



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ May 18, 2007 _____

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

The County had local tax revenue of \$10,197,361 for the year ended June 30, 2006, which included \$590,703 in tax credits from the state. The County forwarded \$7,119,543 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,077,818 of the local tax revenue to finance County operations, a three percent decrease from the prior year. Other revenues included charges for service of \$618,013, operating grants, contributions and restricted interest of \$3,048,703, capital grants, contributions and restricted interest of \$351,530, tax increment financing of \$226,431, local option sales tax of \$320,013, unrestricted investment earnings of \$178,026, gain on disposition of capital assets of \$212,500 and other general revenues of \$79,688.

Expenses for County operations totaled \$7,893,080, a 3.6 percent increase over the prior year. Expenses included \$3,188,101 for roads and transportation, \$1,596,464 for public safety and legal services and \$1,086,074 for mental health.

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

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

JUNE 30, 2006

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Fremont County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Aistrope	Board of Supervisors	Jan 2007
Chuck Larson	Board of Supervisors	Jan 2007
John Whipple	Board of Supervisors	Jan 2009
Joan Kirk	County Auditor	Jan 2009
Judith M. Crain	County Treasurer	Jan 2007
Margaret Henkle	County Recorder	Jan 2007
Steven H. MacDonald	County Sheriff	Jan 2009
Vicki R. Danley	County Attorney	Jan 2007
Karen L. Berry	County Assessor	Jan 2010

Fremont County



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Independent Auditor's Report

To the Officials of Fremont County:

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

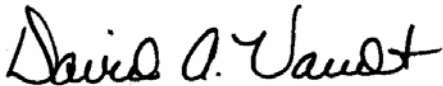
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

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

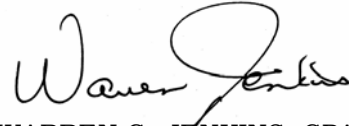
In accordance with Government Auditing Standards, we have also issued our report dated January 12, 2007 on our consideration of Fremont County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 38 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Fremont County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 12, 2007

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, 2006, along with comparative data for the year ended June 30, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 2.8%, or approximately \$236,000, from fiscal 2005 to fiscal 2006. Property and other county tax decreased approximately \$82,000 from 2005. Operating grants, contributions and restricted interest increased approximately \$175,000, capital grants, contributions and restricted interest decreased approximately \$389,000 and local option sales tax increased approximately \$18,000.
- Program expenses of the County's governmental activities increased 3.6%, or approximately \$273,000. Roads and transportation expenses increased less than \$1,000, public safety and legal services expenses increased approximately \$85,000 and mental health expenses increased approximately \$64,000.
- The County's net assets increased approximately \$220,000 from June 30, 2005 to June 30, 2006.

USING THIS ANNUAL REPORT

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES:

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has two kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis below shows the changes in the net assets of governmental activities from a year ago.

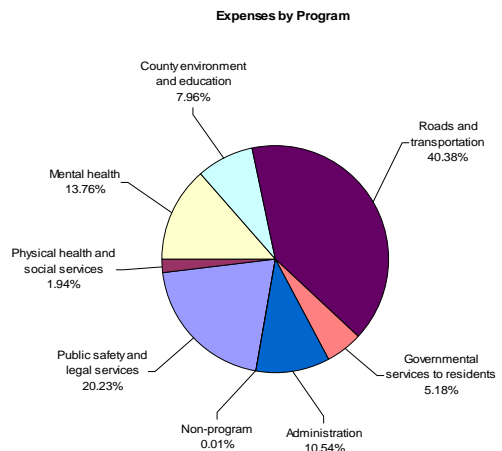
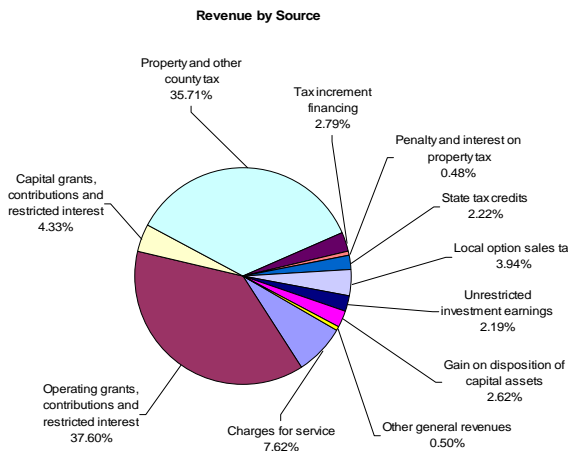
Net Assets of Governmental Activities		
	June 30,	
	2006	2005
Current and other assets	\$ 8,104,831	8,584,368
Capital assets	8,061,307	7,416,915
Total assets	<u>16,166,138</u>	<u>16,001,283</u>
Long-term liabilities	467,002	437,833
Other liabilities	3,695,901	3,779,857
Total liabilities	<u>4,162,903</u>	<u>4,217,690</u>
Net assets:		
Invested in capital assets, net of related debt	8,014,935	7,342,329
Restricted	2,449,458	2,748,733
Unrestricted	<u>1,538,842</u>	<u>1,692,531</u>
Total net assets	<u>\$ 12,003,235</u>	<u>11,783,593</u>

Net assets of Fremont County's governmental activities increased by 1.9%, or \$219,642, during the year. The largest portion of the County's net assets 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 assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased from approximately \$1,693,000 at June 30, 2005 to approximately \$1,539,000 at the end of this year, a decrease of 9%.

Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2006	2005
Revenues:		
Program revenues:		
Charges for service	\$ 618,013	641,694
Operating grants, contributions and restricted interest	3,048,703	2,873,648
Capital grants, contributions and restricted interest	351,530	740,126
General revenues:		
Property and other county tax	2,897,381	2,979,545
Tax increment financing	226,431	246,880
Penalty and interest on property tax	39,016	-
State tax credits	180,437	188,960
Local option sales tax	320,013	301,586
Grants and contributions not restricted to specific purposes	-	2,152
Unrestricted investment earnings	178,026	124,846
Gain on disposition of capital assets	212,500	220,739
Other general revenues	40,672	28,573
Total revenues	8,112,722	8,348,749
Program expenses:		
Public safety and legal services	1,596,464	1,511,365
Physical health and social services	153,074	172,403
Mental health	1,086,074	1,021,795
County environment and education	628,133	566,298
Roads and transportation	3,188,101	3,187,738
Governmental services to residents	409,134	331,913
Administration	831,560	827,475
Non-program	540	1,015
Total expenses	7,893,080	7,620,002
Increase in net assets	219,642	728,747
Net assets beginning of year	11,783,593	11,054,846
Net assets end of year	\$ 12,003,235	11,783,593



Overall, revenues decreased \$236,027, or 2.8%, during the year. The decrease is primarily due to a decrease in capital contributions from the Iowa Department of Transportation.

Fremont County's property tax rates for fiscal 2006 decreased \$.64461 per \$1,000 of taxable valuation in the rural levy and \$.53639 per \$1,000 of taxable valuation in the countywide levy. The rural assessed property taxable valuation increased \$10,541,939. The countywide assessed property taxable valuation increased \$12,865,327. The general basic levy remained at \$3.50 per \$1,000 of taxable valuation, the general supplemental levy decreased \$.2088 per \$1,000 of taxable valuation and the mental health levy decreased \$.32759 per \$1,000 of taxable valuation.

The cost of all governmental activities this year was approximately \$7.9 million compared to approximately \$7.6 million last year, an increase of only 3.6%.

INDIVIDUAL MAJOR FUND ANALYSIS

As Fremont County completed the year, its governmental funds reported a combined fund balance of \$4,376,787 compared to \$4,778,698 at June 30, 2005, a decrease of \$401,911, or 8.4%.

The General Fund, the operating fund for Fremont County, ended FY06 with a balance of \$1,488,743, a decrease of \$33,327 from the FY05 ending balance of \$1,522,070. The decrease in fund balance is primarily due to an increase in revenues of \$184,427, offset by an increase in expenditures of \$288,523. The increase in revenues is primarily due to an increase in intergovernmental revenues.

The County has continued to look for ways to effectively manage the cost of mental health services. The Mental Health Fund balance at year-end decreased by \$143,042, or 23.5%, from the prior year to \$466,444. The decrease in fund balance was the result of a decrease in FY06 revenues and an increase in FY06 expenditures when compared to the prior year.

The Rural Services Fund ending fund balance decreased approximately \$37,000 from the prior year to \$585,774. The decrease is primarily the result of a modest increase in property tax and local option sales tax revenues of approximately \$76,000. This increase was offset by an increase in transfers to the Secondary Roads Fund of \$31,664. Other revenues within the Rural Services Fund remained virtually unchanged. The local option sales tax received and credited to the Rural Services Fund meets the requirements of the referendum for property tax relief.

The Secondary Roads Fund ended 2006 with a \$1,688,907 fund balance, a decrease of approximately \$195,000 compared to the prior year ending fund balance of \$1,884,265. The balance in this fund also decreased significantly in the prior year by approximately \$1,099,000. These decreases indicate expenditures have exceeded revenues and the County has had to utilize balances on hand to meet its obligations for two years. The percentage of fund balance to expenditures has increased from 46% at June 30, 2005 to 51% at June 30, 2006. Fremont County maintained 1,500 miles of gravel, dirt and paved roads with the resources of this fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, Fremont County amended its budget two times. The first amendment was made in February 2006 and resulted in an increase in budgeted disbursements related to a new shop/administration building for secondary roads. The second amendment was made in May 2006 and was related to expenditures for Sheriff's department fuel costs, radio and equipment and inmate housing costs.

The County's receipts were \$154,972 less than budgeted, a variance of 2%. The most significant variance resulted from the County receiving less intergovernmental receipts than anticipated.

Total disbursements were \$946,826 less than the amended budget. Actual disbursements for the roads and transportation, mental health and county environment and education functions were \$285,984, \$133,262 and \$111,836, respectively, less than budgeted. This was primarily due to cost cutting measures instituted county-wide.

The County did not exceed the budgeted amounts for the year ended June 30, 2006.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, Fremont County had approximately \$8.1 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 \$644,392. The increase is primarily due to the purchases of secondary roads and Sheriff's department equipment, along with a retaining wall around the courthouse.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2006	2005
Land	\$ 1,542,473	1,542,473
Buildings	2,695,458	2,756,632
Improvements other than buildings	129,590	39,238
Equipment and vehicles	1,848,909	1,600,142
Infrastructure	1,844,877	1,478,430
Total	<u>\$ 8,061,307</u>	<u>7,416,915</u>
This year's major additions included:		
Courthouse retaining wall	\$ 95,752	
Secondary roads equipment	621,736	
Sheriff's department equipment	21,739	
Secondary roads infrastructure	156,245	
Infrastructure project through Iowa DOT	277,175	
Total	<u>\$ 1,172,647</u>	

Fremont County had depreciation expense of \$528,255 in fiscal 2006 and total accumulated depreciation of \$3,998,290 at June 30, 2006. More detailed information about the County's capital assets is included in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2006, the County's outstanding balance of lease purchase agreements was \$46,372 compared to \$74,586 at June 30, 2005.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Fremont County's constitutional debt limit is \$24 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

Amounts available for appropriation in the operating budget are \$11.5 million, an increase of 12.4% over the final 2006 budget. Property tax (including general fund levies set at \$5.67568 per \$1,000 of taxable valuation) and grant receipts are expected to lead this increase. Fremont County will use those increases in receipts to finance programs we currently offer and offset the effect we expect inflation to have on program costs.

Budgeted disbursements are expected to rise by approximately \$14,000. The County has added no major new programs or initiatives to the 2007 budget.

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Fremont County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joan Kirk at the Fremont County Auditor's Office, by mail at 506 Filmore, Sidney, IA 51652, or by telephone at (712) 374-2031.

Fremont County

Basic Financial Statements

Exhibit A

Fremont County
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 3,992,998
Receivables:	
Property tax:	
Delinquent	19,702
Succeeding year	3,144,000
Interest and penalty on property tax	13,264
Accounts	3,157
Accrued interest	33,156
Drainage assessments	21
Due from other governments	373,015
Inventories	350,901
Prepaid items	174,617
Capital assets - nondepreciable	1,542,473
Capital assets - depreciable (net)	6,518,834
	<u>16,166,138</u>
Total assets	<u>16,166,138</u>
Liabilities	
Accounts payable	273,154
Salaries and benefits payable	106,006
Due to other governments	172,741
Deferred revenue:	
Succeeding year property tax	3,144,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	46,372
Compensated absences	85,811
Portion due or payable after one year:	
Compensated absences	334,819
	<u>4,162,903</u>
Total liabilities	<u>4,162,903</u>
Net Assets	
Invested in capital assets, net of related debt	8,014,935
Restricted for:	
Supplemental levy purposes	427,479
Mental health purposes	455,504
Secondary roads purposes	1,419,535
Other purposes	146,940
Unrestricted	1,538,842
	<u>12,003,235</u>
Total net assets	<u>\$ 12,003,235</u>

See notes to financial statements.

Fremont County
Statement of Activities
Year ended June 30, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,596,464	136,245	206,521	-	(1,253,698)
Physical health and social services	153,074	10,926	66,101	-	(76,047)
Mental health	1,086,074	202,828	363,722	-	(519,524)
County environment and education	628,133	75,960	21,064	-	(531,109)
Roads and transportation	3,188,101	25,779	2,215,372	351,530	(595,420)
Governmental services to residents	409,134	154,405	98,366	-	(156,363)
Administration	831,560	11,870	77,557	-	(742,133)
Non-program	540	-	-	-	(540)
Total	\$ 7,893,080	618,013	3,048,703	351,530	(3,874,834)
General Revenues:					
Property and other county tax levied for general purposes					2,897,381
Tax increment financing					226,431
Penalty and interest on property tax					39,016
State tax credits					180,437
Local option sales tax					320,013
Unrestricted investment earnings					178,026
Gain on disposition of capital assets					212,500
Miscellaneous					40,672
Total general revenues					4,094,476
Change in net assets					219,642
Net assets beginning of year					11,783,593
Net assets end of year					\$ 12,003,235

See notes to financial statements.

Fremont County
Balance Sheet
Governmental Funds

June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,433,298	602,813	586,324	1,228,244
Receivables:				
Property tax:				
Delinquent	12,322	2,905	4,475	-
Succeeding year	1,832,000	432,000	633,000	-
Interest and penalty on property tax	13,264	-	-	-
Accounts	2,154	-	-	1,003
Accrued interest	33,156	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	83,649	35,527	-	249,179
Inventories	-	-	-	350,901
Prepaid items	106,339	1,108	-	67,170
	\$ 3,516,182	1,074,353	1,223,799	1,896,497
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 75,955	31,584	650	164,905
Salaries and benefits payable	56,865	7,347	-	41,794
Due to other governments	37,712	134,138	-	891
Deferred revenue:				
Succeeding year property tax	1,832,000	432,000	633,000	-
Other	24,907	2,840	4,375	-
Total liabilities	2,027,439	607,909	638,025	207,590
Fund balances:				
Reserved for supplemental levy purposes	434,994	-	-	-
Unreserved, reported in:				
General fund	1,053,749	-	-	-
Special revenue funds	-	466,444	585,774	1,688,907
Total fund balances	1,488,743	466,444	585,774	1,688,907
	\$ 3,516,182	1,074,353	1,223,799	1,896,497

See notes to financial statements.

Nonmajor Special Revenue	Total
142,319	3,992,998
-	19,702
247,000	3,144,000
-	13,264
-	3,157
-	33,156
21	21
4,660	373,015
-	350,901
-	174,617
<u>394,000</u>	<u>8,104,831</u>
60	273,154
-	106,006
-	172,741
247,000	3,144,000
21	32,143
<u>247,081</u>	<u>3,728,044</u>
-	434,994
-	1,053,749
146,919	2,888,044
<u>146,919</u>	<u>4,376,787</u>
<u>394,000</u>	<u>8,104,831</u>

Fremont County

Fremont County

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

June 30, 2006

Total governmental fund balances (page 19) \$ 4,376,787

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$12,059,597 and the accumulated depreciation is \$3,998,290. 8,061,307

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 32,143

Long-term liabilities, including capital lease purchase agreements payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (467,002)

Net assets of governmental activities (page 16) \$ 12,003,235

See notes to financial statements.

Fremont County

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

Year ended June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 2,085,155	341,034	790,180	-
Interest and penalty on property tax	36,374	-	-	-
Intergovernmental	642,381	587,858	41,251	2,289,157
Licenses and permits	12,633	-	-	2,605
Charges for service	265,204	-	-	-
Use of money and property	196,575	-	-	1,275
Miscellaneous	58,843	4,484	-	22,559
Total revenues	<u>3,297,165</u>	<u>933,376</u>	<u>831,431</u>	<u>2,315,596</u>
Expenditures:				
Operating:				
Public safety and legal services	1,538,897	-	-	-
Physical health and social services	149,619	-	1,892	-
Mental health	-	1,076,418	-	-
County environment and education	253,739	-	58,720	-
Roads and transportation	-	-	-	3,132,924
Governmental services to residents	392,705	-	2,239	-
Administration	894,836	-	-	-
Non-program	540	-	-	-
Capital projects	100,156	-	-	183,978
Total expenditures	<u>3,330,492</u>	<u>1,076,418</u>	<u>62,851</u>	<u>3,316,902</u>
Excess (deficiency) of revenues over (under) expenditures	(33,327)	(143,042)	768,580	(1,001,306)
Other financing sources (uses):				
Operating transfers in	-	-	-	805,948
Operating transfers out	-	-	(805,948)	-
Total other financing sources (uses)	-	-	(805,948)	805,948
Net change in fund balances	(33,327)	(143,042)	(37,368)	(195,358)
Fund balances beginning of year	1,522,070	609,486	623,142	1,884,265
Fund balances end of year	<u>\$ 1,488,743</u>	<u>466,444</u>	<u>585,774</u>	<u>1,688,907</u>

See notes to financial statements.

Nonmajor Special Revenue	Total
226,432	3,442,801
-	36,374
9,171	3,569,818
-	15,238
2,098	267,302
969	198,819
3,180	89,066
241,850	7,619,418
2,525	1,541,422
-	151,511
-	1,076,418
232,141	544,600
-	3,132,924
-	394,944
-	894,836
-	540
-	284,134
234,666	8,021,329
7,184	(401,911)
2,564	808,512
(2,564)	(808,512)
-	-
7,184	(401,911)
139,735	4,778,698
146,919	4,376,787

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, 2006

Net change in fund balances - Total governmental funds (page 23) \$ (401,911)

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	\$ 682,972	
Capital assets contributed by the Iowa Department of Transportation	277,175	
Depreciation expense	<u>(528,255)</u>	431,892

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 212,500

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

Property tax	1,024	
Other	<u>2,605</u>	3,629

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 28,214

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	(57,383)	
Accrued interest payable	<u>2,701</u>	<u>(54,682)</u>

Change in net assets of governmental activities (page 17) \$ 219,642

See notes to financial statements.

Fremont County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,071,826
Other County officials	16,181
Receivables:	
Property tax:	
Delinquent	40,204
Succeeding year	6,719,000
Accounts	7,892
Accrued interest	962
Drainage assessments	1,877
Due from other governments	356
Prepaid items	3,395
Total assets	<u>7,861,693</u>

Liabilities

Accounts payable	2,295
Salaries and benefits payable	4,902
Due to other governments	7,778,225
Trusts payable	41,868
Compensated absences	34,403
Total liabilities	<u>7,861,693</u>

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

Fremont County

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

Thirty-four drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, seven of them are controlled, managed and supervised by the Fremont County Board of Supervisors. These drainage districts are reported as a Special Revenue Fund. The remaining individual drainage districts are reported as an Agency Fund. Financial information of the individual drainage districts can be obtained from the Fremont County Auditor's Office.

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Asset Class	Estimated Useful lives (In Years)
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Equipment and vehicles	2 - 20

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column of the Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

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

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,759 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 805,948
Low to Moderate Income Assistance	Tax Increment Financing Rebate	2,564
Total		<u>\$ 808,512</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,542,473	-	-	1,542,473
Construction in progress	-	433,420	(433,420)	-
Total capital assets not being depreciated	<u>1,542,473</u>	<u>433,420</u>	<u>(433,420)</u>	<u>1,542,473</u>
Capital assets being depreciated:				
Buildings	3,175,121	-	-	3,175,121
Improvements other than buildings	47,084	95,752	-	142,836
Equipment and vehicles	5,087,741	643,475	(481,259)	5,249,957
Infrastructure, road network	1,361,741	433,420	-	1,795,161
Infrastructure, other	154,049	-	-	154,049
Total capital assets being depreciated	<u>9,825,736</u>	<u>1,172,647</u>	<u>(481,259)</u>	<u>10,517,124</u>
Less accumulated depreciation for:				
Buildings	418,489	61,174	-	479,663
Improvements other than buildings	7,846	5,400	-	13,246
Equipment and vehicles	3,487,599	394,708	(481,259)	3,401,048
Infrastructure, road network	16,820	61,838	-	78,658
Infrastructure, other	20,540	5,135	-	25,675
Total accumulated depreciation	<u>3,951,294</u>	<u>528,255</u>	<u>(481,259)</u>	<u>3,998,290</u>
Total capital assets being depreciated, net	<u>5,874,442</u>	<u>644,392</u>	<u>-</u>	<u>6,518,834</u>
Governmental activities capital assets, net	<u>\$ 7,416,915</u>	<u>1,077,812</u>	<u>(433,420)</u>	<u>8,061,307</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 56,002
Physical health and social services		1,562
Mental health		6,520
County environment and education		14,251
Roads and transportation		414,831
Governmental services to residents		693
Administration		34,396
		<u>528,255</u>
Total depreciation expense - governmental activities		\$ 528,255

(5) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 37,712
Special Revenue:		
Mental Health	Services	134,138
Secondary Roads		891
		<u>172,741</u>
Total for governmental funds		\$ 172,741
Agency:		
County Assessor	Collections	\$ 294,653
Schools		4,879,237
Community Colleges		216,521
Corporations		1,364,896
Townships		147,585
Auto License and Use Tax		142,761
Drainage Districts		569,304
All other		163,268
		<u>7,778,225</u>
Total for agency funds		\$ 7,778,225

(6) Changes in Long-Term Liabilities

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

	Capital Lease Purchase Agreements	Compensated Absences	Total
Balance beginning of year	\$ 74,586	363,247	437,833
Increases	-	244,409	244,409
Decreases	28,214	187,026	215,240
			<u>467,002</u>
Balance end of year	\$ 46,372	420,630	467,002
			<u>132,183</u>
Due within one year	\$ 46,372	85,811	132,183

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease a golf course irrigation system and a conservation mower with historical costs of \$154,048 and \$39,880, respectively, and accumulated depreciation of \$25,675 and \$3,988, respectively. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 6.10% to 6.27% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2006:

Year ending June 30,	Golf Course		Total
	Irrigation System	Conservation Mower	
2007	\$ 25,846	23,396	49,242
Less amount representing interest	(1,525)	(1,345)	(2,870)
Present value of net minimum lease payments	\$ 24,321	22,051	46,372

Payments under capital lease purchase agreements totaled \$32,845 during the year ended June 30, 2006.

(7) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$159,201, \$150,541 and \$144,819, respectively, equal to the required contributions for each year.

(8) Risk Management

Fremont County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 531 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2006 were \$134,703.

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

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

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

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

(9) Development Agreements

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

The County agreed to rebate 100% of the incremental tax paid by the developer in exchange for the costs of certain improvements. The incremental tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated in twenty semi-annual payments beginning on December 1, 2001. During the year ended June 30, 2006, \$26,899 was rebated to the developer, K&M Lyons, Inc.

The County agreed to rebate 100% of the incremental tax paid by developers and a company organized as an Iowa limited liability company in exchange for the construction and maintenance of certain improvements. The incremental tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developers and company will be rebated in thirty semi-annual payments beginning on December 1, 2002. The total to be paid by the County under this agreement is not to exceed \$5,923,031. During the year ended June 30, 2006, \$187,362 was rebated to the company on behalf of the developers.

The County agreed to rebate 62.26% of the incremental tax paid by the developer in exchange for the construction of certain road, water and sanitary sewer improvements. The incremental tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated in twenty semi-annual payments beginning on December 1, 2003. The total to be paid by the County under this agreement is not to exceed \$300,000. During the year ended June 30, 2006, \$7,784 was rebated to the developer.

(10) Financial Assurance

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

The County has provided a local government guarantee for a portion of the closure and postclosure care costs of the Commission in accordance with Chapter 111.6(8) of the Iowa Administrative Code. Total estimated costs for closure and postclosure care of the Commission as of June 30, 2006 are \$844,090 and the County's financial assurance obligation amount is \$626,441.

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

Required Supplementary Information

Fremont County

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2006

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 3,437,915	-	3,437,915
Interest and penalty on property tax	36,408	-	36,408
Intergovernmental	3,483,247	-	3,483,247
Licenses and permits	14,668	-	14,668
Charges for service	267,729	-	267,729
Use of money and property	188,847	-	188,847
Miscellaneous	72,423	115	72,308
Total receipts	7,501,237	115	7,501,122
Disbursements:			
Public safety and legal services	1,541,537	-	1,541,537
Physical health and social services	158,140	-	158,140
Mental health	1,083,573	-	1,083,573
County environment and education	525,545	7,542	518,003
Roads and transportation	3,270,456	-	3,270,456
Governmental services to residents	396,149	-	396,149
Administration	855,914	-	855,914
Non-program	540	-	540
Capital projects	284,391	-	284,391
Total disbursements	8,116,245	7,542	8,108,703
Excess (deficiency) of receipts (over) under disbursements	(615,008)	(7,427)	(607,581)
Other financing sources, net	14,407	-	14,407
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(600,601)	(7,427)	(593,174)
Balance beginning of year	4,593,599	50,815	4,542,784
Balance end of year	\$ 3,992,998	43,388	3,949,610

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
3,468,413	3,468,413	(30,498)
21,025	21,025	15,383
3,557,101	3,557,101	(73,854)
11,555	11,555	3,113
284,195	284,195	(16,466)
219,805	219,805	(30,958)
94,000	94,000	(21,692)
<u>7,656,094</u>	<u>7,656,094</u>	<u>(154,972)</u>
1,578,567	1,625,567	84,030
235,800	235,800	77,660
1,216,835	1,216,835	133,262
629,839	629,839	111,836
3,316,440	3,556,440	285,984
486,364	486,364	90,215
917,384	917,384	61,470
6,300	6,300	5,760
381,000	381,000	96,609
<u>8,768,529</u>	<u>9,055,529</u>	<u>946,826</u>
(1,112,435)	(1,399,435)	791,854
27,000	27,000	(12,593)
(1,085,435)	(1,372,435)	779,261
3,420,492	3,420,492	1,122,292
<u>2,335,057</u>	<u>2,048,057</u>	<u>1,901,553</u>

Fremont County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,501,237	118,181	7,619,418
Expenditures	8,116,245	(94,916)	8,021,329
Net	(615,008)	213,097	(401,911)
Other financing sources, net	14,407	(14,407)	-
Beginning fund balances	4,593,599	185,099	4,778,698
Ending fund balances	\$ 3,992,998	383,789	4,376,787

See accompanying independent auditor's report.

Fremont County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$287,000. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted and departmental disbursements did not exceed the amounts appropriated.

Fremont County

Other Supplementary Information

Fremont County
 Combining Balance Sheet
 Nonmajor Special Revenue Funds

June 30, 2006

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Conservation Land Acquisition
Assets				
Cash and pooled investments	\$ 22,728	244	43,388	1,573
Receivables:				
Succeeding year property tax	-	-	-	-
Drainage assessments	-	-	21	-
Due from other governments	-	-	-	-
Total assets	\$ 22,728	244	43,409	1,573
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	21	-
Total liabilities	-	-	21	-
Fund equity:				
Unreserved fund balances	22,728	244	43,388	1,573
Total liabilities and fund equity	\$ 22,728	244	43,409	1,573

See accompanying independent auditor's report.

Tax Increment Financing Rebate	Low to Moderate Income Assistance	Resource Enhancement and Protection	County Attorney Special Law Enforcement	Sheriff Special Law Enforcement	Total
1,823	7,181	48,757	919	15,706	142,319
-					
247,000	-	-	-	-	247,000
-	-	-	-	-	21
-	-	4,660	-	-	4,660
248,823	7,181	53,417	919	15,706	394,000
-	-	-	-	60	60
247,000	-	-	-	-	247,000
-	-	-	-	-	21
247,000	-	-	-	60	247,081
1,823	7,181	53,417	919	15,646	146,919
248,823	7,181	53,417	919	15,706	394,000

Fremont County

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

Year ended June 30, 2006

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Conservation Land Acquisition
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	-	-	-	-
Charges for service	2,098	-	-	-
Use of money and property	304	4	-	-
Miscellaneous	-	-	105	-
Total revenues	2,402	4	105	-
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	-	7,542	-
Total expenditures	-	-	7,542	-
Excess (deficiency) of revenues over (under) expenditures	2,402	4	(7,437)	-
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	2,402	4	(7,437)	-
Fund balances beginning of year	20,326	240	50,825	1,573
Fund balances end of year	\$ 22,728	244	43,388	1,573

See accompanying independent auditor's report.

Tax Increment Financing Rebate	Low to Moderate Income Assistance	Resource Enhancement and Protection	County Attorney Special Law Enforcement	Sheriff Special Law Enforcement	Total
226,432	-	-	-	-	226,432
-	-	9,171	-	-	9,171
-	-	-	-	-	2,098
-	-	661	-	-	969
-	-	-	-	3,075	3,180
226,432	-	9,832	-	3,075	241,850
-	-	-	-	2,525	2,525
222,045	55	2,499	-	-	232,141
222,045	55	2,499	-	2,525	234,666
4,387	(55)	7,333	-	550	7,184
-	2,564	-	-	-	2,564
(2,564)	-	-	-	-	(2,564)
(2,564)	2,564	-	-	-	-
1,823	2,509	7,333	-	550	7,184
-	4,672	46,084	919	15,096	139,735
1,823	7,181	53,417	919	15,646	146,919

Fremont County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	2,274	144,084	98,122
Other County officials	16,181	-	-	-
Receivables:				
Property tax:				
Delinquent	-	629	1,252	31,115
Succeeding year	-	93,000	185,000	4,750,000
Accounts	7	-	100	-
Accrued interest	-	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	-	-	-	-
Prepaid items	-	-	3,395	-
Total assets	\$ 16,188	95,903	333,831	4,879,237
Liabilities				
Accounts payable	\$ -	-	33	-
Salaries and benefits payable	-	-	4,742	-
Due to other governments	4,411	95,903	294,653	4,879,237
Trusts payable	11,777	-	-	-
Compensated absences	-	-	34,403	-
Total liabilities	\$ 16,188	95,903	333,831	4,879,237

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Drainage Districts	Other	Total
5,117	24,078	2,608	142,761	566,465	86,317	1,071,826
-	-	-	-	-	-	16,181
1,404	4,818	977	-	-	9	40,204
210,000	1,336,000	144,000	-	-	1,000	6,719,000
-	-	-	-	-	7,785	7,892
-	-	-	-	962	-	962
-	-	-	-	1,877	-	1,877
-	-	-	-	-	356	356
-	-	-	-	-	-	3,395
216,521	1,364,896	147,585	142,761	569,304	95,467	7,861,693
-	-	-	-	-	2,262	2,295
-	-	-	-	-	160	4,902
216,521	1,364,896	147,585	142,761	569,304	62,954	7,778,225
-	-	-	-	-	30,091	41,868
-	-	-	-	-	-	34,403
216,521	1,364,896	147,585	142,761	569,304	95,467	7,861,693

Fremont County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 21,486	87,363	362,875	5,060,976
Additions:				
Property and other county tax	-	92,825	184,930	4,755,236
E911 surcharge	-	-	-	-
State tax credits	-	5,295	9,727	306,176
Drivers license fees	-	-	-	-
Office fees and collections	172,631	-	-	-
Electronic transaction fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	137,834	-	-	-
Miscellaneous	2,064	-	3,200	-
Total additions	312,529	98,120	197,857	5,061,412
Deductions:				
Agency remittances:				
To other funds	101,264	-	-	-
To other governments	77,511	89,580	226,901	5,243,151
Trusts paid out	139,052	-	-	-
Total deductions	317,827	89,580	226,901	5,243,151
Balances end of year	\$ 16,188	95,903	333,831	4,879,237

See accompanying independent auditor's report.

Community Colleges	Corpora- tions	Townships	Auto License and Use Tax	Drainage Districts	Other	Total
267,097	1,356,731	145,207	143,129	511,894	115,039	8,071,797
210,014	1,319,634	145,298	-	-	1,340	6,709,277
-	-	-	-	-	45,799	45,799
16,182	63,854	8,948	-	-	84	410,266
-	-	-	43,134	-	-	43,134
-	-	-	-	-	1,160	173,791
-	-	-	-	-	2,098	2,098
-	-	-	2,017,781	-	232	2,018,013
-	-	-	-	143,870	-	143,870
-	-	-	-	-	154,013	291,847
-	1,502	-	-	30,495	22,870	60,131
226,196	1,384,990	154,246	2,060,915	174,365	227,596	9,898,226
-	-	-	94,142	-	-	195,406
276,772	1,376,825	151,868	1,967,141	116,955	64,249	9,590,953
-	-	-	-	-	182,919	321,971
276,772	1,376,825	151,868	2,061,283	116,955	247,168	10,108,330
216,521	1,364,896	147,585	142,761	569,304	95,467	7,861,693

Schedule 5

Fremont County

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

For the Last Six Years

	Modified Accrual Basis					
	2006	2005	2004	2003	2002	2001
Revenues:						
Property and other county tax	\$ 3,442,801	3,529,203	3,462,042	3,171,161	3,115,168	2,766,032
Interest and penalty on property tax	36,374	31,149	29,109	30,180	42,073	27,753
Intergovernmental	3,569,818	3,355,608	3,475,783	3,389,112	3,385,309	3,459,046
Licenses and permits	15,238	13,932	18,424	12,918	16,480	4,607
Charges for service	267,302	282,084	296,107	262,914	251,277	224,674
Use of money and property	198,819	144,583	147,749	194,678	293,588	439,191
Fines, forfeitures and defaults	-	-	-	-	10,279	5,749
Miscellaneous	89,066	65,073	125,355	70,817	101,458	88,977
Total	\$ 7,619,418	7,421,632	7,554,569	7,131,780	7,215,632	7,016,029
Expenditures:						
Operating:						
Public safety and legal services	\$ 1,541,422	1,490,027	1,429,674	1,325,858	1,310,069	1,189,527
Physical health and social services	151,511	156,665	132,073	191,449	258,101	316,704
Mental health	1,076,418	1,011,944	995,212	964,931	1,028,632	1,026,871
County environment and education	544,600	600,397	478,330	350,949	229,525	309,947
Roads and transportation	3,132,924	4,048,002	3,974,302	2,851,143	2,731,905	2,828,920
Governmental services to residents	394,944	331,275	279,894	269,407	274,750	249,047
Administration	894,836	814,262	746,481	834,924	785,010	721,205
Non-program	540	1,015	215	7,660	16,999	11,168
Capital projects	284,134	45,766	226,211	565,510	394,194	492,280
Total	\$ 8,021,329	8,499,353	8,262,392	7,361,831	7,029,185	7,145,669

See accompanying independent auditor's report.

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

Fremont County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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

To the Officials of Fremont County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Fremont County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 12, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

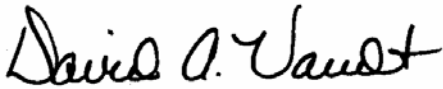
Compliance and Other Matters

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

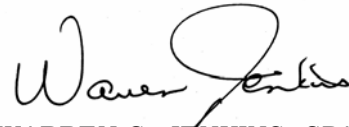
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Fremont County and other parties to whom Fremont County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 12, 2007

Fremont County
Schedule of Findings
Year ended June 30, 2006

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

- (A) Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or more individuals in the offices identified below may have control over the following areas for which no compensating controls exist:

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

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

Response –

- (1) The Golf Course Greens Superintendent opens mail. The Treasurer does the reconciling.
- (2) Employees take turns in collecting the mail. The Treasurer opens the mail and records the information in a spreadsheet including name, bank, amount, and check number. All employees post receipts. The Treasurer has established a rotation schedule for reconciling and daily balancing.
- (3) A request for interest quotes is emailed to all banks by a tax deputy (rotated). A quote sheet is prepared for the Treasurer's approval. Only the Treasurer can cash or purchase investments. Spreadsheets are prepared for individual investments by the tax deputies (rotated).

Fremont County

Schedule of Findings

Year ended June 30, 2006

Conclusion –

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

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

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

Response – Accounting procedures have now been set up similar to the Fremont County Sheriff's Department. The procedures are reviewed monthly by the Sheriff, his designee and/or the Liaison officers for the Fremont County Reserve Deputies.

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

- (C) Local Option Sales Tax – The County records local option sales tax (LOST) revenues in both the General and the Rural Services Funds. During fiscal 2006, the use of General Fund LOST collections was not readily identifiable to the warrant and expenditure level and a year end balance was not maintained. Accordingly, we were unable to determine whether the funds were used in accordance with the referendum approving the tax in the General Fund.

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

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Fremont County
 Schedule of Findings
 Year ended June 30, 2006

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ryan Funke, Conservation Director and Golf Course Manager, owner of Paper Tiger	Paper shredding services	\$ 637

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

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

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

- (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 insure 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. However, the Board went into closed session on March 23, 2006 to discuss matters related to the County. The minutes record did not document the vote of each member on the question of holding the closed session as required by Chapter 21.5(2) of the Code of Iowa.

Recommendation – The Board of Supervisors should ensure all closed meetings comply with Chapter 21.5 of the Code of Iowa.

Response – This was an oversight on my part and I will make sure all votes are documented in the future

Conclusion – Response accepted.

Fremont County

Schedule of Findings

Year ended June 30, 2006

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

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

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

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

- (10) 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.

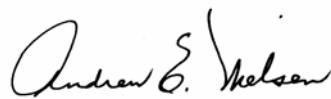
Disbursements during the year ended June 30, 2006 for the County Extension Office did not exceed the amount budgeted.

Fremont County

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager
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Michelle L. Harris, Staff Auditor
Ryan J. Sisson, Staff Auditor
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