OFFICE OF AUDITOR OF STATE

STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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

Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

Contact: Andy Nielsen
515/281-5834

FOR RELEASE June 12, 2017

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

The County had local tax revenue of $16,271,906 for the year ended June 30, 2016, which included $1,405,535 in tax credits from the state. The County forwarded $11,237,589 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained $5,034,317 of the local tax revenue to finance County operations, a 2% increase over the prior year. Other revenues included charges for service of $692,341, operating grants, contributions and restricted interest of $3,337,302, tax increment financing of $252,521, local option sales tax of $405,049, hotel/motel tax of $97,991, unrestricted investment earnings of $30,752 and other general revenues of $337,201.

Expenses for County operations for the year ended June 30, 2016 totaled $10,284,059, a 5.2% increase over the prior year. Expenses included $4,974,028 for roads and transportation, $2,535,513 for public safety and legal services and $1,043,395 for administration.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Office of Auditor of State's web site at https://auditor.iowa.gov/reports/1610-0036-B00F.

# # #

FREMONT COUNTY

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

JUNE 30, 2016

1610-0036-B00F

Table of Contents

		Page
Officials		3
Independent Auditor's Report		5-7
Management's Discussion and Analysis		9-15
Basic Financial Statements:	Exhibit	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20-21
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24-25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	26
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	G	27
Notes to Financial Statements		29-47
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		50-51
Budget to GAAP Reconciliation		53
Notes to Required Supplementary Information – Budgetary Reporting		55
Schedule of the County's Proportionate Share of the Net Pension Liability		57
Schedule of County Contributions		58-59
Notes to Required Supplementary Information – Pension Liability		60
Schedule of Funding Progress for the Retiree Health Plan		61
Supplementary Information:	Schedule	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	64-65
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	66-67
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	68-69
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	70-71
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	72-73
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		75-76
Schedule of Findings		77-83
Staff		84

Fremont County

Officials

Name	Title	Term Expires
Cara Morgan	Board of Supervisors	Jan 2017
Earl Hendrickson	Board of Supervisors	Jan 2019
Randy Hickey	Board of Supervisors	Jan 2019
Joan Kirk	County Auditor	Jan 2017
Judith M. Crain	County Treasurer	Jan 2019
Jenny McAllister	County Recorder	Jan 2019
Kevin Aistrope	County Sheriff	Jan 2017
Corey J. Becker	County Attorney	Jan 2019
Karen L. Berry	County Assessor	Retired Dec 2015
Brenda Mintle (Appointed Apr 2016)	County Assessor	Jan 2022

Fremont County

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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

Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report

To the Officials of Fremont County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Fremont County, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Fremont County as of June 30, 2016, and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 50 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fremont County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 30, 2017 on our consideration of Fremont County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Fremont County's internal control over financial reporting and compliance.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

May 30, 2017

Fremont County

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2016 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 10.3%, or $1,175,737, from fiscal year 2015 to fiscal year 2016. Property and other county tax, including tax increment financing, decreased $58,407 from fiscal year 2015. Operating grants, contributions and restricted interest increased $182,556, capital grants, contributions and restricted interest decreased $1,373,460 and charges for service decreased $46,376.

- Program expenses of the County's governmental activities in fiscal year 2016 increased 5.2%, or $507,086, over fiscal year 2015. Roads and transportation expenses increased $1,005,900, mental health expenses decreased $998,700 and public safety and legal service expenses increased $546,257.

- The County's net position at June 30, 2016 decreased $96,585 or approximately 0.6%, from the June 30, 2015 balance.

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 Position 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 financial statements by providing information about the most significant funds. The remaining financial statements provide 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, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

Fund Financial Statements

The 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, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental 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 which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

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

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Fremont County's combined net position decreased from approximately $17.5 million to approximately $17.4 million. The analysis below shows the changes in the net position of governmental activities from a year ago.

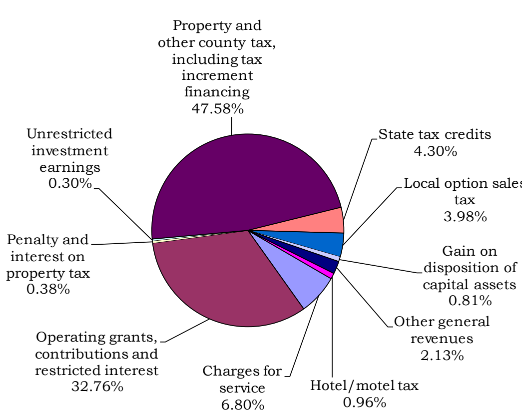
Net Position of Governmental Activities

	June 30, 2016	June 30, 2015
Current and other assets	$ 11,584,248	11,865,200
Capital assets	18,913,055	18,779,009
Total assets	30,497,303	30,644,209
Deferred outflows of resources	408,869	383,655
Long-term liabilities	7,792,682	7,582,452
Other liabilities	311,630	370,534
Total liabilities	8,104,312	7,952,986
Deferred inflows of resources	5,404,001	5,580,434
Net position:		
Invested in capital assets	13,938,055	14,210,073
Restricted	4,022,071	3,780,740
Unrestricted	(562,267)	(496,369)
Total net position	$ 17,397,859	17,494,444

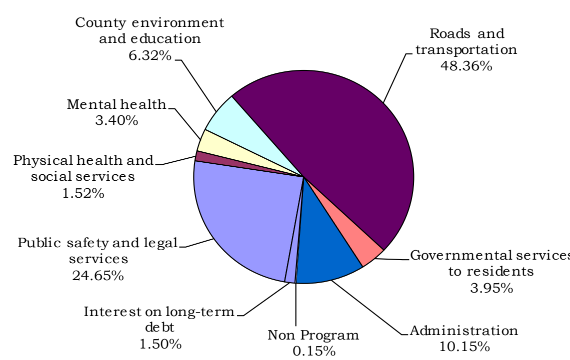
Net position of Fremont County's governmental activities decreased less than 1%, or approximately $97,000, during the year. The largest portion of the County's net position is invested in capital assets (i.e. land, buildings, infrastructure and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased $65,898 from the prior year.

Changes in Net Position of Governmental Activities		
	Year ended June 30,	
	2016	2015
Revenues:		
Program revenues:		
Charges for service	$ 692,341	738,717
Operating grants, contributions and restricted interest	3,337,302	3,154,746
Capital grants, contributions and restricted interest	-	1,373,460
General revenues:		
Property and other county tax, including tax increment financing	4,848,557	4,906,964
Penalty and interest on property tax	38,287	42,460
State tax credits	438,281	318,466
Local option sales tax	405,049	496,143
Hotel/motel tax	97,991	103,861
Unrestricted investment earnings	30,752	28,848
Gain on disposition of capital assets	82,044	151,387
Other general revenues	216,870	48,159
Total revenues	10,187,474	11,363,211
Program expenses:		
Public safety and legal services	2,535,513	1,989,256
Physical health and social services	156,272	161,200
Mental health	349,158	1,347,858
County environment and education	650,042	586,163
Roads and transportation	4,974,028	3,968,128
Governmental services to residents	406,404	367,517
Administration	1,043,395	1,160,711
Non Program	15,000	-
Interest on long-term debt	154,247	196,140
Total expenses	10,284,059	9,776,973
Change in net position	(96,585)	1,586,238
Net position beginning of year	17,494,444	15,908,206
Net position end of year	$ 17,397,859	17,494,444

Revenues by Source



Expenses by Program



Overall, revenues decreased approximately $1,175,737, or 10.3%, during the year. The decrease is primarily due to a decrease in capital grants, contributions and restricted interest for roads and bridges paid for by the Iowa Department of Transportation.

Fremont County's overall property tax rate for fiscal year 2016 decreased $.21348 per $1,000 of taxable valuation. The countywide assessed property taxable valuation increased $11,191,846. The general basic, general supplemental and rural services levies remained the same. The levy for debt services increased to $.00861 per $1,000 of taxable valuation while the mental health levy decreased $.21348 per $1,000 of taxable valuation.

The cost of all governmental activities this year was approximately $10.3 million compared to approximately $9.8 million last year. This increase is primarily due to secondary roads spending for road maintenance and equipment purchases.

INDIVIDUAL MAJOR FUND ANALYSIS

As Fremont County completed the year, its governmental funds reported a combined fund balance of $5,951,592 compared to $6,580,651 at June 30, 2015, a decrease of $629,059, or 9.6%.

The General Fund, the operating fund for Fremont County, ended fiscal year 2016 with a balance of $2,419,581, a decrease of $299,346 from the fiscal year 2015 ending balance of $2,718,927. Total expenditures increased $570,865 and total revenues increased $29,537. The County's expenditures increased because they completed construction and began operating the law enforcement center. This resulted in the County adding personnel to the jail. In addition, the County also purchased jail supplies.

The County has continued to look for ways to effectively manage the cost of mental health services. The State has taken over Medicaid funded services. The Special Revenue, Mental Health Fund balance at year-end increased $26,460, or 14.1%, from the prior year to $214,630. $196,286 of the mental health funds collected by the County were distributed to Southwest Iowa MHDS, the regional mental health organization.

The Special Revenue, Rural Services Fund ending fund balance increased $148,416 over the prior year to $796,321. The increase is primarily due to an increase in property tax revenues and a slight decrease in expenditures.

The Special Revenue, Secondary Roads Fund ended fiscal year 2016 with a $2,274,321 fund balance, an increase of $72,535 compared to the prior year ending fund balance of $2,201,786. This was a 3.3% increase. Revenues increased 7.2% primarily due to the increase intergovernmental revenues due to the fuel tax increase. Expenditures increased 7.7% primarily due to the county spending on general maintenance.

The Capital Projects, Law Enforcement Center Fund ended fiscal year 2016 with a $31,657 fund balance, a decrease of $609,407. The decrease is due to the use of bond proceeds received in fiscal year 2015 for the purpose of constructing a Law Enforcement Center.

BUDGETARY HIGHLIGHTS

Over the course of the year, Fremont County amended its budget once. The amendment was made in May 2016 and resulted in an increase in budgeted disbursements of $1,209,475, primarily due to an increase in roads and transportation costs, public safety and legal services costs and capital project costs.

The County's receipts were $434,973 more than budgeted, a variance of 4.5%. The most significant variance resulted from higher than expected intergovernmental receipts.

Total disbursements were $1,070,197 less than the amended budget. Actual disbursements for the capital projects, administration and mental health functions were $311,364, $300,483 and $133,832, respectively, less than the amounts budgeted. This was primarily due to lower than expected construction disbursements for the Law Enforcement Center.

Even with the budget amendments, the County exceeded the budgeted amount in the non-program function for the year ended June 30, 2016. The County inadvertently entered the amended balance on the wrong function line item.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, Fremont County had approximately $18.91 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 approximately $134,046, or 0.7%, over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2016	2015
Land	$ 197,904	197,904
Construction in progress	122,282	4,795,613
Intangibles, road network	1,384,069	1,384,069
Buildings	7,478,580	2,232,468
Improvements other than buildings	131,614	121,313
Equipment and vehicles	2,492,191	2,566,320
Infrastructure	7,106,415	7,481,322
Total	$ 18,913,055	18,779,009
This year's major additions included:		
Law Enforcement Center construction		$ 737,766
Secondary Roads equipment and vehicles		309,304
County Sheriff's vehicles		17,500
Total		$ 1,064,570

Fremont County had depreciation expense of $1,108,773 in fiscal year 2016 and total accumulated depreciation of $7,508,259 at June 30, 2016. More detailed information about the County's capital assets is included in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2016, Fremont County had $5,472,554 of outstanding general obligation bonds/notes and other debt outstanding, compared to $5,730,000 of general obligation bonds/notes at June 30, 2015.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Fremont County's constitutional debt limit is approximately $28.1 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 fiscal year 2017 county budget, tax rates and fees for the various County services. One of those factors is the economy.

Amounts available for appropriation in the fiscal year 2017 operating budget are approximately \$10.3 million. Property tax, including the general levies set at \$5.55546 per \$1,000 of taxable valuation, is expected to remain constant with the exception of the MHDS mental health levy which decreased from \$.42919 per \$1,000 of taxable valuation to \$.28305 per \$1,000 of taxable valuation as a result of mental health services being regionalized. Budgeted disbursements for the fiscal year 2017 operating budget are approximately \$10.9 million, a decrease of 7.9% from the final amended fiscal year 2016 budget, primarily due to a reduction in capital projects for the Law Enforcement Center and a reduction in projected mental health costs for the County.

Fremont County has restricted 40% of the local option sales tax collected for infrastructure.

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 Dee Owen at the Fremont County Auditor's Office, by mail at 506 Filmore Street, Sidney, Iowa 51652 or by telephone at (712) 374-2031.

Fremont County

Basic Financial Statements

Fremont County

Statement of Net Position

June 30, 2016

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	$ 4,854,987
Receivables:	
Property tax:	
Delinquent	35,250
Succeeding year	5,165,000
Interest and penalty on property tax	65,657
Accounts	6,894
Accrued interest	1,550
Loan	445,000
Due from other governments	343,550
Inventories	360,425
Prepaid items	305,935
Capital assets, net of accumulated depreciation	18,913,055
Total assets	30,497,303
Deferred Outflows of Resources	
Pension related deferred outflows	408,869
Liabilities	
Accounts payable	148,051
Accrued interest payable	12,384
Salaries and benefits payable	115,414
Due to other governments	35,781
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	26,277
General obligation bonds/notes	310,000
Compensated absences	90,622
Portion due or payable after one year:	
Capital lease purchase agreement	26,277
General obligation bonds/notes	5,110,000
Compensated absences	293,584
Net pension liability	1,837,757
Net OPEB liability	98,165
Total liabilities	8,104,312
Deferred Inflows of Resources	
Unavailable property tax revenue	5,165,000
Pension related deferred inflows	239,001
Total deferred inflows of resources	5,404,001
Net Position	
Net investment in capital assets	13,938,055
Restricted for:	
Supplemental levy purposes	638,382
Mental health purposes	236,828
Rural services purposes	805,556
Secondary roads purposes	2,098,523
Other purposes	242,782
Unrestricted	(562,267)
Total net position	$ 17,397,859

See notes to financial statements.

Fremont County

Statement of Activities

Year ended June 30, 2016

		Program Revenues		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Position
Functions/Programs:				
Governmental activities:				
Public safety and legal services	$ 2,535,513	257,462	-	(2,278,051)
Physical health and social services	156,272	11,675	63,424	(81,173)
Mental health	349,158	144,625	28,829	(175,704)
County environment and education	650,042	86,721	17,974	(545,347)
Roads and transportation	4,974,028	29,398	3,227,075	(1,717,555)
Governmental services to residents	406,404	150,727	-	(255,677)
Administration	1,043,395	11,733	-	(1,031,662)
Non program	15,000	-	-	(15,000)
Interest on long-term debt	154,247	-	-	(154,247)
Total	$ 10,284,059	692,341	3,337,302	(6,254,416)
General Revenues:				
Property and other county tax levied for general purposes				4,596,036
Tax increment financing				252,521
Penalty and interest on property tax				38,287
State tax credits				438,281
Local option sales tax				405,049
Hotel/motel tax				97,991
Unrestricted investment earnings				30,752
Gain on disposition of capital assets				82,044
Miscellaneous				216,870
Total general revenues				6,157,831
Change in net position				(96,585)
Net position beginning of year				17,494,444
Net position end of year				$ 17,397,859

See notes to financial statements.

Fremont County

Balance Sheet
Governmental Funds

June 30, 2016

	General	Special Revenue: Mental Health	Special Revenue: Rural Services	Special Revenue: Secondary Roads
Assets				
Cash, cash equivalents and pooled investments	$ 1,871,526	215,111	794,224	1,718,494
Receivables:				
Property tax:				
Delinquent	23,432	-	9,254	-
Succeeding year	2,966,000	151,000	1,426,000	-
Interest and penalty on property tax	65,657	-	-	-
Accounts	6,044	-	-	669
Accrued interest	1,550	-	-	-
Loan	445,000	-	-	-
Due from other governments	109,994	-	8,480	225,076
Inventories	-	-	-	360,425
Prepaid items	188,874	10	-	117,051
Total assets	$ 5,678,077	366,121	2,237,958	2,421,715
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ 33,838	141	156	104,821
Salaries and benefits payable	70,673	350	1,818	42,573
Due to other governments	31,353	-	4,428	-
Total liabilities	135,864	491	6,402	147,394
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,966,000	151,000	1,426,000	-
Other	156,632	-	9,235	-
Total deferred inflows of resources	3,122,632	151,000	1,435,235	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	360,425
Prepaid items	188,874	10	-	117,051
Restricted for:				
Supplemental levy purposes	643,230	-	-	-
Mental health purposes	-	214,620	-	-
Rural services purposes	-	-	796,321	-
Secondary roads purposes	-	-	-	1,796,845
Capital projects	-	-	-	-
Debt service	445,000	-	-	-
Conservation purposes	1,573	-	-	-
Other purposes	-	-	-	-
Unassigned	1,140,904	-	-	-
Total fund balances	2,419,581	214,630	796,321	2,274,321
Total liabilities, deferred inflows of resources and fund balances	$ 5,678,077	366,121	2,237,958	2,421,715

See notes to financial statements.

Capital Projects Law Enforcement Center	Nonmajor	Total
31,657	223,975	4,854,987
-	2,564	35,250
-	622,000	5,165,000
-	-	65,657
-	181	6,894
-	-	1,550
-	-	445,000
-	-	343,550
-	-	360,425
-	-	305,935
31,657	848,720	11,584,248
-	9,095	148,051
-	-	115,414
-	-	35,781
-	9,095	299,246
-	622,000	5,165,000
-	2,543	168,410
-	624,543	5,333,410
-	-	360,425
-	-	305,935
-	-	643,230
-	-	214,620
-	-	796,321
-	-	1,796,845
31,657	-	31,657
-	5,762	450,762
-	-	1,573
-	209,552	209,552
-	(232)	1,140,672
31,657	215,082	5,951,592
31,657	848,720	11,584,248

Fremont County

Fremont County

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

June 30, 2016

Total governmental fund balances (page 21)		$ 5,951,592
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is $26,421,314 and the accumulated depreciation is $7,508,259.		18,913,055
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		168,410
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	$ 408,869	
Deferred inflows of resources	(239,001)	169,868
Long-term liabilities, including accrued interest payable, capital lease purchase agreement payable, bonds/notes payable, compensated absences payable, net pension liability and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		(7,805,066)
Net assets of governmental activities (page 18)		$ 17,397,859

See notes to financial statements.

Fremont County

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

Year ended June 30, 2016

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	$ 2,674,433	216,304	1,342,205	-
Local option sales tax	283,113	-	93,460	-
Hotel/motel tax	116,234	-	-	-
Tax increment financing	-	-	-	-
Interest and penalty on property tax	30,307	-	-	-
Intergovernmental	625,431	20,199	105,721	3,227,073
Licenses and permits	13,325	-	-	2,670
Charges for service	315,391	-	-	-
Use of money and property	86,344	-	-	-
Miscellaneous	126,577	-	-	32,016
Total revenues	4,271,155	236,503	1,541,386	3,261,759
Expenditures:				
Operating:				
Public safety and legal services	2,467,404	-	62,657	-
Physical health and social services	142,236	-	16,225	-
Mental health	143,860	210,043	-	-
County environment and education	234,556	-	90,303	-
Roads and transportation	-	-	-	4,411,415
Governmental services to residents	401,452	-	1,594	
Administration	1,176,027	-	-	-
Non-program	15,000	-	-	-
Capital projects	-	-	-	-
Debt service	83,703	-	-	-
Total expenditures	4,664,238	210,043	170,779	4,411,415
Excess (deficiency) of revenues over (under) expenditures	(393,083)	26,460	1,370,607	(1,149,656)
Other financing sources (uses):				
Sale of capital assets	14,906	-	-	-
Transfers in	-	-	-	1,222,191
Transfers out	-	-	(1,222,191)	-
Proceeds from capital lease purchase agreement	78,831	-	-	-
Total other financing sources (uses)	93,737	-	(1,222,191)	1,222,191
Change in fund balances	(299,346)	26,460	148,416	72,535
Fund balances beginning of year	2,718,927	188,170	647,905	2,201,786
Fund balances end of year	$ 2,419,581	214,630	796,321	2,274,321

See notes to financial statements.

Capital Projects Law Enforcement Center	Nonmajor	Total
-	353,091	4,586,033
-	-	376,573
-	-	116,234
-	252,521	252,521
-	-	30,307
-	80,649	4,059,073
-	20	16,015
-	1,404	316,795
453	35	86,832
-	14,943	173,536
453	702,663	10,013,919
-	9,127	2,539,188
-	-	158,461
-	-	353,903
-	314,209	639,068
-	-	4,411,415
-	-	403,046
-	-	1,176,027
-	-	15,000
609,860	-	609,860
-	380,976	464,679
609,860	704,312	10,770,647
(609,407)	(1,649)	(756,728)
-	33,932	48,838
-	17,198	1,239,389
-	(17,198)	(1,239,389)
-	-	78,831
-	33,932	127,669
(609,407)	32,283	(629,059)
641,064	182,799	6,580,651
31,657	215,082	5,951,592

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, 2016

Change in fund balances - Total governmental funds (page 25)		$ (629,059)
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 exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	$ 1,175,681	
Depreciation expense	(1,108,773)	66,908
In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.		67,138
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:		
Property tax	10,003	
Other	47,576	57,579
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceeded issuances, as follows:		
Issued	(78,831)	
Repaid	336,277	257,446
The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position.		309,874
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	(44,833)	
Other postemployment benefits	(22,479)	
Pension expense	(159,591)	
Interest on long-term debt	432	(226,471)
Change in net position of governmental activities (page 19)		$ (96,585)

See notes to financial statements.

Fremont County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2016

Assets		
Cash and pooled investments:		
County Treasurer	$	1,330,065
Other County officials		10,212
Receivables:		
Property tax:		
Delinquent		2,865
Succeeding year		10,292,000
Accounts		294
Drainage assessments		944,517
Due from other governments		21,767
Total assets		12,601,720
Liabilities		
Accounts payable		102
Salaries and benefits payable		5,805
Stamped warrants payable		1,450,530
Due to other governments		11,097,539
Trusts payable		38,505
Compensated absences		9,239
Total liabilities		12,601,720
Net position	$	-

See notes to financial statements.

Fremont County

(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 they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Certain drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the 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 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 E-911 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 Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has 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 to be used to fund mental health, intellectual disabilities and developmental disabilities services.

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

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary roads construction and maintenance.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value 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 amortized 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, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2015.

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

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. 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 consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	$ 50,000
Intangibles	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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position which applies to a future year(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the County after the measurement date but before the end of the County's reporting period.

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health 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 Position.

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position which applies to a future year(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on IPERS' investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, disbursements exceeded the amount budgeted in the non-program function.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	$ 1,222,191
Low to Moderate Income Assistance	Tax Increment Financing Rebate	17,198
Total		$ 1,239,389

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 197,904	-	-	197,904
Intangibles, road network	1,384,069	-	-	1,384,069
Construction in progress	4,795,613	737,766	(5,411,097)	122,282
Total capital assets not being depreciated	6,377,586	737,766	(5,411,097)	1,704,255
Capital assets being depreciated:				
Buildings	3,209,883	5,418,397	-	8,628,280
Improvements other than buildings	193,236	19,800	-	213,036
Equipment and vehicles	6,559,657	443,815	(306,121)	6,697,351
Infrastructure, road network	8,782,543	-	-	8,782,543
Infrastructure, other	360,849	35,000	-	395,849
Total capital assets being depreciated	19,106,168	5,917,012	(306,121)	24,717,059
Less accumulated depreciation for:				
Buildings	977,415	172,285	-	1,149,700
Improvements other than buildings	71,923	9,499	-	81,422
Equipment and vehicles	3,993,337	517,082	(305,259)	4,205,160
Infrastructure, road network	1,535,035	396,795	-	1,931,830
Infrastructure, other	127,035	13,112	-	140,147
Total accumulated depreciation	6,704,745	1,108,773	(305,259)	7,508,259
Total capital assets being depreciated, net	12,401,423	4,808,239	(862)	17,208,800
Governmental activities capital assets, net	$ 18,779,009	5,546,005	(5,411,959)	18,913,055

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	$ 174,640
County environment and education	27,618
Roads and transportation	857,742
Governmental services to residents	8,450
Administration	40,323
Total depreciation expense - governmental activities	$ 1,108,773

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2016 is as follows:

Fund	Description	Amount
General	Services	$ 31,353
Special Revenue:		
Rural Services	Services	4,428
Total for governmental funds		$ 35,781
Agency:		
County Assessor	Collections	$ 517,654
Schools		7,116,946
Community Colleges		830,676
Corporations		1,806,651
Townships		233,404
Auto License and Use Tax		201,528
All other		390,680
Total for agency funds		$ 11,097,539

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	Capital Lease Purchase Agreement	General Obligation Notes	General Obligation Bonds LEC	Compensated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year	$ -	520,000	5,210,000	339,373	1,437,393	75,686	7,582,452
Increases	78,831	-	-	568,100	400,364	22,479	1,069,774
Decreases	26,277	75,000	235,000	523,267	-	-	859,544
Balance end of year	$ 52,554	445,000	4,975,000	384,206	1,837,757	98,165	7,792,682
Due within one year	$ 26,277	70,000	240,000	90,622	-	-	426,899

Capital Lease Purchase Agreement

On February 1, 2015, the County entered into a non-interest bearing capital lease purchase agreement to purchase a dispatch system for the Law Enforcement Center for $78,831. The following is a schedule of the future minimum lease payments under the agreement in effect at June 30, 2016:

Year Ending June 30,	Amount
2017	$ 26,277
2018	26,277
Total minimum lease payments	52,554

General Obligation Bonds/Notes

On November 1, 2014, the County issued $520,000 of general obligation refunding capital loan notes for a crossover advance refunding of $495,000 of the general obligation solid waste disposal bonds dated August 9, 2007 for the purpose of constructing improvements to the Fremont County Landfill Commission facilities. The notes bear interest at .65% to 2.15% per annum and mature June 1, 2022. The Fremont County Landfill Commission agreed to make payments to the County to pay the principal and interest on the general obligation solid waste disposal refunding notes as they came due.

On April 15, 2014, the County issued $5,425,000 of general obligation bonds for the purpose of constructing, furnishing and equipping a County Law Enforcement Center. The bonds bear interest at 2.00% to 3.75% per annum and mature June 1, 2033.

Annual debt service requirements to maturity for the general obligation bonds/refunding notes are as follows:

Year Ending June 30,	Solid Waste Disposal Refunding Notes Interest Rates	Principal	Interest
2017	1.20%	$ 70,000	7,585
2018	1.20	70,000	6,745
2019	1.20	75,000	5,905
2020	1.70	70,000	4,630
2021	1.70	75,000	3,440
2022	2.15	85,000	1,828
Total		$ 445,000	30,133

Year Ending June 30,	Law Enforcement Center Bonds Interest Rates	Principal	Interest	Total Principal	Total Interest	Total
2017	2.00%	$ 240,000	141,025	310,000	148,610	458,610
2018	2.00	245,000	136,225	315,000	142,970	457,970
2019	2.00	250,000	131,325	325,000	137,230	462,230
2020	2.00	255,000	126,325	325,000	130,955	455,955
2021	2.00	260,000	121,225	335,000	124,665	459,665
2022-2026	2.00-2.50	1,395,000	516,838	1,480,000	518,666	1,998,666
2027-2031	2.75-3.25	1,605,000	302,863	1,605,000	302,863	1,907,863
2032-2033	3.50-3.75	725,000	41,063	725,000	41,063	766,063
Total		$4,975,000	1,516,889	5,420,000	1,547,022	6,967,022

During the year ended June 30, 2016, the County retired $310,000 of general obligation bonds/notes.

(7) Loan Receivable

The County loaned note proceeds to the Fremont County Landfill Commission. Under the agreement, the Fremont County Landfill Commission has agreed to make payments to the County equal to the payments the County is required to make on the general obligation refunding capital loan notes, detailed in Note 6 of the Notes to Financial Statements. The principal and interest payments from the Fremont County Landfill Commission are credited to the General Fund.

(8) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally at age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff's, deputy's and protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.88% of covered payroll for a total rate of 19.76%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2016 totaled $309,874.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the County reported a liability of $1,837,757 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the County's collective proportion was 0.037198%, which was an increase of 0.000954% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of $159,591. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	27,335	16,179
Changes of assumptions		49,812	14,077
Net difference between projected and actual earnings on IPERS' investments		-	194,188
Changes in proportion and differences between County contributions and the County's proportionate share of contributions		21,848	14,557
County contributions subsequent to the measurement date		309,874	-
Total	$	408,869	239,001

$309,874 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,		Amount
2017	$	(78,139)
2018		(78,139)
2019		(78,139)
2020		94,143
2021		268
Total	$	(140,006)

There were no non-employer contributing entities to IPERS.

<u>Actuarial Assumptions</u> – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	$ 3,585,079	1,837,757	364,363

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS – At June 30, 2016, the County reported payables to IPERS of $24,313 for legally required County contributions and $17,660 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 78 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by the Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	$ 22,460
Interest on net OPEB obligation	3,027
Adjustment to annual required contribution	(3,008)
Annual OPEB cost	22,479
Contributions made	-
Increase in net OPEB obligation	22,479
Net OPEB obligation beginning of year	75,686
Net OPEB obligation end of year	$ 98,165

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

For the year ended June 30, 2016, the County and the plan members eligible for benefits did not contribute to the medical plan.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	$ 13,785	11.8%	$ 64,721
2015	13,807	20.6	75,686
2016	22,479	00.0	98,165

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was approximately $142,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately $142,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately $3,478,000 and the ratio of the UAAL to covered payroll was 4.1%. As of June 30, 2016, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2015 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 9.5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced .5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RPH-2015 Total Dataset Mortality Table, fully generational using scale MP-2015.

Projected claim costs of the medical plan are $701 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

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

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2016 were $182,522.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $350,000 per claim. Claims exceeding $350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $250,000 each occurrence, each location. Property risks exceeding $250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2016, no liability has been recorded in the County's financial statements. As of June 30, 2016, settled claims have not exceeded the Pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of $1,000,000 and $500,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Deficit Fund Balance

The Special Revenue, Drainage Districts Fund had a deficit fund balance of $232 at June 30, 2016. The County will eliminate the deficit by investigating alternatives to return the fund to a sound financial position.

(12) Development Agreements

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

> The County agreed to rebate 100% of the incremental property 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 property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developers and the 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, 2016, $243,186 was rebated to the Company on behalf of the developers, with a cumulative total of $3,205,335 rebated to the developers as of June 30, 2016. The County is in dispute with the developer and the amount rebated may be less.
>
> The County agreed to rebate 62.26% of the incremental property tax paid by the developer in exchange for the construction of certain road, water and sanitary sewer improvements. The incremental property 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 30, 2016, $28,372 was rebated to the developer, with a cumulative total of $198,362 rebated to the developer as of June 30, 2016.

(13) Financial Assurance

The County participates in an agreement with the Fremont County Landfill Commission, which was 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 county 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 567-104.26(5) of the Iowa Administrative Code. Total estimated costs for closure and postclosure care of the Commission as of June 30, 2016 are $1,684,663 and the County's financial assurance obligation amount is $1,074,139. At June 30, 2016, the County has met the guarantor conditions outlined in Chapter 567-104.26(5) of the Iowa Administrative Code.

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.

(14) County Financial Information Included in the Southwest Iowa Mental Health and Disability Services Region (SWIA MHDS)

SWIA MHDS, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 1, 2014, includes the following member counties: Cass County, Harrison County, Mills County, Monona County, Montgomery County, Page County, Pottawattamie County, Shelby County and Fremont County. The financial activity of the County's Special Revenue, Mental Health Fund is included in SWIA MHDS for the year ended June 30, 2016, as follows:

Revenues:		
Property and other county tax		$ 216,304
Intergovernmental:		
State tax credits		20,199
Total revenues		236,503
Expenditures:		
Services to persons with:		
Mental illness		1,565
General administration:		
Direct administration	12,192	
Distribution to regional fiscal agent	196,286	208,478
Total expenditures		210,043
Excess of revenues over expenditures		26,460
Fund balance beginning of year		188,170
Fund balance end of year		$ 214,630

(15) New Accounting Pronouncement

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

Fremont County

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, 2016

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	$ 5,372,399	-	5,372,399
Interest and penalty on property tax	30,255	-	30,255
Intergovernmental	4,075,430	-	4,075,430
Licenses and permits	15,190	-	15,190
Charges for service	314,147	-	314,147
Use of money and property	92,159	-	92,159
Miscellaneous	175,627	4,777	170,850
Total receipts	10,075,207	4,777	10,070,430
Disbursements:			
Public safety and legal services	2,419,786	-	2,419,786
Physical health and social services	156,737	-	156,737
Mental health	367,653	-	367,653
County environment and education	633,424	10,272	623,152
Roads and transportation	4,396,980	-	4,396,980
Governmental services to residents	397,805	-	397,805
Administration	1,158,370	-	1,158,370
Non-program	15,000	-	15,000
Debt service	464,049	-	464,049
Capital projects	785,564	-	785,564
Total disbursements	10,795,368	10,272	10,785,096
Excess (deficiency) of receipts over (under) disbursements	(720,161)	(5,495)	(714,666)
Other financing sources, net	131,105	-	131,105
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(589,056)	(5,495)	(583,561)
Balance beginning of year, as restated	5,444,043	5,495	5,438,548
Balance end of year	$ 4,854,987	-	4,854,987

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net
Original	Final	Variance
5,473,512	5,473,512	(101,113)
24,045	24,045	6,210
3,645,623	3,682,508	392,922
26,700	26,700	(11,510)
283,375	283,375	30,772
76,597	76,597	15,562
68,720	68,720	102,130
9,598,572	9,635,457	434,973
2,094,926	2,474,290	54,504
279,679	280,879	124,142
501,485	501,485	133,832
661,505	664,988	41,836
3,979,000	4,437,000	40,020
475,071	475,071	77,266
1,413,353	1,458,853	300,483
1,500	1,500	(13,500)
464,299	464,299	250
775,000	1,096,928	311,364
10,645,818	11,855,293	1,070,197
(1,047,246)	(2,219,836)	1,505,170
628,648	628,648	(497,543)
(418,598)	(1,591,188)	1,007,627
8,815,934	8,815,934	(3,377,386)
8,397,336	7,224,746	(2,369,759)

Fremont County

Fremont County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2016

	Governmental Funds		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	$ 10,075,207	(61,288)	10,013,919
Expenditures	10,795,368	(24,721)	10,770,647
Net	(720,161)	(36,567)	(756,728)
Other financing sources, net	131,105	(3,436)	127,669
Beginning fund balances	5,444,043	1,136,608	6,580,651
Ending fund balances	$ 4,854,987	1,096,605	5,951,592

See accompanying independent auditor's report.

Fremont County

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 ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements $1,209,475. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2016, disbursements exceeded the amount budgeted in the non-program function. In addition, E-911 System disbursements exceeded the amount budgeted.

Fremont County

Fremont County

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

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

Required Supplementary Information

		2016	2015
County's proportion of the net pension liability		0.037198%	0.036244%
County's proportionate share of the net pension liability	$	1,838	1,437
County's covered-employee payroll	$	3,080	2,978
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll		59.68%	48.25%
IPERS' net position as a percentage of the total pension liability		85.19%	87.61%

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

See accompanying independent auditor's report.

Fremont County

Schedule of County Contributions

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

Required Supplementary Information

		2016	2015	2014	2013
Statutorily required contribution	$	310	281	271	253
Contributions in relation to the statutorily required contribution		(310)	(281)	(271)	(253)
Contribution deficiency (excess)	$	-	-	-	-
County's covered-employee payroll	$	3,362	3,080	2,978	2,844
Contributions as a percentage of covered-employee payroll		9.22%	9.12%	9.10%	8.90%

See accompanying independent auditor's report.

2012	2011	2010	2009	2008	2007
252	212	200	181	163	153
(252)	(212)	(200)	(181)	(163)	(153)
-	-	-	-	-	-
3,010	2,877	2,885	2,747	2,619	2,533
8.37%	7.37%	6.93%	6.59%	6.22%	6.04%

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

Fremont County

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	Jul 1, 2009	-	$ 125	125	0.0%	$ 2,773	4.4%
2012	Jul 1, 2009	-	125	125	0.0	2,594	4.8
2013	Jul 1, 2012	-	120	120	0.0	2,726	4.4
2014	Jul 1, 2012	-	120	120	0.0	2,634	4.6
2015	Jul 1, 2013	-	120	120	0.0	3,175	3.8
2016	Jul 1, 2015	-	142	142	0.0	3,478	4.1

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Fremont County

Supplementary Information

Fremont County

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2016

				Special
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Tax Increment Financing Rebate
Assets				
Cash, cash equivalents and pooled investments	$ 27,746	256	-	8,143
Receivables:				
Delinquent property tax	-	-	-	-
Succeeding year property tax	-	-	-	265,000
Accounts	-	-	-	-
Total assets	$ 27,746	256	-	273,143
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ -	-	232	8,143
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	-	265,000
Other	-	-	-	-
Total deferred inflows of resources	-	-	-	265,000
Fund balances:				
Restricted for:				
Debt service	-	-	-	-
Other purposes	27,746	256	-	-
Unassigned			(232)	
Total fund balances	27,746	256	(232)	-
Total liabilities, deferred inflows of resources and fund balances	$ 27,746	256	-	273,143

See accompanying independent auditor's report.

Revenue					
Low to Moderate Income Assistance	Resource Enhancement and Protection	County Attorney Special Law Enforcement	Sheriff Special Law Enforcement	Debt Service	Total
86,824	18,142	1,539	75,584	5,741	223,975
-	-	-	-	2,564	2,564
-	-	-	-	357,000	622,000
-	-	-	181	-	181
86,824	18,142	1,539	75,765	365,305	848,720
-	720	-	-	-	9,095
-	-	-	-	357,000	622,000
-	-	-	-	2,543	2,543
-	-	-	-	359,543	624,543
-	-	-	-	5,762	5,762
86,824	17,422	1,539	75,765	-	209,552
					(232)
86,824	17,422	1,539	75,765	5,762	215,082
86,824	18,142	1,539	75,765	365,305	848,720

Fremont County

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

Year ended June 30, 2016

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Special Tax Increment Financing Rebate
Revenues:				
Property tax	$ -	-	-	-
Tax increment financing	-	-	-	252,521
Intergovernmental	-	-	-	30,341
Licenses and permits	-		-	-
Charges for service	1,404	-	-	-
Use of money and property	17	-	-	-
Miscellaneous	-	-	4,777	-
Total revenues	1,421	-	4,777	282,862
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	-	10,504	271,558
Debt service	-	-	-	-
Total expenditures	-	-	10,504	271,558
Excess (deficiency) of revenues over (under) expenditures	1,421	-	(5,727)	11,304
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Transfers in	-	-	-	
Transfers out	-	-	-	(17,198)
Total other financing sources (uses)	-	-	-	(17,198)
Change in fund balances	1,421	-	(5,727)	(5,894)
Fund balances beginning of year	26,325	256	5,495	5,894
Fund balances end of year	$ 27,746	256	(232)	-

See accompanying independent auditor's report.

Revenue Low to Moderate Income Assistance	Resource Enhancement and Protection	County Attorney Special Law Enforcement	Sheriff Special Law Enforcement	Debt Service	Total
-	-	-	-	353,091	353,091
-	-	-	-	-	252,521
-	11,974	-	5,239	33,095	80,649
-	-	-	20	-	20
-	-	-	-	-	1,404
-	18	-	-	-	35
-	-	236	9,419	511	14,943
-	11,992	236	14,678	386,697	702,663
-	-	-	9,127	-	9,127
9,000	23,147	-	-	-	314,209
-	-	-	-	380,976	380,976
9,000	23,147	-	9,127	380,976	704,312
(9,000)	(11,155)	236	5,551	5,721	(1,649)
-	-	-	33,932	-	33,932
17,198	-	-	-	-	17,198
-	-	-	-	-	(17,198)
17,198	-	-	33,932	-	33,932
8,198	(11,155)	236	39,483	5,721	32,283
78,626	28,577	1,303	36,282	41	182,799
86,824	17,422	1,539	75,765	5,762	215,082

Fremont County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2016

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	$ -	3,164	240,065	105,563
Other County officials	10,212	-	-	-
Receivables:				
Property tax:				
Delinquent	-	10	18	383
Succeeding year	-	163,000	291,000	7,011,000
Accounts	294	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	$ 10,506	166,174	531,083	7,116,946
Liabilities				
Accounts payable	$ -	-	-	-
Salaries and benefits payable	-	-	4,190	-
Stamped warrants payable	-	-	-	-
Due to other governments	6,428	166,174	517,654	7,116,946
Trusts payable	4,078	-	-	-
Compensated absences	-	-	9,239	-
Total liabilities	$ 10,506	166,174	531,083	7,116,946

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Drainage Districts	Other	Total
9,627	30,249	3,401	201,528	506,013	230,455	1,330,065
-	-	-	-	-	-	10,212
49	402	3	-	-	2,000	2,865
821,000	1,776,000	230,000	-	-	-	10,292,000
-	-	-	-	-	-	294
-	-	-	-	944,517	-	944,517
-	-	-	-	-	21,767	21,767
830,676	1,806,651	233,404	201,528	1,450,530	254,222	12,601,720
-	-	-	-	-	102	102
-	-	-	-	-	1,615	5,805
-	-	-	-	1,450,530	-	1,450,530
830,676	1,806,651	233,404	201,528	-	218,078	11,097,539
-	-	-	-	-	34,427	38,505
-	-	-	-	-	-	9,239
830,676	1,806,651	233,404	201,528	1,450,530	254,222	12,601,720

Fremont County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2016

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	$ 17,110	156,040	438,566	6,519,996
Additions:				
Property and other county tax	-	163,091	292,275	7,032,540
E-911 surcharge	-	-	-	-
State tax credits	-	14,261	25,549	601,633
Drivers license fees	-	-	-	-
Office fees and collections	168,595	-	-	-
Electronic transaction fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	324,124	-	-	-
Miscellaneous	-	-	2,070	-
Total additions	492,719	177,352	319,894	7,634,173
Deductions:				
Agency remittances:				
To other funds	48,946	-	-	-
To other governments	121,370	167,218	227,377	7,037,223
Trusts paid out	329,007	-	-	-
Total deductions	499,323	167,218	227,377	7,037,223
Balances end of year	$ 10,506	166,174	531,083	7,116,946

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Drainage Districts	Other	Total
591,553	1,785,671	221,022	189,934	1,449,779	132,996	11,502,667
823,039	1,724,237	233,493	-	-	1,660	10,270,335
-	-	-	-	-	104,360	104,360
54,500	254,494	16,661	-	-	156	967,254
-	-	-	39,026	-	-	39,026
-	-	-	-	-	870	169,465
-	-	-	-	-	1,287	1,287
-	-	-	2,495,294	-	-	2,495,294
-	-	-	-	37	-	37
-	-	-	-	-	194,389	518,513
-	16,525	-	-	325,475	303,091	647,161
877,539	1,995,256	250,154	2,534,320	325,512	605,813	15,212,732
-	-	-	118,234	-	-	167,180
638,416	1,974,276	237,772	2,404,492	324,761	271,929	13,404,834
-	-	-	-	-	212,658	541,665
638,416	1,974,276	237,772	2,522,726	324,761	484,587	14,113,679
830,676	1,806,651	233,404	201,528	1,450,530	254,222	12,601,720

Fremont County

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

For the Last Ten Years

	2016	2015	2014	Modified 2013
Revenues:				
Property and other county tax	$ 4,586,033	4,615,221	4,029,758	3,974,230
Local option sales tax	376,573	496,146	369,605	392,161
Hotel/motel tax	116,234	85,618	85,376	125,396
Tax increment financing	252,521	289,238	288,762	311,733
Interest and penalty on property tax	30,307	33,765	40,599	41,216
Intergovernmental	4,059,073	3,803,013	4,466,015	4,252,581
Licenses and permits	16,015	14,541	15,349	24,093
Charges for service	316,795	300,019	294,478	322,460
Use of money and property	86,832	85,529	81,631	86,218
Miscellaneous	173,536	192,954	102,280	121,124
Total	$ 10,013,919	9,916,044	9,773,853	9,651,212
Expenditures:				
Operating:				
Public safety and legal services	$ 2,539,188	1,972,701	1,833,658	1,660,240
Physical health and social services	158,461	163,527	171,724	198,747
Mental health	353,903	1,351,835	513,198	557,711
County environment and education	639,068	623,256	893,739	857,130
Roads and transportation	4,411,415	3,746,205	4,076,405	3,876,087
Governmental services to residents	403,046	367,750	335,342	294,987
Administration	1,176,027	1,153,983	1,128,976	1,561,724
Nonprogram	15,000	-	-	-
Capital projects	609,860	4,396,032	1,368,797	26,863
Debt service	464,679	486,975	107,948	142,348
Total	$ 10,770,647	14,262,264	10,429,787	9,175,837

See accompanying independent auditor's report.

Accrual Basis					
2012	2011	2010	2009	2008	2007
3,667,670	3,502,764	3,207,927	2,891,750	2,796,186	2,954,419
339,736	340,242	276,560	298,869	354,818	366,556
80,494	109,190	104,837	136,810	125,265	-
342,040	353,311	331,228	294,230	287,926	249,628
47,182	31,395	36,418	34,779	32,132	32,363
5,855,574	3,954,807	3,943,988	3,609,589	3,441,598	3,803,528
15,676	10,014	14,384	21,737	13,748	11,085
294,534	294,739	297,077	281,712	245,832	266,114
80,873	109,033	143,749	200,421	273,144	295,786
170,428	113,870	242,230	334,715	288,346	70,275
10,894,207	8,819,365	8,598,398	8,104,612	7,858,995	8,049,754
1,700,924	1,678,496	1,632,171	1,577,670	1,589,735	1,440,145
188,377	232,310	225,919	173,847	173,261	160,364
1,147,737	986,080	1,031,039	1,094,904	1,131,939	1,148,688
837,439	686,860	709,649	592,200	798,325	569,297
4,759,708	3,482,456	3,303,655	3,540,488	3,081,546	2,847,459
291,491	304,531	305,626	311,891	308,794	283,362
876,102	1,072,083	966,078	931,847	949,115	904,719
-	-	-	-	-	-
1,454,366	198,276	214,622	181,268	197,167	141,305
146,693	145,840	144,740	143,445	133,296	-
11,402,837	8,786,932	8,533,499	8,547,560	8,363,178	7,495,339

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

OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report 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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Fremont County, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fremont County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fremont County's internal control. Accordingly, we do not express an opinion on the effectiveness of Fremont County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) through (C) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (D) to be a significant deficiency.

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 which 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, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Fremont County's Responses to the Findings

Fremont County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Fremont County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

May 30, 2017

<u>Findings Related to the Financial Statements</u>:

<u>INTERNAL CONTROL DEFICIENCIES</u>:

(A) <u>Segregation of Duties</u>

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

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

	Applicable Offices
(1) An initial listing is not compared to receipt records by an independent person and is not initialed to evidence an independent review.	County Recorder, County Sheriff and County Treasurer
(2) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.	County Treasurer and County Sheriff
(3) The person who signs checks is not independent of the person preparing the checks, approving disbursements, and recording cash receipts and disbursements.	County Recorder
(4) The person responsible for the detailed record keeping of investments is also the custodian of the investments. Investments are not periodically inspected or reconciled to investment records by an independent person and an independent verification of interest earnings is not performed.	County Treasurer
(5) The change fund is shared among employees and is not verified by surprise counts.	County Treasurer

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

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

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

Responses:

County Treasurer –

(1) The Treasurer normally prepares the mail receipts. The Treasurer collects, but seldom deposits or does the posting. The Treasurer spot checks the deposits, but does not print and initial.

(2) All employees are needed to sign checks, handle or record cash to serve the customers.

(4) A Deputy Treasurer prepares the emails for renewal bids and also is in charge of the spreadsheets for the investments. The Treasurer signs the bid result sheet prepared by the Deputy Treasurer designating which bank will receive the investment. The Deputy Treasurer contacts the bank. The Treasurer signs the CD's and goes to the bank. The Deputy Treasurer prepares checks for purchasing and does the receipting for interest and closed CD's. The Treasurer is the custodian of the CD's.

(5) The change fund is balanced to $500.00 each day. This is reflected on our daily cash sheets.

County Sheriff –

(1) The deposit slips and checks received by mail will be reviewed and initialed by two people.

(2) These responsibilities are divided between two persons to obtain the maximum internal control possible under the circumstances.

County Recorder – Due to the small office size, there is little that can be done to segregate duties. The office already observes a rotating schedule for most duties, and also has an independent review of reconciliation by both the Fremont County Treasurer and Auditor.

Conclusion – Responses acknowledged. Segregation of duties helps prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

(B) Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County's financial statements.

Condition – Material amounts of receivables, payables and capital asset/infrastructure additions and deletions were not properly recorded in the County's financial statements.

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

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

Recommendation – The County should establish procedures to ensure all receivables, payables and capital asset/infrastructure additions and deletions are identified and properly reported in the County's financial statements.

Response – The County will work on establishing procedures to ensure all receivables, payables and capital asset/infrastructure additions and deletions are identified and properly reported in the County's financial statements.

Conclusion – Responses accepted.

(C) Timesheets

Criteria – An effective internal control system provides for internal controls related to preparation of timesheets by all employees. Timesheets support all hours worked and taken as vacation, sick leave, compensatory time, holiday hours and personal days and provide an accurate record of hours worked. The County Board of Supervisors does not require salaried employees to prepare and file timesheets.

Condition – Timesheets are not prepared by salaried personnel.

Cause – Policies have not been established and procedures have not been implemented to require salaried employees to prepare timesheets.

Effect – Lack of timesheets for salaried personnel increases the risk of inaccurate leave records and the potential for pay for hours not worked. When an employee retires or otherwise leaves employment the County pays out unused vacation and compensatory time. Without detailed records to support the claim, there is no assurance the claim is proper. In addition, without detailed records, the County may not have the support necessary to ensure compliance with the Fair Labor Standards Act.

Recommendation – Timesheets should be prepared by all personnel, salaried as well as hourly, and should be submitted to the County Auditor's office prior to the processing of payroll each pay period. The timesheets should be signed by the employee and supervisor prior to submission. The timesheets should support all hours worked and taken as vacation, sick leave, compensatory time, holiday hours and personal days.

Response – The Fremont County Board of Supervisors has mandated that all part-time employees and employees who are not currently offered health insurance are required to keep and maintain time sheets and submit those timesheets to the County Auditor. All other employees may be required to keep timesheets at the discretion of their department head or direct supervisor.

Conclusion – Response acknowledged. The County Board of Supervisors should require all salaried personnel of the County to prepare and file timesheets.

(D) Compensatory Time

Criteria – County policies to limit the accrual of compensatory time are an effective management tool to ensure the County does not find they need to pay out an excessive amount of compensatory time when an employee retires or voluntary leaves employment. The Fremont County Employee Handbook states an employee may not accrue more than forty (40) hours of compensatory time

Condition – 18 of 62 employees had compensatory balances greater than 40 hours at June 30, 2016.

Cause – Procedures have not been established to monitor all departments are following County policy.

Effect – The County is not in compliance with the Fremont County Employee Handbook. As a result, the County has an increased liability for compensated absences than what has been approved.

Recommendation – The County should determine the disposition of this matter and apply procedures to prevent any employee from accruing more than 40 hours of compensatory time in the future to be in compliance with the Fremont County Employee Handbook.

Response – The Fremont County Employee Handbook states that an employee may not accrue more than 40 hours of compensatory time. Each elected official/department head should follow this policy.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

(1) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amount budgeted in the non-program function.

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

Response – The budget was amended for the overage in the non-program function. The amount over was inadvertently entered in to the incorrect line on the Iowa Department of Management budget amendment form. It was entered in to the capital projects function line instead of the non-program function line. The County software records were correct; therefore, the in-house records didn't show a negative function when balanced. In the future, the Auditor will establish procedures for more than one person to review the forms before they are submitted.

Conclusion – Response accepted.

(2) 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.

(3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

(4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Nancy Henneman, Mental Health Department Secretary, co-owner with her husband Dennis of Henneman Auto Parts	Parts, fuel and maintenance	$ 6,869
Nancy Henneman, Mental Health Department Secretary, son owns Henneman Lawn Service and Snow removal	Mowing and Snow Removal	6,145

In accordance with Chapter 331.342(2)(d) of the Code of Iowa, the transaction with Henneman Auto Parts does not appear to constitute a conflict of interest since Nancy Henneman was not directly involved in the procurement or preparation of any part of the contract and her remuneration of employment is not directly affected as a result of the contract. The contract with Henneman Lawn Service and snow removal was awarded through competitive bidding and does not represent a conflict of interest.

(5) 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 ensure the coverage is adequate for current operations.

(6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

(7) 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.

(8) 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).

(9) 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, 2016 for the County Extension Office did not exceed the amount budgeted.

(10) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1.

(11) E-911 Commission Budget – Disbursements for the year ended June 30, 2016 for the County E-911 Fund exceeded the amount budgeted before amendment.

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

Response – The bill was submitted for payment before the budget was amended. This was done in error and will not be done again.

Conclusion – Response accepted.

(12) Financial Condition – The County's Special Revenue Drainage Districts had a deficit fund balance of $232 at June 30, 2016.

Recommendation – The County should explore alternatives to return this fund to a sound financial condition.

Response – The overage was due to an unforeseen drainage project in one of our drainage districts. The Board will levy the appropriate amount each year to ensure this doesn't happen again.

Conclusion – Response accepted.

(13) Semi Annual Report – The semi-annual report of the County Treasurer, including a schedule of receipts and disbursements of the County and the current cash balance in each fund in the Treasurer's Office was not published as required by Chapter 349.16(3) of the Code of Iowa at the end of the year.

Recommendation – The County should establish procedures to ensure the Treasurer's Semi-Annual report is published in accordance with Chapter 349.16(3) of the Code of Iowa.

Response – We will ensure this is not missed in the future.

Conclusion – Response accepted.

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager
Karen J. Kibbe, Senior Auditor II
Eileen D. Loomis, Staff Auditor
Justin M. Gibbons, Assistant Auditor
Jacob N. Bennett, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State