				
Agency remittances:				
To other funds	93,233	-	-	-
To other governments	68,205	69,931	176,761	5,125,790
Trusts paid out	103,473	-	-	-
Total deductions	264,911	69,931	176,761	5,125,790
Balances end of year	\$ 21,486	87,363	362,875	5,060,976

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Drainage Districts	Other	Total
247,030	1,292,094	138,991	149,088	468,784	147,588	7,828,369
261,763	1,300,972	143,384	-	-	1,289	6,894,455
-	-	-	-	-	51,247	51,247
15,228	66,332	8,579	-	-	83	406,433
-	-	-	39,025	-	-	39,025
-	-	-	-	-	1,133	164,566
-	-	-	-	-	2,007	2,007
-	-	-	1,974,268	-	293	1,974,561
-	-	-	-	120,965	-	120,965
-	-	-	-	-	167,389	277,617
-	823	-	-	18,596	19,091	46,890
276,991	1,368,127	151,963	2,013,293	139,561	242,532	9,977,766
-	-	-	95,594	-	-	188,827
256,924	1,303,490	145,747	1,923,658	96,451	142,649	9,309,606
-	-	-	-	-	132,432	235,905
256,924	1,303,490	145,747	2,019,252	96,451	275,081	9,734,338
267,097	1,356,731	145,207	143,129	511,894	115,039	8,071,797

**Schedule 5**

## Fremont County

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

For the Last Five Years

	Modified Accrual Basis				
	2005	2004	2003	2002	2001
Revenues:					
Property and other county tax	\$ 3,529,203	3,462,042	3,171,161	3,115,168	2,766,032
Interest and penalty on property tax	31,149	29,109	30,180	42,073	27,753
Intergovernmental	3,355,608	3,475,783	3,389,112	3,385,309	3,459,046
Licenses and permits	13,932	18,424	12,918	16,480	4,607
Charges for service	282,084	296,107	262,914	251,277	224,674
Use of money and property	144,583	147,749	194,678	293,588	439,191
Fines, forfeitures and defaults	-	-	-	10,279	5,749
Miscellaneous	65,073	125,355	70,817	101,458	88,977
Total	<u>\$ 7,421,632</u>	<u>7,554,569</u>	<u>7,131,780</u>	<u>7,215,632</u>	<u>7,016,029</u>
Expenditures:					
Operating:					
Public safety and legal services	\$ 1,490,027	1,429,674	1,325,858	1,310,069	1,189,527
Physical health and social services	156,665	132,073	191,449	258,101	316,704
Mental health	1,011,944	995,212	964,931	1,028,632	1,026,871
County environment and education	600,397	478,330	350,949	229,525	309,947
Roads and transportation	4,048,002	3,974,302	2,851,143	2,731,905	2,828,920
Governmental services to residents	331,275	279,894	269,407	274,750	249,047
Administration	814,262	746,481	834,924	785,010	721,205
Non-program	1,015	215	7,660	16,999	11,168
Capital projects	45,766	226,211	565,510	394,194	492,280
Total	<u>\$ 8,499,353</u>	<u>8,262,392</u>	<u>7,361,831</u>	<u>7,029,185</u>	<u>7,145,669</u>

See accompanying independent auditor's report.

**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**

**Fremont 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 Fremont County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Fremont County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 31, 2006. 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 Fremont 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 Fremont 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 the accompanying Schedule of Findings.

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 (A) is a material weakness.

Compliance and Other Matters

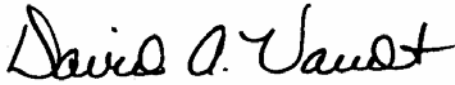
As part of obtaining reasonable assurance about whether Fremont County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 the accompanying Schedule of Findings.



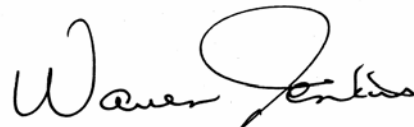
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all 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 Fremont County and other parties to whom Fremont County may report. 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 Fremont 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 31, 2006

Fremont County  
Schedule of Findings  
Year ended June 30, 2005

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

- (A) Segregation of Duties - During our review of internal control, the existing procedures 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. Generally, one or more individuals in the offices identified below may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Golf course receipts – opening and listing mail receipts, collecting, posting and daily reconciling.	Conservation
(2) Treasurer receipts – collecting, recording and posting of receipts along with maintaining receivables.	Treasurer
(3) Investments – investing, custody and accounting.	Treasurer

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

Response –

- (1) The Golf Course Greens Superintendent opens the mail. The Treasurer does the reconciling.
- (2) A motor vehicle deputy collects the mail. Usually the Treasurer opens the mail and records in a spreadsheet. All tax deputies enter receipts. A rotation schedule has been established for reconciling and daily balancing.
- (3) A request for interest quotes is emailed to all banks by a tax deputy (rotated). A quote sheet is prepared for the Treasurer's approval. Only the Treasurer can cash or purchase the investments. Spreadsheets are prepared for individual investments by the tax deputies (rotated).

Fremont County  
Schedule of Findings  
Year ended June 30, 2005

Conclusion –

- (1) Response acknowledged. In addition, an independent person should collect and record receipts.
- (2) Response acknowledged. We will review the procedures described during the subsequent audit.
- (3) Response accepted.

- (B) Information Technology – During our review of internal control, the existing control activities in the County’s computer based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the County’s computer based systems were noted:

The County does not have written policies for:

- ensuring only software licensed to the County is installed on computers.
- password resetting and privacy and confidentiality.
- ownership of in-house developed software and data.
- offsite storage of backup tapes.
- an alternative power source if power is interrupted.
- formal information systems security.
- the acceptance of software purchased from the vendor.

Also, the County does not have a written disaster recovery plan addressing information technology issues.

Recommendation – The County should develop written policies addressing the above items in order to improve the County’s control over computer based systems. Also, a written disaster recovery plan should be developed covering information technology issues.

Response – In order to improve our control over county based systems Fremont County has taken the following steps:

The following policies have been adopted by the Fremont County Board of Supervisors as of February 2, 2006.

- 1 Fremont County Use Policy
- 2 Security Standards and Guidelines
- 3 Fremont County IT Policy
- 4 Fremont County Backup Policy
- 5 Internet Usage Policy

Fremont County

Schedule of Findings

Year ended June 30, 2005

Fremont County has developed a written Disaster Recovery Manual. These policies and procedures address all the concerns listed above.

Conclusion – Response accepted.

- (C) County Sheriff – Separate bank accounts were maintained for the collections and expenditures of the Sheriff Deputies Reserve Officers and the Operation Santa Claus programs. These transactions were not reflected in the County's accounting system and have not been included in the County's annual budget or financial report.

Recommendation – All collections for the Sheriff Deputies Reserve Officers and Operation Santa Claus programs should be remitted to the County Treasurer and all expenditures should be reflected in the County's accounting system, annual budget and financial report.

Response – Accounting procedures will be set up similar to the Fremont County Sheriff's Department. The procedures will be reviewed monthly by the Sheriff, his designee and/or the Liaison offices for the Fremont County Reserve Deputies.

Conclusion – Response acknowledged. All collections for the Sheriff Deputies Reserve Officers and Operation Santa Claus programs should be remitted to the County Treasurer and all expenditures should be reflected in the County's accounting system, annual budget and financial report.

- (D) Local Option Sales Tax – The County records local option sales tax (LOST) revenues in the Rural Services Fund. During fiscal 2005, a record was not maintained to document collections, disbursements and the year end balance of the LOST funds. The use of LOST collections was not readily identifiable to the warrant and expenditure level. Accordingly, we were unable to determine whether the funds were used in accordance with the referendum approving the tax.

Recommendation – A record should be maintained to document the collection, disbursement and balance of LOST funds. Disbursement of these funds should be properly identified to document compliance with referendum provisions.

Response – Starting July 1, 2006 the Auditor's Office will begin using project codes for tracking Local Option Sales and Services Tax monies.

Conclusion – Response accepted.

Fremont County  
 Schedule of Findings  
 Year ended June 30, 2005

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

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- (2) Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted.
- (3) 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.
- (4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ryan Funke, Conservation Director and Golf Course Manager, owner of Paper Tiger	Paper shredding services	\$ 122

In addition, Ryan Funk operated a golf pro shop, sold food and liquor and rented golf carts at the County-owned golf course. These operations were conducted as a private business rather than a County activity.

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Paper Tiger do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.

The County Attorney has opined the contract to use County property as a pro shop is not prohibited under Chapter 331.342 of the Code of Iowa.

- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) 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.

Fremont County

Schedule of Findings

Year ended June 30, 2005

- (9) 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).
- (10) County Conservation Board Minutes – Certain minutes of the County Conservation Board were not signed.

Recommendation – The minutes should be signed to authenticate the record.

Response – I will maintain a file of signed minutes for State Auditor purposes.

Conclusion – Response acknowledged. The minutes should be signed to authenticate the minutes record.

- (11) Mower Lease Purchase – During the year, the County entered into a lease purchase agreement for a mower for the Conservation Department. A public hearing was not held prior to the authorization of the agreement as required by Chapter 331.301 of the Code of Iowa.

Recommendation – In the future, the County should hold a public hearing prior to authorizing a lease purchase agreement as required by the Code of Iowa.

Response – The Board Chair spoke with the Conservation Board regarding compliance with the laws pertaining to entering into a lease purchase agreement. The rules will be followed in the future.

Conclusion – Response accepted.

- (12) County Owned Vehicles – All vehicles maintained by the County are not properly labeled as publicly owned motor vehicles as required by Chapter 721.8 of the Code of Iowa.

Recommendation – The Board of Supervisors should ensure all vehicles are properly labeled as publicly owned motor vehicles as required by Chapter 721.8 of the Code of Iowa.

Response – The Board has made arrangements to have the Community Service Director's vehicle labeled as required by Chapter 721.8 of the Code of Iowa.

Conclusion – Response accepted.

- (13) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2005 for the County Extension Office did not exceed the amount budgeted.

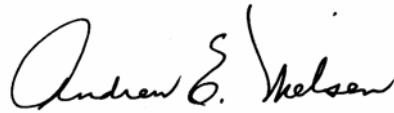
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Fremont County

Staff

This audit was performed by:

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Nancy F. Curtis, CPA, Senior Auditor II  
Sheila M. Jensen, Staff Auditor  
Nicole B. Tenges, Staff Auditor  
Janet M. Tiefenthaler, Assistant Auditor  
Richard W. Reeves, Assistant Auditor  
Michelle L. Harris, Assistant Auditor  
Ryan Sisson, 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