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

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

NEWS RELEASE

Contact: Marlys Gaston
515/281-5834

FOR RELEASE June 28, 2019

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

The County had local tax revenue of $16,810,564 for the year ended June 30, 2018, which included $1,257,595 in tax credits from the state. The County forwarded $11,195,767 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained $5,614,197 of the local tax revenue to finance County operations, a 5.8% increase over the prior year. Other revenues included charges for service of $603,736, operating grants, contributions and restricted interest of $3,359,628, capital grants, contributions and restricted interest of $4,322,860, tax increment financing of $43,764, local option sales tax of $254,250, hotel/motel tax of $115,714, unrestricted investment earnings of $92,313 and other general revenues of $237,535.

Expenses for County operations for the year ended June 30, 2018 totaled $10,954,178, a 0.6% increase over the prior year. Expenses included $5,157,114 for roads and transportation, $3,129,046 for public safety and legal services and $1,161,644 for administration.

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

# # #

**FREMONT COUNTY**

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

**JUNE 30, 2018**

1810-0036-B00F

# Fremont County

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

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

June 18, 2019

Officials of Fremont County
Sidney, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Fremont County, Iowa, for the year ended June 30, 2018. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

Rob Sand
Auditor of State

Table of Contents

## Fremont County

## Officials

| Name | Title | Term Expires |
|---|---|---|
| Earl Hendrickson | Board of Supervisors | Jan 2019 |
| Randy Hickey | Board of Supervisors | Jan 2019 |
| Terry Graham | Board of Supervisors | Jan 2021 |
| Dee Owen | County Auditor | Jan 2021 |
| Alise Snyder | County Treasurer | Nov 2018 |
| Jenny McAllister | County Recorder | Jan 2019 |
| Kevin Aistrope | County Sheriff | Jan 2021 |
| Brenna Bird | County Attorney | Nov 2018 |
| Brenda Mintle | County Assessor | Jan 2022 |

**Fremont County**

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STATE OF IOWA

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Rob Sand
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, 2018, 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, 2018, and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 16 to the financial statements, Fremont County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 9 through 15 and 52 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, 2017 (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 June 18, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Fremont County's internal control over financial reporting and compliance.

Marlys Gaston

Marlys K. Gaston, CPA
Deputy Auditor of State

June 18, 2019

**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, 2018. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

## 2018 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities was restated by $65,286 to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.

- Revenues of the County's governmental activities increased 24%, or $2,834,866, from fiscal year 2017 to fiscal year 2018. Property and other county tax, including tax increment financing, increased $123,251 from fiscal year 2017. Operating grants, contributions and restricted interest decreased $107,145, capital grants, contributions and restricted interest increased $2,927,875 and charges for service increased $70,234.

- Program expenses of the County's governmental activities in fiscal year 2018 increased 0.6%, or $65,755, over fiscal year 2017. Public safety and legal services decreased $372,389 and roads and transportation expenses increased $603,950.

- The County's net position increased $3,690,419, or 20%, over the restated June 30, 2017 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 Changes in the County's Total OPEB Liability, Related Ratios and Notes.

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

## 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 increased from approximately $18.3 million to approximately $21.9 million, before restatement. The analysis that follows focuses on the changes in the net position of governmental activities.

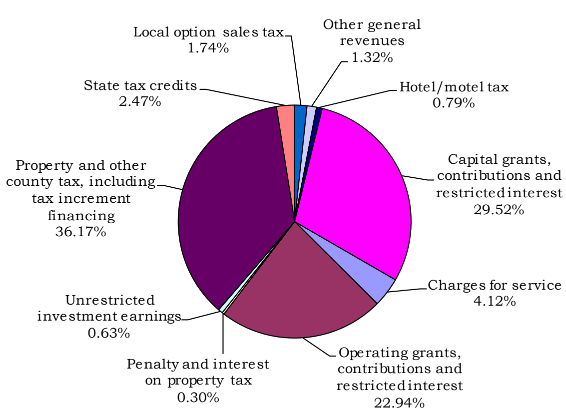
Net Position of Governmental Activities

| | June 30, | |
|---|---|---|
| | 2018 | 2017 (Not Restated) |
| Current and other assets | $ 11,234,400 | 11,354,576 |
| Capital assets | 23,318,955 | 19,866,188 |
| Total assets | 34,553,355 | 31,220,764 |
| Deferred outflows of resources | 918,003 | 843,079 |
| Long-term liabilities | 7,729,302 | 7,860,787 |
| Other liabilities | 250,452 | 416,530 |
| Total liabilities | 7,979,754 | 8,277,317 |
| Deferred inflows of resources | 5,547,304 | 5,467,359 |
| Net position: | | |
| Net investment in capital assets | 18,828,955 | 15,131,188 |
| Restricted | 4,999,418 | 3,832,544 |
| Unrestricted | (1,884,073) | (644,565) |
| Total net position | $ 21,944,300 | 18,319,167 |

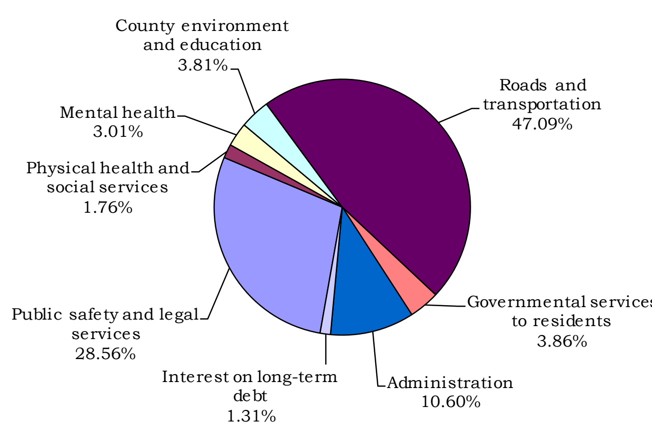
Prior to restatement, net position of Fremont County's governmental activities increased 19.8%, or approximately $3,625,133, during the year. The largest portion of the County's net position is invested in capital assets (i.e. land, buildings, infrastructure and equipment), less the related debt. The 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 – is reported at a deficit of approximately ($1,194,000) at June 30, 2018. The unrestricted net position deficit is due to reporting the net pension liability and the total OPEB liability.

| Changes in Net Position of Governmental Activities | | |
|---|---|---|
| | Year ended June 30, | |
| | 2018 | 2017 (Not Restated) |
| Revenues: | | |
| Program revenues: | | |
| Charges for service | $ 603,736 | 533,502 |
| Operating grants, contributions and restricted interest | 3,359,628 | 3,466,773 |
| Capital grants, contributions and restricted interest | 4,322,860 | 1,394,985 |
| General revenues: | | |
| Property and other county tax, including tax increment financing | 5,297,107 | 5,173,856 |
| Penalty and interest on property tax | 44,322 | 28,034 |
| State tax credits | 361,454 | 375,105 |
| Local option sales tax | 254,250 | 361,049 |
| Hotel/motel tax | 115,714 | 126,307 |
| Unrestricted investment earnings | 92,313 | 46,872 |
| Gain on disposition of capital assets | - | 200,265 |
| Other general revenues | 193,213 | 102,983 |
| Total revenues | 14,644,597 | 11,809,731 |
| Program expenses: | | |
| Public safety and legal services | 3,129,046 | 3,501,435 |
| Physical health and social services | 192,610 | 178,425 |
| Mental health | 329,840 | 268,856 |
| County environment and education | 417,837 | 678,283 |
| Roads and transportation | 5,157,114 | 4,553,164 |
| Governmental services to residents | 423,094 | 398,177 |
| Administration | 1,161,644 | 1,167,933 |
| Non-program | - | 19,786 |
| Interest on long-term debt | 142,993 | 122,364 |
| Total expenses | 10,954,178 | 10,888,423 |
| Change in net position | 3,690,419 | 921,308 |
| Net position beginning of year, as restated | 18,253,881 | 17,397,859 |
| Net position end of year | $ 21,944,300 | 18,319,167 |

**Revenues by Source**




**Expenses by Program**



Overall, revenues increased $2,834,866, or 24%, over the prior year. The increase is primarily due to an increase 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 2018 increased $.08022 per $1,000 of taxable valuation. The countywide assessed property taxable valuation increased $27,409,877. The rural services levies remained the same. The general basic levy decreased $0.25000 per $1,000 of taxable valuation while the debt service levy decreased to $0.01536 per $1,000 of taxable valuation, the general supplemental levy increased .30000 and the mental health levy increased $.04558 per $1,000 of taxable valuation.

The cost of all governmental activities this year increased $65,755, or less than 1%, primarily due to a decrease in law enforcement spending for equipment and repairs.

**INDIVIDUAL MAJOR FUND ANALYSIS**

As Fremont County completed the year, its governmental funds reported a combined fund balance of $5,707,370 compared to $5,624,060 at June 30, 2017, an increase of $83,310, or 1.5%.

The General Fund, the operating fund for Fremont County, ended fiscal year 2018 with a balance of $2,132,520, a decrease of $35,099 from the fiscal year 2017 ending balance of $2,167,619. Total expenditures decreased $35,414 and total revenues increased $181,449. The County's revenues increased as a result of an increase in property valuations and expenditures decreased primarily due to the County closing the case management department and making their final payments in July of 2017.

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 decreased $130,256 or 72.4%, from the prior year to $49,607. $314,891 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 decreased $194,278 from the prior year to $761,942. The decrease is primarily due to an increase in public safety and legal services expenditures related to salaries and motor vehicle purchases.

The Special Revenue, Secondary Roads Fund ended fiscal year 2018 with a $2,465,925 fund balance, an increase of $397,924 compared to the prior year ending fund balance of $2,068,001. This was a 19.2% increase. Revenues decreased 2.9% and expenditures decreased 13%, primarily due to completion of a capital road construction project in 2017.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, Fremont County amended its budget twice. The first amendment was made in November 2017 and resulted in an increase in budgeted disbursements in the amount of $348,302 related to mental health, county environment and education and administration. The administration function increased $206,557 as a result of the receipt and disbursement of a disaster resilience grant. The second amendment was made in May 2018 and resulted in an increase in budgeted disbursements of $495,905, primarily due to an increase in roads and transportation costs, and public safety and legal services costs, primarily the result of property insurance claims.

The County's receipts were $267,830 less than budgeted, a variance of 2.5%. The most significant variance resulted from the County receiving less tax increment financing receipts than anticipated.

Total disbursements were $1,458,310 less than the amended budget. Actual disbursements for the administration, roads and transportation and public safety and legal services functions were $464,223, $262,310 and $104,018, respectively, less than the amounts budgeted. This was primarily due to a delay in the East/West Nishnabotna Watershed project and delays in local road construction projects. In addition, public safety and legal services costs were lower than anticipated.

Even with the budget amendments, the County exceeded the amount appropriated in one department prior to amendment.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2018, Fremont County had approximately $23.3 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 $3,452,767, or 17.4%, over last year.

Capital Assets of Governmental Activities at Year End

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| Land | $ 197,904 | 197,904 |
| Intangibles, road network | 1,384,069 | 1,384,069 |
| Buildings | 7,152,629 | 7,306,295 |
| Improvements other than buildings | 119,737 | 122,114 |
| Equipment and vehicles | 2,494,880 | 2,649,155 |
| Infrastructure | 11,969,736 | 8,206,651 |
| Total | $ 23,318,955 | 19,866,188 |

| | |
|---|---|
| This year's major additions included: | |
| Capital assets contributed by the Iowa Department of Transportation | $ 4,322,860 |
| Secondary Roads equipment and vehicles | 404,050 |
| County Sheriff's vehicles, HVAC system, vulcan stove and power washer | 202,405 |
| Total | $ 4,929,315 |

Fremont County had depreciation expense of $1,350,537 in fiscal year 2018 and total accumulated depreciation of $8,894,507 at June 30, 2018. More detailed information about the County's capital assets is included in Note 4 to the financial statements.

### Long-Term Debt

At June 30, 2018, Fremont County had $4,795,000 of outstanding general obligation bonds/notes, compared to $5,136,277 of general obligation bonds/notes at June 30, 2017.

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 $30.2 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 2019 County budget, tax rates and fees that apply for the various county services. One of those factors is the economy. Amounts available for appropriation in the fiscal year 2019 operating budget are approximately $14.5million. Property tax, including the general levies increased slightly to $5.95000 per $1,000 of taxable valuation, debt service levy increased to 0.64295 and MHDS mental health levy which decreased slightly from $.32863 per $1,000 of taxable valuation to $.21986 per $1,000 of taxable valuation. Budgeted disbursements for the fiscal year 2019 operating budget are approximately $11.5 million, a decrease of approximately 3.7% from the final amended fiscal year 2018 budget. The County has added no major new programs or initiatives to the fiscal year 2019 budget.

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, 2018

| | Governmental Activities |
|---|---|
| **Assets** | |
| Cash and pooled investments | $ 4,669,729 |
| Receivables: | |
| Property tax: | |
| Delinquent | 16,184 |
| Succeeding year | 5,239,000 |
| Interest and penalty on property tax | 33,128 |
| Accounts | 43,735 |
| Accrued interest | 9,972 |
| Loan | 305,000 |
| Due from other governments | 304,618 |
| Inventories | 312,115 |
| Prepaid items | 300,919 |
| Capital assets, net of accumulated depreciation | 23,318,955 |
| **Total assets** | 34,553,355 |
| **Deferred Outflows of Resources** | |
| Pension related deferred outflows | 915,640 |
| OPEB related deferred outflows | 2,363 |
| **Total deferred outflows of resources** | 918,003 |
| **Liabilities** | |
| Accounts payable | 82,937 |
| Accrued interest payable | 11,436 |
| Salaries and benefits payable | 143,245 |
| Due to other governments | 12,834 |
| Long-term liabilities: | |
| Portion due or payable within one year: | |
| General obligation bonds/notes | 325,000 |
| Compensated absences | 74,011 |
| Portion due or payable after one year: | |
| General obligation bonds/notes | 4,470,000 |
| Compensated absences | 391,407 |
| Net pension liability | 2,313,485 |
| Total OPEB liability | 155,399 |
| **Total liabilities** | 7,979,754 |
| **Deferred Inflows of Resources** | |
| Unavailable property tax revenue | 5,239,000 |
| Pension related deferred inflows | 259,100 |
| OPEB related deferred inflows | 49,204 |
| **Total deferred inflows of resources** | 5,547,304 |
| **Net Position** | |
| Net investment in capital assets | 18,828,955 |
| Restricted for: | |
| Supplemental levy purposes | 753,850 |
| Mental health purposes | 50,032 |
| Rural services purposes | 715,358 |
| Secondary roads purposes | 2,170,338 |
| Other purposes | 1,309,840 |
| Unrestricted | (1,884,073) |
| **Total net position** | $ 21,944,300 |

See notes to financial statements.

# Fremont County

## Statement of Activities

## Year ended June 30, 2018

| | | Program Revenues | | | |
|---|---|---|---|---|---|
| | Expenses | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest | Net (Expense) Revenue and Changes in Net Position |
| **Functions/Programs:** | | | | | |
| Governmental activities: | | | | | |
| Public safety and legal services | $ 3,129,046 | 335,299 | 28,483 | - | (2,765,264) |
| Physical health and social services | 192,610 | 9,451 | 67,897 | - | (115,262) |
| Mental health | 329,840 | - | - | - | (329,840) |
| County environment and education | 417,837 | 98,279 | 17,331 | - | (302,227) |
| Roads and transportation | 5,157,114 | 3,360 | 3,210,079 | 4,322,860 | 2,379,185 |
| Governmental services to residents | 423,094 | 147,818 | 5,750 | - | (269,526) |
| Administration | 1,161,644 | 9,529 | 30,088 | - | (1,122,027) |
| Interest on long-term debt | 142,993 | - | - | - | (142,993) |
| **Total** | $ 10,954,178 | 603,736 | 3,359,628 | 4,322,860 | (2,667,954) |
| **General Revenues:** | | | | | |
| Property and other county tax levied for general purposes | | | | | 5,253,343 |
| Tax increment financing | | | | | 43,764 |
| Penalty and interest on property tax | | | | | 44,322 |
| State tax credits | | | | | 361,454 |
| Local option sales tax | | | | | 254,250 |
| Hotel/motel tax | | | | | 115,714 |
| Unrestricted investment earnings | | | | | 92,313 |
| Miscellaneous | | | | | 193,213 |
| Total general revenues | | | | | 6,358,373 |
| Change in net position | | | | | 3,690,419 |
| Net position beginning of year, as restated | | | | | 18,253,881 |
| Net position end of year | | | | | $ 21,944,300 |

See notes to financial statements.

Fremont County

Balance Sheet
Governmental Funds

June 30, 2018

| | | Special Revenue | | |
|---|---|---|---|---|
| | General | Mental Health | Rural Services | Secondary Roads |
| **Assets** | | | | |
| Cash and pooled investments | $ 1,725,983 | 50,087 | 768,485 | 1,826,914 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 11,765 | 430 | 2,733 | - |
| Succeeding year | 3,268,000 | 121,000 | 1,441,000 | - |
| Interest and penalty on property tax | 33,128 | - | - | - |
| Accounts | 167 | - | - | 43,405 |
| Accrued interest | 9,972 | - | - | - |
| Loan | 305,000 | - | - | - |
| Due from other governments | 64,305 | - | 16,822 | 223,491 |
| Inventories | | - | - | 312,115 |
| Prepaid items | 162,808 | - | - | 138,111 |
| **Total assets** | $ 5,581,128 | 171,517 | 2,229,040 | 2,544,036 |
| **Liabilities, Deferred Inflows of Resources and Fund Balances** | | | | |
| Liabilities: | | | | |
| Accounts payable | $ 44,329 | - | 10,705 | 26,932 |
| Salaries and benefits payable | 78,823 | 485 | 12,668 | 51,179 |
| Due to other governments | 12,834 | - | - | - |
| Total liabilities | 135,986 | 485 | 23,373 | 78,111 |
| Deferred inflows of resources: | | | | |
| Unavailable revenues: | | | | |
| Succeeding year property tax | 3,268,000 | 121,000 | 1,441,000 | - |
| Other | 44,622 | 425 | 2,725 | - |
| Total deferred inflows of resources | 3,312,622 | 121,425 | 1,443,725 | - |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Inventories | - | - | - | 312,115 |
| Prepaid items | 162,808 | - | - | 138,111 |
| Restricted for: | | | | |
| Supplemental levy purposes | 641,755 | - | - | - |
| Mental health purposes | - | 49,607 | - | - |
| Rural services purposes | - | - | 761,942 | - |
| Secondary roads purposes | - | - | - | 2,015,699 |
| Capital projects | - | - | - | - |
| Debt service | 305,000 | - | - | - |
| Conservation purposes | 1,573 | - | - | - |
| County infrastructure | 716,085 | - | - | - |
| Other purposes | - | - | - | - |
| Unassigned | 305,299 | - | - | - |
| Total fund balances | 2,132,520 | 49,607 | 761,942 | 2,465,925 |
| **Total liabilities, deferred inflows of resources and fund balances** | $ 5,581,128 | 171,517 | 2,229,040 | 2,544,036 |

See notes to financial statements.

| Nonmajor | Total |
|---|---|
| 298,260 | 4,669,729 |
| | |
| 1,256 | 16,184 |
| 409,000 | 5,239,000 |
| - | 33,128 |
| 163 | 43,735 |
| - | 9,972 |
| - | 305,000 |
| - | 304,618 |
| - | 312,115 |
| - | 300,919 |
| 708,679 | 11,234,400 |
| | |
| 971 | 82,937 |
| 90 | 143,245 |
| - | 12,834 |
| 1,061 | 239,016 |
| | |
| 409,000 | 5,239,000 |
| 1,242 | 49,014 |
| 410,242 | 5,288,014 |
| | |
| - | 312,115 |
| - | 300,919 |
| | |
| - | 641,755 |
| - | 49,607 |
| - | 761,942 |
| - | 2,015,699 |
| 9,725 | 9,725 |
| 15,328 | 320,328 |
| - | 1,573 |
| - | 716,085 |
| 272,323 | 272,323 |
| - | 305,299 |
| 297,376 | 5,707,370 |
| | |
| 708,679 | 11,234,400 |

**Fremont County**

Fremont County

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

June 30, 2018

| | | |
|---|---|---|
| **Total governmental fund balances (page 21)** | | $ 5,707,370 |
| ***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 $32,213,462 and the accumulated depreciation is $8,894,507. | | 23,318,955 |
| 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. | | 49,014 |
| Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows: | | |
| Deferred outflows of resources | $918,003 | |
| Deferred inflows of resources | (308,304) | 609,699 |
| Long-term liabilities, including accrued interest payable, bonds/notes payable, compensated absences payable, net pension liability and total OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds. | | (7,740,738) |
| **Net assets of governmental activities (page 18)** | | $ 21,944,300 |

See notes to financial statements.

Fremont County

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

Year ended June 30, 2018

| | | Special Revenue | | |
|---|---|---|---|---|
| | General | Mental Health | Rural Services | Secondary Roads |
| Revenues: | | | | |
| Property and other county tax | $ 3,160,767 | 185,303 | 1,527,004 | - |
| Local option sales tax | 177,975 | - | 76,275 | - |
| Hotel/motel tax | 115,714 | - | - | - |
| Tax increment financing | - | - | - | - |
| Interest and penalty on property tax | 39,228 | - | - | - |
| Intergovernmental | 672,567 | 13,627 | 87,832 | 3,210,079 |
| Licenses and permits | 11,054 | - | - | 3,360 |
| Charges for service | 318,089 | - | - | - |
| Use of money and property | 123,567 | - | - | 14,889 |
| Miscellaneous | 100,907 | - | 16,696 | 72,152 |
| Total revenues | 4,719,868 | 198,930 | 1,707,807 | 3,300,480 |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | 2,666,360 | - | 426,470 | - |
| Physical health and social services | 173,620 | - | 18,581 | - |
| Mental health | 351 | 329,186 | - | - |
| County environment and education | 275,351 | - | 94,260 | - |
| Roads and transportation | - | - | - | 4,261,247 |
| Governmental services to residents | 414,407 | - | 880 | |
| Administration | 1,121,856 | - | - | - |
| Capital projects | - | - | - | 3,203 |
| Debt service | 103,022 | - | - | - |
| Total expenditures | 4,754,967 | 329,186 | 540,191 | 4,264,450 |
| Excess (deficiency) of revenues over (under) expenditures | (35,099) | (130,256) | 1,167,616 | (963,970) |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | - | 1,361,894 |
| Transfers out | - | - | (1,361,894) | - |
| Total other financing sources (uses) | - | - | (1,361,894) | 1,361,894 |
| Change in fund balances | (35,099) | (130,256) | (194,278) | 397,924 |
| Fund balances beginning of year | 2,167,619 | 179,863 | 956,220 | 2,068,001 |
| Fund balances end of year | $ 2,132,520 | 49,607 | 761,942 | 2,465,925 |

See notes to financial statements.

| Nonmajor | Total |
|---|---|
| 378,336 | 5,251,410 |
| - | 254,250 |
| - | 115,714 |
| 43,764 | 43,764 |
| - | 39,228 |
| 45,588 | 4,029,693 |
| 480 | 14,894 |
| 1,695 | 319,784 |
| 68 | 138,524 |
| 26,473 | 216,228 |
| 496,404 | 10,423,489 |
| | |
| 2,357 | 3,095,187 |
| - | 192,201 |
| - | 329,537 |
| 67,302 | 436,913 |
| - | 4,261,247 |
| - | 415,287 |
| - | 1,121,856 |
| - | 3,203 |
| 381,726 | 484,748 |
| 451,385 | 10,340,179 |
| 45,019 | 83,310 |
| 16,940 | 1,378,834 |
| (16,940) | (1,378,834) |
| - | - |
| 45,019 | 83,310 |
| 252,357 | 5,624,060 |
| 297,376 | 5,707,370 |

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, 2018

| | | |
|---|---|---|
| **Change in fund balances - Total governmental funds (page 25)** | | $ 83,310 |
| ***Amounts reported for governmental activities in the Statement of Activities are different because:*** | | |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows: | | |
| Expenditures for capital assets | $ 511,950 | |
| Capital assets contributed by the Iowa Department of Transportation | 4,322,860 | |
| Depreciation expense | (1,350,537) | 3,484,273 |
| In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. | | (31,506) |
| 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 | 1,933 | |
| Other | (45,819) | (43,886) |
| 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. | | 341,277 |
| 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. | | 326,790 |
| 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 | (107,500) | |
| OPEB expense | (16,303) | |
| Pension expense | (346,514) | |
| Interest on long-term debt | 478 | (469,839) |
| **Change in net position of governmental activities (page 19)** | | $ 3,690,419 |

See notes to financial statements.

Fremont County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

| | |
|---|---|
| **Assets** | |
| Cash and pooled investments: | |
| County Treasurer | $ 1,607,296 |
| Other County officials | 36,818 |
| Receivables: | |
| Property tax: | |
| Delinquent | 43,380 |
| Succeeding year | 10,291,000 |
| Accounts | 7 |
| Drainage assessments | 1,564,911 |
| Due from other governments | 90,695 |
| **Total assets** | 13,634,107 |
| **Liabilities** | |
| Accounts payable | 6,863 |
| Salaries and benefits payable | 8,278 |
| Stamped warrants payable | 1,567,498 |
| Due to other governments | 12,008,098 |
| Trusts payable | 29,829 |
| Compensated absences | 13,541 |
| **Total liabilities** | 13,634,107 |
| **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 County has other drainage districts which are managed and supervised by elected trustees. The financial transactions of these districts are reported as an Agency Fund. Financial information of the individual drainage districts can be obtained from the Fremont County Auditor's Office.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor's Conference Board, County Emergency Management Commission and County Joint 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.

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, they 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 Balance/Net Position

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2017.

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

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

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

<u>Inventories</u> – 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.

<u>Capital Assets</u> – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class | Amount |
|---|---|
| Infrastructure | $ 50,000 |
| 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 and OPEB expense and contributions from the County after the measurement date but before the end of the County's reporting period.

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation 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, 2018. 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.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the Fremont County's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position 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 fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied, unrecognized items not yet credited to pension and OPEB expense and the unamortized portion of the net difference between projected and actual earnings on IPERS' investments.

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

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

Restricted – Amounts restricted to specific purposes when constraints placed on the use of 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. Disbursements during the year ended June 30, 2018 did not exceed the amounts budgeted. However, disbursements in one department exceeded the amount appropriated prior to the approval of an appropriation amendment.

## (2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2018 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

At June 30, 2018 the County had $1,299,661 invested in stamped drainage warrants.

## (3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

| Transfer to | Transfer from | Amount |
|---|---|---|
| Special Revenue: | Special Revenue: | |
| Secondary Roads | Rural Services | $ 1,361,894 |
| Low to Moderate Income Assistance | Tax Increment Financing Rebate | 16,940 |
| Total | | $ 1,378,834 |

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, 2018 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 | - | 4,322,860 | (4,322,860) | - |
| Total capital assets not being depreciated | 1,581,973 | 4,322,860 | (4,322,860) | 1,581,973 |
| Capital assets being depreciated: | | | | |
| Buildings | 8,628,280 | 19,096 | - | 8,647,376 |
| Improvements other than buildings | 213,036 | 7,497 | - | 220,533 |
| Equipment and vehicles | 6,993,144 | 641,622 | (889,705) | 6,745,061 |
| Infrastructure, road network | 10,299,810 | 4,322,860 | - | 14,622,670 |
| Infrastructure, other | 395,849 | - | - | 395,849 |
| Total capital assets being depreciated | 26,530,119 | 4,991,075 | (889,705) | 30,631,489 |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,321,985 | 172,762 | - | 1,494,747 |
| Improvements other than buildings | 90,922 | 9,874 | - | 100,796 |
| Equipment and vehicles | 4,343,989 | 608,126 | (701,934) | 4,250,181 |
| Infrastructure, road network | 2,335,749 | 546,663 | - | 2,882,412 |
| Infrastructure, other | 153,259 | 13,112 | - | 166,371 |
| Total accumulated depreciation | 8,245,904 | 1,350,537 | (701,934) | 8,894,507 |
| Total capital assets being depreciated, net | 18,284,215 | 3,640,538 | (187,771) | 21,736,982 |
| Governmental activities capital assets, net | $ 19,866,188 | 7,963,398 | (4,510,631) | 23,318,955 |

Depreciation expense was charged to the following functions:

| | |
|---|---|
| Governmental activities: | |
| Public safety and legal services | $ 218,931 |
| County environment and education | 31,181 |
| Roads and transportation | 1,060,475 |
| Governmental services to residents | 8,450 |
| Administration | 31,500 |
| Total depreciation expense - governmental activities | $ 1,350,537 |

## (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, 2018 is as follows:

| Fund | Description | Amount |
|---|---|---|
| General | Services | $ 12,834 |
| Agency: | | |
| County Assessor | Collections | $ 679,891 |
| Schools | | 7,079,021 |
| Community Colleges | | 663,215 |
| Corporations | | 1,970,329 |
| Townships | | 242,173 |
| Auto License and Use Tax | | 211,807 |
| All other | | 1,161,662 |
| Total for agency funds | | $ 12,008,098 |

## (6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

| | Capital Lease Purchase Agreement | General Obligation Notes | General Obligation Bonds LEC | Compensated Absences | Net Pension Liability | Total OPEB Liability | Total |
|---|---|---|---|---|---|---|---|
| Balance beginning of year, as restated | $ 26,277 | 375,000 | 4,735,000 | 357,918 | 2,245,941 | 185,937 | 7,926,073 |
| Increases | - | - | - | 544,319 | 67,544 | - | 611,863 |
| Decreases | 26,277 | 70,000 | 245,000 | 436,819 | - | 30,538 | 808,634 |
| Balance end of year | $ - | 305,000 | 4,490,000 | 465,418 | 2,313,485 | 155,399 | 7,729,302 |
| Due within one year | $ - | 75,000 | 250,000 | 74,011 | - | - | 399,011 |

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 |
| 2019 | 1.20% | $ 75,000 | 5,905 |
| 2020 | 1.70 | 70,000 | 4,630 |
| 2021 | 2.15 | 75,000 | 3,440 |
| 2022 | 2.15 | 85,000 | 1,828 |
| Total | | $ 305,000 | 15,803 |

| Year Ending June 30, | Law Enforcement Center Bonds | | | Total | | |
|---|---|---|---|---|---|---|
| | Interest Rates | Principal | Interest | Principal | Interest | Total |
| 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 | 2.00 | 265,000 | 116,025 | 350,000 | 117,853 | 467,853 |
| 2023 | 2.50 | 270,000 | 110,725 | 270,000 | 110,725 | 380,725 |
| 2024-2028 | 2.50-3.00 | 1,470,000 | 441,663 | 1,470,000 | 441,663 | 1,911,663 |
| 2029-2033 | 3.25-3.75 | 1,720,000 | 192,350 | 1,720,000 | 192,350 | 1,912,350 |
| Total | | $ 4,490,000 | 1,239,638 | 4,795,000 | 1,255,441 | 6,050,441 |

During the year ended June 30, 2018, the County retired $315,000 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 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 2018, 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 9.38% of covered payroll, for a total rate of 18.76%. 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, 2018 totaled $326,790.

<u>Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u> – At June 30, 2018, the County reported a liability of $2,313,485 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the County's proportion was 0.034730%, which was a decrease of 0.000958% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of $346,514. At June 30, 2018, 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 | $ 32,880 | 38,026 |
| Changes of assumptions | 542,540 | 5,878 |
| Net difference between projected and actual earnings on IPERS' investments | - | 35,647 |
| Changes in proportion and differences between County contributions and the County's proportionate share of contributions | 13,430 | 179,549 |
| County contributions subsequent to the measurement date | 326,790 | - |
| Total | $ 915,640 | 259,100 |

$326,790 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, 2019. 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 |
|---|---|
| 2019 | $ 10,690 |
| 2020 | 195,036 |
| 2021 | 99,047 |
| 2022 | (9,982) |
| 2023 | 34,959 |
| Total | $ 329,750 |

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience study dated March 24, 2017.

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 |
|---|---|---|
| Domestic equity | 24.0% | 6.25% |
| International equity | 16.0 | 6.71 |
| Core plus fixed income | 27.0 | 2.25 |
| Public credit | 3.5 | 3.46 |
| Public real assets | 7.0 | 3.27 |
| Cash | 1.0 | (0.31) |
| Private equity | 11.0 | 11.15 |
| Private real assets | 7.5 | 4.18 |
| Private credit | 3.0 | 4.25 |
| Total | 100.0% | |

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| County's proportionate share of the net pension liability | $ 4,416,162 | 2,313,485 | 548,829 |

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, 2018, the County reported payables to IPERS of $25,388 for legally required County contributions and $18,044 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 administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Fremont County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefit payments | - |
| Active employees | 79 |
| Total | 79 |

Total OPEB Liability – The County's total OPEB liability of $155,399 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

| | |
|---|---|
| Rate of inflation (effective June 30, 2018) | 2.6% per annum. |
| Rates of salary increase (effective June 30, 2018) | 3.25% per annum, including inflation. |
| Discount rate (effective June 30, 2018) | 3.87% compounded annually, including inflation. |
| Healthcare cost trend rate (effective June 30, 2018) | 9.00% initial rate decreasing by .5% annually to an ultimate rate of 5.00%. |

Discount Rate – The discount rate used to measure the total OPEB liability was 3.87% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RPH-2017 total dataset mortality table fully generational using Scale MP-2017. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|---|---|
| Total OPEB liability beginning of year, as restated | $ 185,937 |
| Changes for the year: | |
| Service cost | 15,773 |
| Interest | 7,221 |
| Differences between expected and actual experiences | (56,233) |
| Changes in assumptions | 2,701 |
| Benefit payments | - |
| Net changes | (30,538) |
| Total OPEB liability end of year | $ 155,399 |

Changes of assumptions reflect a change in the discount rate from 3.58% in fiscal year 2017 to 3.87% in fiscal year 2018.

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.87%) or 1% higher (4.87%) than the current discount rate.

| | 1% Decrease (2.87%) | Discount Rate (3.87%) | 1% Increase (4.87%) |
|---|---|---|---|
| Total OPEB liability | $ 165,632 | 155,399 | 145,419 |

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be it were calculated using healthcare cost trend rates that are 1% lower (8.00%) or 1% higher (10.00%) than the current healthcare cost trend rates.

| | 1% Decrease (8.00%) | Healthcare Cost Trend Rate (9.00%) | 1% Increase (10.00%) |
|---|---|---|---|
| Total OPEB liability | $ 137,478 | 155,399 | 176,621 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the County recognized OPEB expense of $16,303. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | (49,204) |
| Changes in assumptions | 2,363 | - |
| Total | $ 2,363 | (49,204) |

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

| Year ending June 30, | Amount |
|---|---|
| 2019 | $ 6,691 |
| 2020 | 6,691 |
| 2021 | 6,691 |
| 2022 | 6,691 |
| 2023 | 6,691 |
| Thereafter | 13,386 |
| | $ 46,841 |

## (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 775 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, 2018 were $168,081.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $500,000 per claim. Claims exceeding $500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $250,000 each occurrence, each location. Property risks exceeding $250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim 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, 2018, no liability has been recorded in the County's financial statements. As of June 30, 2018, 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) Development Agreement**

The County entered into a development agreement to assist in an urban renewal project, as follows:

> 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, 2018, $27,946 was rebated to the developer, with a cumulative total of $254,062 rebated to the developer as of June 30, 2018.

**(12) Tax Abatements**

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

**County Tax Abatements**

The County provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the County enters into agreements with developers which require the County, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the County as part of these agreements.

For the year ended June 30, 2018, $11,332 of property tax was diverted from the County under the urban renewal and economic development projects.

**(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, 2018 are $1,722,163 and the County's financial assurance obligation amount is $1,024,357. At June 30, 2018, 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 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, 2018, as follows:

| | | |
|---|---|---|
| Revenues: | | |
| Property and other county tax | | $ 185,303 |
| Intergovernmental: | | |
| State tax credits | | 13,627 |
| Total revenues | | 198,930 |
| Expenditures: | | |
| Services to persons with: | | |
| Mental illness | | 855 |
| General administration: | | |
| Direct administration | 13,440 | |
| Distribution to regional fiscal agent | 314,891 | 328,331 |
| Total expenditures | | 329,186 |
| Excess of expenditures over revenues | | (130,256) |
| Fund balance beginning of year | | 179,863 |
| Fund balance end of year | | $ 49,607 |

## (15) Subsequent Event

On October 24, 2018, the County authorized the issuance of $1,870,000 of general obligation capital loan notes to acquire, construct and install police officer communication equipment and other emergency services communications equipment and systems.

On April 23, 2019, the County authorized the issuance of $800,000 of general obligation capital loan notes for improvements and extensions to the landfill facilities of the Fremont County Sanitary Landfill Commission. The Commission has agreed to make payments to the County to pay the principal and interest on the notes as they come due.

## (16) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

| | Governmental Activities |
|---|---|
| Net position June 30, 2017, as previously reported | $ 18,319,167 |
| Net OPEB obligation measured under previous standards | 120,651 |
| Total OPEB liability at June 30, 2017 | (185,937) |
| Net position July 1, 2017, as restated | $ 18,253,881 |

**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, 2018

| | Actual | Less Funds not Required to be Budgeted | Net |
|---|---|---|---|
| Receipts: | | | |
| Property and other county tax | $ 5,637,209 | 17,976 | 5,619,233 |
| Interest and penalty on property tax | 39,433 | - | 39,433 |
| Intergovernmental | 4,100,750 | - | 4,100,750 |
| Licenses and permits | 14,445 | - | 14,445 |
| Charges for service | 330,340 | - | 330,340 |
| Use of money and property | 115,088 | - | 115,088 |
| Miscellaneous | 124,405 | - | 124,405 |
| Total receipts | 10,361,670 | 17,976 | 10,343,694 |
| Disbursements: | | | |
| Public safety and legal services | 3,054,457 | - | 3,054,457 |
| Physical health and social services | 191,622 | - | 191,622 |
| Mental health | 337,262 | - | 337,262 |
| County environment and education | 428,558 | 16,157 | 412,401 |
| Roads and transportation | 4,324,690 | - | 4,324,690 |
| Governmental services to residents | 416,438 | - | 416,438 |
| Administration | 1,239,508 | - | 1,239,508 |
| Non-program | - | - | - |
| Debt service | 458,471 | - | 458,471 |
| Capital projects | 2,921 | - | 2,921 |
| Total disbursements | 10,453,927 | 16,157 | 10,437,770 |
| Excess (deficiency) of receipts over (under) disbursements | (92,257) | 1,819 | (94,076) |
| Other financing sources, net | 139,910 | - | 139,910 |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 47,653 | 1,819 | 45,834 |
| Balance beginning of year | 4,622,076 | 9,047 | 4,613,029 |
| Balance end of year | $ 4,669,729 | 10,866 | 4,658,863 |

See accompanying independent auditor's report.

| Budgeted Amounts | | Final to Net |
| --- | --- | --- |
| Original | Final | Variance |
| 5,844,061 | 5,844,061 | (224,828) |
| 24,045 | 24,045 | 15,388 |
| 3,989,274 | 4,203,328 | (102,578) |
| 19,700 | 19,700 | (5,255) |
| 284,045 | 288,245 | 42,095 |
| 84,567 | 84,567 | 30,521 |
| 68,720 | 147,578 | (23,173) |
| 10,314,412 | 10,611,524 | (267,830) |
| 2,918,415 | 3,158,475 | 104,018 |
| 294,022 | 294,322 | 102,700 |
| 310,726 | 429,163 | 91,901 |
| 434,807 | 464,212 | 51,811 |
| 4,137,000 | 4,587,000 | 262,310 |
| 512,207 | 512,207 | 95,769 |
| 1,497,726 | 1,703,731 | 464,223 |
| 10,000 | 10,000 | 10,000 |
| 458,970 | 458,970 | 499 |
| 478,000 | 278,000 | 275,079 |
| 11,051,873 | 11,896,080 | 1,458,310 |
| (737,461) | (1,284,556) | 1,190,480 |
| 128,648 | 128,648 | 11,262 |
| (608,813) | (1,155,908) | 1,201,742 |
| 4,397,332 | 4,397,332 | 215,697 |
| 3,788,519 | 3,241,424 | 1,417,439 |

**Fremont County**

Fremont County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2018

| | Governmental Funds | | |
|---|---|---|---|
| | Cash Basis | Accrual Adjustments | Modified Accrual Basis |
| Revenues | $ 10,361,670 | 61,819 | 10,423,489 |
| Expenditures | 10,453,927 | (113,748) | 10,340,179 |
| Net | (92,257) | 175,567 | 83,310 |
| Other financing sources, net | 139,910 | (139,910) | - |
| Beginning fund balances | 4,622,076 | 1,001,984 | 5,624,060 |
| Ending fund balances | $ 4,669,729 | 1,037,641 | 5,707,370 |

See accompanying independent auditor's report.

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, two budget amendments increased budgeted disbursements by $844,207. 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 911 System by the Joint 911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

Disbursements during the year ended June 30, 2018 did not exceed the amount budgeted. However, disbursements in one department exceeded the amount appropriated prior to amendment.

Fremont County

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

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

Required Supplementary Information

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| County's proportion of the net pension liability | 0.034730% | 0.035688% | 0.037198% | 0.036244% |
| County's proportionate share of the net pension liability | $ 2,313 | 2,246 | 1,838 | 1,437 |
| County's covered payroll | $ 3,444 | 3,362 | 3,080 | 2,978 |
| County's proportionate share of the net pension liability as a percentage of its covered payroll | 67.16% | 66.81% | 59.68% | 48.25% |
| IPERS' net position as a percentage of the total pension liability | 82.21% | 81.82% | 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

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Statutorily required contribution | $ 327 | 316 | 310 | 281 |
| Contributions in relation to the statutorily required contribution | (327) | (316) | (310) | (281) |
| Contribution deficiency (excess) | $ - | - | - | - |
| County's covered payroll | $ 3,569 | 3,444 | 3,362 | 3,080 |
| Contributions as a percentage of covered payroll | 9.16% | 9.18% | 9.22% | 9.12% |

See accompanying independent auditor's report.

| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| 271 | 253 | 252 | 212 | 200 | 181 |
| (271) | (253) | (252) | (212) | (200) | (181) |
| - | - | - | - | - | - |
| 2,978 | 2,844 | 3,010 | 2,877 | 2,885 | 2,747 |
| 9.10% | 8.90% | 8.37% | 7.37% | 6.93% | 6.59% |

*Changes of benefit terms:*

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

*Changes of assumptions:*

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

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

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

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

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

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

Fremont County

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

Supplementary Information

| | 2018 |
|---|---|
| Service cost | $ 15,773 |
| Interest cost | 7,221 |
| Difference between expected and actual experiences | (56,233) |
| Changes in assumptions | 2,701 |
| Benefit payments | - |
| Net change in total OPEB liability | (30,538) |
| Total OPEB liability beginning of year, as restated | 185,937 |
| Total OPEB liability end of year | $ 155,399 |
| Covered-employee payroll | $ 3,363,483 |
| Total OPEB liability as a percentage of covered-employee payroll | 4.6% |

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

*Changes in benefit terms:*

There were no significant changes in benefit terms.

*Changes in assumptions:*

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

| | |
|---|---|
| Year ended June 30, 2018 | 3.87% |
| Year ended June 30, 2017 | 3.58% |

**Fremont County**

**Supplementary Information**

Fremont County

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2018

| | | Special | | |
|---|---|---|---|---|
| | County Recorder's Records Management | County Recorder's Electronic Transaction Fee | Drainage Districts | Tax Increment Financing Rebate |
| **Assets** | | | | |
| Cash and pooled investments | $ 31,151 | 257 | 10,866 | - |
| Receivables: | - | | | |
| Delinquent property tax | - | - | - | - |
| Succeeding year property tax | - | - | - | 52,000 |
| Accounts | 163 | - | - | - |
| **Total assets** | $ 31,314 | 257 | 10,866 | 52,000 |
| **Liabilities, Deferred Inflows of Resources and Fund Balances** | | | | |
| Liabilities: | | | | |
| Accounts payable | $ - | - | 72 | - |
| Salaries Payable | - | - | - | - |
| Total liabilities | - | - | 72 | - |
| Deferred inflows of resources: | | | | |
| Unavailable revenues: | - | | | |
| Succeeding year property tax | - | - | - | 52,000 |
| Other | - | - | - | - |
| Total deferred inflows of resources | - | - | - | 52,000 |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Debt service | - | - | - | - |
| Capital projects | - | - | - | - |
| Other purposes | 31,314 | 257 | 10,794 | - |
| Total fund balances | 31,314 | 257 | 10,794 | - |
| **Total liabilities, deferred inflows of resources and fund balances** | $ 31,314 | 257 | 10,866 | 52,000 |

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 | Capital Projects | Total |
| 100,587 | 16,691 | 1,588 | 112,081 | 15,314 | 9,725 | 298,260 |
| | | | | - | | |
| - | - | - | - | 1,256 | - | 1,256 |
| - | - | - | - | 357,000 | - | 409,000 |
| - | - | - | - | - | - | 163 |
| 100,587 | 16,691 | 1,588 | 112,081 | 373,570 | 9,725 | 708,679 |
| - | 742 | - | 157 | - | - | 971 |
| - | 90 | - | - | - | - | 90 |
| - | 832 | - | 157 | - | - | 1,061 |
| - | - | - | - | 357,000 | - | 409,000 |
| - | - | - | - | 1,242 | - | 1,242 |
| - | - | - | - | 358,242 | - | 410,242 |
| - | - | - | - | 15,328 | - | 15,328 |
| - | - | - | - | - | 9,725 | 9,725 |
| 100,587 | 15,859 | 1,588 | 111,924 | - | - | 272,323 |
| 100,587 | 15,859 | 1,588 | 111,924 | 15,328 | 9,725 | 297,376 |
| 100,587 | 16,691 | 1,588 | 112,081 | 373,570 | 9,725 | 708,679 |

Fremont County

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

Year ended June 30, 2018

| | | | | Special |
|---|---|---|---|---|
| | County Recorder's Records Management | County Recorder's Electronic Transaction Fee | Drainage Districts | Tax Increment Financing Rebate |
| Revenues: | | | | |
| Property tax | $ - | - | 17,976 | - |
| Tax increment financing | - | - | - | 43,764 |
| Intergovernmental | - | - | - | 1,122 |
| Licenses and permits | - | - | - | - |
| Charges for service | 1,695 | - | - | - |
| Use of money and property | 19 | 1 | - | - |
| Miscellaneous | - | - | - | - |
| Total revenues | 1,714 | 1 | 17,976 | 44,886 |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | - | - | - | - |
| County environment and education | - | - | 16,157 | 27,946 |
| Debt service | - | - | - | - |
| Total expenditures | - | - | 16,157 | 27,946 |
| Excess (deficiency) of revenues over (under) expenditures | 1,714 | 1 | 1,819 | 16,940 |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | - | |
| Transfers out | - | - | - | (16,940) |
| Total other financing sources (uses) | - | - | - | (16,940) |
| Change in fund balances | 1,714 | 1 | 1,819 | - |
| Fund balances beginning of year | 29,600 | 256 | 8,975 | - |
| Fund balances end of year | $ 31,314 | 257 | 10,794 | - |

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 | Capital Projects | Total |
| - | - | - | - | 360,360 | - | 378,336 |
| - | - | - | - | - | - | 43,764 |
| - | 17,331 | - | 675 | 26,460 | - | 45,588 |
| - | - | - | 480 | - | - | 480 |
| - | - | - | - | - | - | 1,695 |
| - | 9 | - | - | - | 39 | 68 |
| - | - | 49 | 26,424 | - | - | 26,473 |
| - | 17,340 | 49 | 27,579 | 386,820 | 39 | 496,404 |
| | | | | | | |
| - | - | - | 2,357 | - | - | 2,357 |
| 11,001 | 12,198 | - | - | - | - | 67,302 |
| - | - | - | - | 381,726 | - | 381,726 |
| 11,001 | 12,198 | - | 2,357 | 381,726 | - | 451,385 |
| (11,001) | 5,142 | 49 | 25,222 | 5,094 | 39 | 45,019 |
| 16,940 | - | - | - | - | - | 16,940 |
| - | - | - | - | - | - | (16,940) |
| 16,940 | - | - | - | - | - | - |
| 5,939 | 5,142 | 49 | 25,222 | 5,094 | 39 | 45,019 |
| 94,648 | 10,717 | 1,539 | 86,702 | 10,234 | 9,686 | 252,357 |
| 100,587 | 15,859 | 1,588 | 111,924 | 15,328 | 9,725 | 297,376 |

Fremont County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

| | County Offices | Agricultural Extension Education | County Assessor | Schools |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and pooled investments: | | | | |
| County Treasurer | $ - | 4,627 | 365,488 | 87,136 |
| Other County officials | 36,818 | - | - | - |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | 597 | 1,184 | 23,885 |
| Succeeding year | - | 168,000 | 333,000 | 6,968,000 |
| Accounts | 7 | - | - | - |
| Drainage assessments | - | - | - | - |
| Due from other governments | - | - | - | - |
| **Total assets** | $ 36,825 | 173,224 | 699,672 | 7,079,021 |
| **Liabilities** | | | | |
| Accounts payable | $ - | - | 100 | - |
| Salaries and benefits payable | - | - | 6,140 | - |
| Stamped warrants payable | - | - | - | - |
| Due to other governments | 35,283 | 173,224 | 679,891 | 7,079,021 |
| Trusts payable | 1,542 | - | - | - |
| Compensated absences | - | - | 13,541 | - |
| **Total liabilities** | $ 36,825 | 173,224 | 699,672 | 7,079,021 |

See accompanying independent auditor's report.

| Community Colleges | Corporations | Townships | Auto License and Use Tax | Drainage Districts | Other | Total |
|---|---|---|---|---|---|---|
| 8,659 | 26,782 | 2,562 | 211,807 | 461,727 | 438,508 | 1,607,296 |
| - | - | - | - | - | - | 36,818 |
| | | | | | | |
| 2,556 | 14,547 | 611 | - | - | - | 43,380 |
| 652,000 | 1,929,000 | 239,000 | - | - | 2,000 | 10,291,000 |
| - | - | - | - | - | - | 7 |
| - | - | - | - | 1,564,911 | - | 1,564,911 |
| - | - | - | - | - | 90,695 | 90,695 |
| 663,215 | 1,970,329 | 242,173 | 211,807 | 2,026,638 | 531,203 | 13,634,107 |
| | | | | | | |
| - | - | - | - | - | 6,763 | 6,863 |
| - | - | - | - | - | 2,138 | 8,278 |
| - | - | - | - | 1,567,498 | - | 1,567,498 |
| 663,215 | 1,970,329 | 242,173 | 211,807 | 459,140 | 494,015 | 12,008,098 |
| - | - | - | - | - | 28,287 | 29,829 |
| - | - | - | - | - | - | 13,541 |
| 663,215 | 1,970,329 | 242,173 | 211,807 | 2,026,638 | 531,203 | 13,634,107 |

Fremont County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2018

| | County Offices | Agricultural Extension Education | County Assessor | Schools |
|---|---|---|---|---|
| **Assets and Liabilities** | | | | |
| Balances beginning of year | $ 16,613 | 171,707 | 643,386 | 7,292,561 |
| Additions: | | | | |
| Property and other county tax | - | 169,484 | 335,631 | 7,024,652 |
| 911 surcharge | - | - | - | - |
| State tax credits | - | 12,345 | 21,799 | 534,837 |
| Drivers license fees | - | - | - | - |
| Office fees and collections | 157,976 | - | - | - |
| Electronic transaction fees | - | - | - | - |
| Auto licenses, use tax and postage | - | - | - | - |
| Assessments | - | - | - | - |
| Trusts | 393,541 | - | - | - |
| Miscellaneous | - | - | - | - |
| Total additions | 551,517 | 181,829 | 357,430 | 7,559,489 |
| Deductions: | | | | |
| Agency remittances: | | | | |
| To other funds | 60,713 | - | - | - |
| To other governments | 104,547 | 180,312 | 301,144 | 7,773,029 |
| Trusts paid out | 366,045 | - | - | - |
| Total deductions | 531,305 | 180,312 | 301,144 | 7,773,029 |
| Balances end of year | $ 36,825 | 173,224 | 699,672 | 7,079,021 |

See accompanying independent auditor's report.

| Community Colleges | Corporations | Townships | Auto License and Use Tax | Drainage Districts | Other | Total |
|---|---|---|---|---|---|---|
| 735,474 | 1,902,386 | 234,728 | 214,949 | 1,460,607 | 342,186 | 13,014,597 |
| 658,383 | 1,865,864 | 243,868 | - | - | 1,744 | 10,299,626 |
| - | - | - | - | - | 145,316 | 145,316 |
| 53,553 | 260,186 | 13,292 | - | - | 129 | 896,141 |
| - | - | - | 53,908 | - | - | 53,908 |
| - | - | - | - | - | 700 | 158,676 |
| - | - | - | - | - | 1,673 | 1,673 |
| - | - | - | 2,632,664 | - | - | 2,632,664 |
| - | - | - | - | 565,310 | - | 565,310 |
| - | - | - | - | - | 210,471 | 604,012 |
| - | 13,786 | - | - | - | 182,082 | 195,868 |
| 711,936 | 2,139,836 | 257,160 | 2,686,572 | 565,310 | 542,115 | 15,553,194 |
| - | - | - | 125,852 | - | - | 186,565 |
| 784,195 | 2,071,893 | 249,715 | 2,563,862 | 1,566,777 | 164,682 | 15,760,156 |
| - | - | - | - | - | 188,416 | 554,461 |
| 784,195 | 2,071,893 | 249,715 | 2,689,714 | 1,566,777 | 353,098 | 16,501,182 |
| 663,215 | 1,970,329 | 242,173 | 211,807 | 459,140 | 531,203 | 12,066,609 |

Fremont County

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

For the Last Ten Years

| | 2018 | 2017 | 2016 | Modified 2015 |
|---|---|---|---|---|
| Revenues: | | | | |
| Property and other county tax | $ 5,251,410 | 4,954,444 | 4,586,033 | 4,615,221 |
| Local option sales tax | 254,250 | 389,525 | 376,573 | 496,146 |
| Hotel/motel tax | 115,714 | 126,307 | 116,234 | 85,618 |
| Tax increment financing | 43,764 | 240,155 | 252,521 | 289,238 |
| Interest and penalty on property tax | 39,228 | 31,829 | 30,307 | 33,765 |
| Intergovernmental | 4,029,693 | 4,007,602 | 4,059,073 | 3,803,013 |
| Licenses and permits | 14,894 | 14,310 | 16,015 | 14,541 |
| Charges for service | 319,784 | 316,451 | 316,795 | 300,019 |
| Use of money and property | 138,524 | 103,908 | 86,832 | 85,529 |
| Miscellaneous | 216,228 | 286,218 | 173,536 | 192,954 |
| Total | $ 10,423,489 | 10,470,749 | 10,013,919 | 9,916,044 |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | $ 3,095,187 | 2,739,758 | 2,539,188 | 1,972,701 |
| Physical health and social services | 192,201 | 178,874 | 158,461 | 163,527 |
| Mental health | 329,537 | 276,030 | 353,903 | 1,351,835 |
| County environment and education | 436,913 | 664,646 | 639,068 | 623,256 |
| Roads and transportation | 4,261,247 | 4,217,741 | 4,411,415 | 3,746,205 |
| Governmental services to residents | 415,287 | 392,753 | 403,046 | 367,750 |
| Administration | 1,121,856 | 1,145,031 | 1,176,027 | 1,153,983 |
| Nonprogram | - | 19,786 | 15,000 | - |
| Capital projects | 3,203 | 704,551 | 609,860 | 4,396,032 |
| Debt service | 484,748 | 459,111 | 464,679 | 486,975 |
| Total | $ 10,340,179 | 10,798,281 | 10,770,647 | 14,262,264 |

See accompanying independent auditor's report.

| Accrual Basis | | | | | |
|---|---|---|---|---|---|
| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| 4,029,758 | 3,974,230 | 3,667,670 | 3,502,764 | 3,207,927 | 2,891,750 |
| 369,605 | 392,161 | 339,736 | 340,242 | 276,560 | 298,869 |
| 85,376 | 125,396 | 80,494 | 109,190 | 104,837 | 136,810 |
| 288,762 | 311,733 | 342,040 | 353,311 | 331,228 | 294,230 |
| 40,599 | 41,216 | 47,182 | 31,395 | 36,418 | 34,779 |
| 4,466,015 | 4,252,581 | 5,855,574 | 3,954,807 | 3,943,988 | 3,609,589 |
| 15,349 | 24,093 | 15,676 | 10,014 | 14,384 | 21,737 |
| 294,478 | 322,460 | 294,534 | 294,739 | 297,077 | 281,712 |
| 81,631 | 86,218 | 80,873 | 109,033 | 143,749 | 200,421 |
| 102,280 | 121,124 | 170,428 | 113,870 | 242,230 | 334,715 |
| 9,773,853 | 9,651,212 | 10,894,207 | 8,819,365 | 8,598,398 | 8,104,612 |
| | | | | | |
| 1,833,658 | 1,660,240 | 1,700,924 | 1,678,496 | 1,632,171 | 1,577,670 |
| 171,724 | 198,747 | 188,377 | 232,310 | 225,919 | 173,847 |
| 513,198 | 557,711 | 1,147,737 | 986,080 | 1,031,039 | 1,094,904 |
| 893,739 | 857,130 | 837,439 | 686,860 | 709,649 | 592,200 |
| 4,076,405 | 3,876,087 | 4,759,708 | 3,482,456 | 3,303,655 | 3,540,488 |
| 335,342 | 294,987 | 291,491 | 304,531 | 305,626 | 311,891 |
| 1,128,976 | 1,561,724 | 876,102 | 1,072,083 | 966,078 | 931,847 |
| - | - | - | - | - | - |
| 1,368,797 | 26,863 | 1,454,366 | 198,276 | 214,622 | 181,268 |
| 107,948 | 142,348 | 146,693 | 145,840 | 144,740 | 143,445 |
| 10,429,787 | 9,175,837 | 11,402,837 | 8,786,932 | 8,533,499 | 8,547,560 |

**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

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

To the Officials of Fremont County:

We have audited 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, 2018, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 18, 2019.

### 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 have not been 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, 2018 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.

Marlys Gaston

Marlys K. Gaston, CPA
Deputy Auditor of State

June 18, 2019

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

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

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

| | | Applicable Offices |
|---|---|---|
| (1) | An initial listing of mail receipts is not compared to receipt records by an independent person and is not initialed to evidence an independent review. | County Recorder, County Sheriff, County Agricultural Extension Office 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, County Recorder, County Agricultural Extension Office 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 |
| (6) | All individuals in tax, motor vehicle and driver's license have the ability to void receipts, including individuals who perform daily balancing. No report is maintained or review performed over voided receipts. | County Treasurer |

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

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

Recommendation – Each 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 – We do not void our own transactions. We do have dual control for voids. We will add procedures to our month end reports to print the void report. With limited personal we can only segregate so much to be able to efficiently help customers.

County Sheriff – Mail is opened by two people. One person prepares a listing of the checks received by mail register that is included with the month end report. A second person reviews the listing by comparing it to the receipt register. The Chief Deputy began reviewing the month end reconciliation starting January 2018. We continue to do mail procedures and receipting as previously stated.

County Recorder – We do the best we can with a limited number of employees.

County Agricultural Extension – We will do the best we can with our limited staff.

Conclusion – Responses acknowledged. Each official should continue to 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.

(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 and payables were not accrued in the County's financial statements. Additionally, the County misclassified several accounts payable. The financial statements were adjusted for financial reporting purposes.

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

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

Recommendation – The County should establish procedures to ensure all receivables are identified and properly reported and all payables are properly classified the County's financial statements.

Response – We are working diligently to accrue items back to the proper year. We will work with other County departments including the Treasurer, to insure receivables and payables are properly classified in the financial statements.

Conclusion – Response 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 will work with department heads and direct supervisors to insure that all employees are submitting time sheets to the County Auditor.

Conclusion – Response accepted.

(D) Bank Reconciliation

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank and book balances. Review of bank reconciliations can help ensure the accuracy of recorded amounts

Condition – The County Treasurer does not perform a complete bank reconciliation which reconciles bank and investment balances, including stamped warrants, to the general ledger balance. In addition, an independent review of the bank reconciliation should be documented.

Cause – Procedures have not been designed and implemented to ensure all accounts are properly reconciled to book balances, reconciling items are identified and supported and the reconciliations are independently reviewed.

Effect – The lack of complete bank to book reconciliations and unsupported reconciling items can result in unrecorded transactions, undetected errors and opportunities for misappropriation.

Recommendation – The County Treasurer should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely. An independent person should review the bank reconciliations and document the review by signing or initialing and dating the monthly bank reconciliation

Response – We balance daily to the general ledger and bank statements are balanced monthly on a timely manner. The Treasurer is having the Auditor look over bank statements each month to verify accuracy.

Stamped warrants are now being processed by another individual in the Treasurer's office. Due to personnel transition, it has taken a bit to get everyone crossed trained to help customers We run a month redemption report and will be balancing them to general ledger quarterly.

Conclusion – Response acknowledged. The County Treasurer should establish procedures to ensure the monthly bank reconciliations are complete, including all bank and investment balances, including stamped warrants. Variances, if any, should be reviewed and resolved timely. An independent person should review the bank reconciliations and document the review by signing or initialing and dating the monthly bank reconciliation

**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, 2018 did not exceed the amounts budgeted. However, disbursements in one department exceeded the amount appropriated prior to the approval of an appropriation amendment.

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

Response – This was due to the unforeseen closure of a department. We do not expect to have this instance again, but we will monitor the appropriations closely.

Conclusion – Response accepted.

(2) Questionable Expenditures – Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

| Paid to | Purpose | Amount |
|---|---|---|
| Costco | Membership for five Sheriff's Office employees and one spouse | $ 360 |
| Sam's Club MC/SYNCB | Membership for five unidentified individuals | 220 |

Recommendation – It is unclear how purchasing individual memberships for employees serves a public purpose. The County should cease paying individual memberships and should seek reimbursement from the employees who received memberships inappropriately paid from public funds. The Board should obtain a SAMs and/or Costco membership in the County's name for use by employees while on County business. This would avoid the appearance of impropriety and questionable public purpose.

Response – The Costco memberships were purchased in an attempt to save the County money, as their items seemed to be less expensive than Sam's Club. As time has gone on that is not the case and we have not used the memberships as much as anticipated. These memberships will not be renewed upon their expiration.

The five employees on the Sam's Club membership are the five purchasing agents and routinely pick up supplies for the Sheriff's Office. This is used to save the County money on the jail food and supply purchases. The public purpose is to save the County money. We do order food and supplies from vendors that deliver to the Sheriff's Office, however this can be a more expensive option. Proper documentation – i.e., itemized receipts are attached to the claim for payment.

Conclusion – Response acknowledged. To reiterate, the County should not purchase individual SAMs or Costco memberships, but should obtain a SAMs and/or Costco membership in the County's name for use by employees while on County business.

(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 | $ 3,524 |
| Nancy Henneman, Mental Health Department Secretary, son owns Henneman Lawn Service and Snow removal | Mowing and snow removal | 2,270 |
| Earl Hendrickson, Board of Supervisors, nephew owns Hendrickson Transportation LLC | Steel bridge install #9 | 7,497 |
| Jeff Shirley, Road Department, wife Elizabeth cleans and takes drug scereenings for the roads department | Cleaning and drug screenings | 6,276 |

In accordance with Chapter 331.342(2)(d) of the Code of Iowa, the transactions with Henneman Auto Parts do 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 transactions with Henneman Lawn Service, Hendrickson Transportation and with Elizabeth Shirley may represent a conflict of interest in accordance with Chapter 331.342 of the Code of Iowa since total transactions were more than $1,500 during the year and the transactions were not competitively bid.

Recommendation – The County should consult legal counsel to determine the proper disposition of this matter.

Response – Nancy Henneman is no longer employed with the County. Earl Hendrickson is no longer employed with the County. The Road Department put out bids for their cleaning services. The low bid was accepted by an unrelated party. Though sometimes difficult in a small County, the County will follow proper procedures for business transactions in the future.

Conclusion – Response accepted.

(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, 2018 for the County Extension Office did not exceed the amount budgeted.

(10) County Sheriff – During the fiscal year 2018, the County utilized Stellar Tellers Services, LLC (Stellar Tellers) cashier kiosks which are located at the County Law Enforcement Center to manage inmate funds. The County uses the Stellar Tellers for commissary purchases and payments on bonds at the Sheriff's office which are reported in a Stellar account. The Stellar account activity was not reported to the County or recorded in the County's financial records. Also, Commissary account profits were not deposited with the County Treasurer, as required.

Recommendation – Chapter 331.902 of the Code of Iowa states "Unless specifically provided by statute, the fees and charges collected by the auditor, treasurer, recorder and sheriff and their deputies or employees, belong to the County". Commissary account profits should be deposited with the County Treasurer. In addition, the Stellar Tellers bank account activity should be reported to the County and recorded in the County's financial records. The activity should be reconciled with County records and the trust listings each month and should be reviewed by an independent individual.

Response – The Stellar bank account is a County account that is reconciled monthly and placed in the Stellar file. The Chief Deputy reviews this reconciliation in the same manner as he reviews other month end reporting. The account is reconciled to the bank statement and reviewed by an independent individual, however, it is not reconciled to the trust listing and cannot be reconciled with the County records until profits are turned over to the County.

Conclusion – Response acknowledged. The Stellar bank account should be reconciled to the County records and trust listing and evidence of an independent review should be maintained. In addition, Stellar Tellar bank account profits should be remitted to the County Treasurer.

(11) Clothing Allowance – The County Sheriff's Office provides a clothing allowance to all regular full-time and part-time employees who are required to wear a uniform. Per the union contract, each deputy required to wear a uniform shall be allowed a clothing and cleaning allowance up to $1,000 each fiscal year and each non-duty sheriff office employee required to wear a uniform shall be allowed a clothing and cleaning allowance up to $600 each fiscal year. The style and type of uniform will be determined by the County Sheriff.

During fiscal year ended June 30, 2018, clothing and cleaning reimbursement for one deputy exceeded the $1,000 allowance.

In addition, the style and type of uniform determined by the County Sheriff was not documented. As a result, we were unable to determine how certain clothing purchases reimbursed under this policy met the definition of a required uniform or were considered necessary for the conduct of County business beyond what is considered clothing adaptable for general use and therefore would be considered a taxable benefit. Some examples of these items include open toed sandal purchases. For example, the May 2018 Sam's Club credit card statement lists items purchased and reimbursed as follows: Clarks Women's Brizo Cady Sandals for $50, 2 pairs of Nulibennas Women Gladiator T-Strap Open Toe Ankle Strap Strappy Flat Sandals for $20 per pair, Flat Summer Sandals for Women by Plaka for $25, Sketchers Cali Women's Meditation – Still Sky Flat Sandal for $23 and BEARPAW Women's Layla Heeled Sandal for $40.

Recommendation – The County should establish procedures to ensure the maximum clothing and cleaning allowance per employee is not exceeded. In addition, the County Sheriff should establish and document criteria for standard uniforms and accessories necessary to carry out County business. Any purchases made for items unnecessary to carry out County business should be discontinued or processed through payroll as a taxable benefit.

Response – The union contract specifies a minimum, not a maximum, amount the Sheriff's Office is required to provide each employee for a clothing allowance. For example a new employee cannot be outfitted for the amount listed in the contract. Also if the style of uniform is changed or new vests are needed that amount is going to be exceeded. All items are preapproved by the County Sheriff and are part of the uniform worn by that particular department in the performance of their daily duties. The decision of the uniform items for each department and each item purchased is at the discretion of the County Sheriff. The Deputy who exceeded the $1,000 was a new hire that cannot be equipped with $1,000 and it is the County Sheriff's discretion to give more than $1,000.

In addition, at the Auditor's suggestion, the Sheriff contacted the IRS in reference to the possibility the clothing items should be taxed and the IRS representative's response was "Why are you asking about a clothing allowance, because clothing allowances are not taxable."

Conclusion – Response acknowledged. The Sheriff's office should establish procedures to ensure the maximum clothing and cleaning allowance per employee is not exceeded. In addition, the County Sheriff should establish and document criteria for standard uniforms and accessories necessary to carry out County business. Any purchases made for items unnecessary to carry out County business should be discontinued or processed through payroll as a taxable benefit. In addition, the County Sheriff should get a signed letter from the IRS representative indicating that the clothing allowances, including clothing adaptable to general use, are not taxable to ensure no future tax liability.

(12) Sheriff Department Credit Cards – The County's credit card policy states "in some instances, necessary purchases or expenditures may be paid utilizing a County credit card. Credit cards will be issued to the department head upon the approval of the Board of Supervisors. Credit card limits will also be established by the Board of Supervisors. Employees must receive advance authorization and specify the amount of the expenditure. A credit card purchase is only allowed for authorized County business expenses."

The County Sheriff's Office maintains three credit cards for use by various County Sheriff employees while on County business. For the year ended June 30, 2018, three credit cards were used for approximately $59,000 in purchases.

The three credit cards do not appear on the County's list of authorized credit cards. In addition, advance authorization for the credit card expenditures is not documented. Also, we noted seven instances in fiscal year 2018 when Fremont County Sheriff Reserves or Crime Stoppers used the County's credit cards. We also identified $11,164 in charges paid by the Fremont County Reserve Deputy Association, Inc and $504 paid by Crime Stoppers in the month the payment was due. Crime Stoppers and Fremont County Reserve Deputy Association, Inc are legally separate from Fremont County. The amounts were paid separately and are not included in the $59,000 in credit card payments.

Recommendation – The County should ensure all County credit cards and associated limits are approved by the Board of Supervisors in accordance with the County's credit card policy. In addition, advance authorization for all purchases should be documented. Also, County credit cards should only be used for authorized County business and not shared with a legally separate entity.

Response – The Sheriff, Chief Deputy, Jail Administrator, Communications Supervisor and the designated purchasing agent can authorize purchases. All others get prior authorization before purchasing. We tried having a list approved by the Sheriff but that process didn't work. So now the five purchasing agents/department heads can make purchases and approve other purchases.

It is not out of character to spend $59,000 in credit card purchases over the course of a year with online shopping and class registrations. Most of the Sherriff's Office employees are required to attend one or two or more schools per year. The registrations are now an online process requiring payment, plus the hotel stays and meals associated with the school. In reference to the online shopping, the Sheriff's Office strives to find the lowest prices for items purchased.

The Sheriff's Office was not notified of the problem of the reserves using our credit card to purchase Operation Santa gifts until after they were purchased for that year. The reserves now have their own card that was used this past Christmas. The Crime Stopper purchase was an isolated error and it will not happen again.

No credit card purchases are used for personal use and all receipts are turned in with the bill. In July of 2015 the Board of Supervisors was provided a list of credit cards the Sheriff's office has with users and limits.

Conclusion – Response acknowledged. The County should ensure all County credit cards and associated limits are approved by the Board of Supervisors in accordance with the County's credit card policy. In addition, advance authorization for all purchases should be documented. Also, County credit cards should only be used for authorized County business and not shared with a legally separate entity.

## Staff

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