



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE June 18, 2004

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$10,895,229 for the year ended June 30, 2003, which included \$976,116 in tax credits from the state. The County forwarded \$7,688,134 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,152,699 of the local tax revenue to finance County operations, a one percent increase over the prior year. Other revenues included \$3,089,563 from other governments, including indirect federal funding, \$263,615 in local option sales tax and \$172,033 in interest on investments.

Expenditures for County operations totaled \$7,361,831, a five percent increase from the prior year. Expenditures included \$2,851,143 for roads and transportation, \$1,325,858 for public safety and legal services and \$964,931 for mental health.

The report contains recommendations to the Board of Supervisors and other County officials. For example, the operating procedures of certain offices should be reviewed to obtain the maximum internal control possible. The County Sheriff's office should require all claims submitted for payment to be supported by adequate documentation. In addition, the County should adopt a formal written policy regulating the use of County issued credit cards. The County's responses are included in the audit report.

A copy of the audit report is available for review in the Office of Auditor of State and the County Auditor's office.

###

FREMONT COUNTY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2003

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
General Purpose Financial Statements:	<u>Exhibit</u>	
Combined Balance Sheet – All Fund Types and Account Groups	A	8-11
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types and Expendable Trust Fund	B	12
Comparison of Receipts, Disbursements and Changes in Balances – Actual to Budget (Cash Basis) – All Governmental Fund Types and Expendable Trust Fund	C	13
Notes to Financial Statements		14-24
Supplemental Information:	<u>Schedule</u>	
General Fund:		
Statement of Revenues, Expenditures and Changes in Fund Balance	1	27-28
Statement of Expenditures	2	29-31
Special Revenue Funds:		
Combining Balance Sheet	3	32-33
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	34-43
Trust and Agency Funds:		
Combining Balance Sheet	5	44-47
Combining Statement of Changes in Assets and Liabilities - Agency Funds	6	48-51
Comparison of Taxes and Intergovernmental Revenues	7	52
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		55-56
Schedule of Findings		57-63
Staff		64

Fremont County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2003)		
John E. Whipple	Board of Supervisors	Jan 2003
David Aistrope	Board of Supervisors	Jan 2003
Keith D. Hickey	Board of Supervisors	Jan 2005
Lucille Hunt	County Auditor	Jan 2005
Christine M. Sheldon	County Treasurer	(Resigned)
Judith M. Crain (Appointed)	County Treasurer	Jan 2003
Margaret Henkle	County Recorder	Jan 2003
Steven H. MacDonald	County Sheriff	Jan 2005
Vicki R. Danley	County Attorney	Jan 2003
Karen L. Berry	County Assessor	Jan 2004
(After January 2003)		
Keith D. Hickey	Board of Supervisors	Jan 2005
Chuck Larson	Board of Supervisors	Jan 2007
David Aistrope	Board of Supervisors	Jan 2007
Lucille Hunt	County Auditor	Jan 2005
Judith M. Crain	County Treasurer	Jan 2007
Margaret Henkle	County Recorder	Jan 2007
Steven H. MacDonald	County Sheriff	Jan 2005
Vicki R. Danley	County Attorney	Jan 2007
Karen L. Berry	County Assessor	Jan 2004

Fremont County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Officials of Fremont County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Fremont County, Iowa, as of and for the year ended June 30, 2003. These general purpose financial statements are the responsibility of Fremont County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

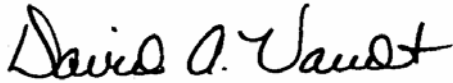
We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Fremont County at June 30, 2003, and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types and expendable trust fund of Fremont County for the year ended June 30, 2003.

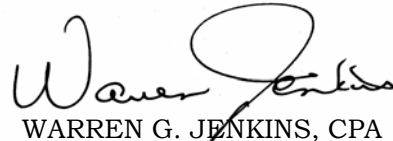
As discussed in Note 11 to the financial statements, Fremont County intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the County's financial statements and related notes in the year of implementation. The revised requirements include the use of the economic resources measurement focus and full accrual accounting, as well as an analytical overview of the County's financial activities in the Management's Discussion and Analysis introduction to the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated March 5, 2004 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 grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 5, 2004

Financial Statements

Fremont County
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2003

	Governmental Fund Types	
	General	Special Revenue
Assets and Other Debits		
Cash and pooled investments:		
County Treasurer	\$ 958,063	4,877,415
Other County officials	-	-
Receivables:		
Property tax:		
Delinquent	10,508	4,868
Succeeding year	1,723,000	1,404,000
Interest and penalty on property tax	53,877	-
Accounts	256	89
Accrued interest	22,740	-
Special assessments	-	-
Drainage assessments:		
Current	-	732
Future	-	571
Due from other funds (note 3)	14,806	208
Due from other governments	49,611	197,392
Inventories	-	343,697
Prepaid items	117,296	59,863
Property and equipment (note 4)	-	-
Amount to be provided for retirement of general long-term debt	-	-
Total assets and other debits	\$ 2,950,157	6,888,835

Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Debt	
1,164,932	-	-	7,000,410
15,288	-	-	15,288
53,572	-	-	68,948
6,776,000	-	-	9,903,000
-	-	-	53,877
13,231	-	-	13,576
1,130	-	-	23,870
415	-	-	415
4,380	-	-	5,112
1,841	-	-	2,412
-	-	-	15,014
-	-	-	247,003
-	-	-	343,697
12,761	-	-	189,920
-	7,821,970	-	7,821,970
-	-	436,897	436,897
8,043,550	7,821,970	436,897	26,141,409

Fremont County
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2003

	Governmental Fund Types	
	General	Special Revenue
Liabilities, Fund Equity and Other Credits		
Liabilities:		
Accounts payable	\$ 115,797	101,351
Salaries and benefits payable	4,158	22,619
Due to other funds (note 3)	-	-
Due to other governments (note 5)	9,422	79,485
Trusts payable	-	-
Deferred revenue:		
Succeeding year property tax	1,723,000	1,404,000
Other	66,255	36,338
Capital lease purchase agreements (note 6)	-	-
Compensated absences	20,250	14,304
Total liabilities	1,938,882	1,658,097
Fund equity and other credits:		
Investment in general fixed assets	-	-
Fund balances:		
Reserved for:		
Inventories	-	343,697
Prepaid items	117,296	59,863
Supplemental levy purposes	70,390	-
Unreserved:		
Designated for building improvements	-	1,500,000
Undesignated	823,589	3,327,178
Total fund equity and other credits	1,011,275	5,230,738
Total liabilities, fund equity and other credits	\$ 2,950,157	6,888,835

See notes to financial statements.

Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Debt	
Trust and Agency			
4,114	-	-	221,262
-	-	-	26,777
15,014	-	-	15,014
7,982,822	-	-	8,071,729
26,409	-	-	26,409
-	-	-	3,127,000
-	-	-	102,593
-	-	93,101	93,101
13,618	-	343,796	391,968
8,041,977	-	436,897	12,075,853
-	7,821,970	-	7,821,970
-	-	-	343,697
-	-	-	177,159
-	-	-	70,390
-	-	-	1,500,000
1,573	-	-	4,152,340
1,573	7,821,970	-	14,065,556
8,043,550	7,821,970	436,897	26,141,409

Exhibit B

Fremont County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - All Governmental Fund Types
and Expendable Trust Fund

Year ended June 30, 2003

	Governmental Fund Types		Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Expendable Trust	
Revenues:				
Property and other county tax	\$ 1,782,756	1,388,405	-	3,171,161
Interest and penalty on property tax	30,180	-	-	30,180
Intergovernmental	369,106	3,020,006	-	3,389,112
Licenses and permits	12,093	825	-	12,918
Charges for service	260,747	2,167	-	262,914
Use of money and property	190,095	4,583	-	194,678
Miscellaneous	41,590	29,227	-	70,817
Total revenues	<u>2,686,567</u>	<u>4,445,213</u>	-	<u>7,131,780</u>
Expenditures:				
Operating:				
Public safety and legal services	1,315,495	10,363	-	1,325,858
Physical health and social services	189,872	1,577	-	191,449
Mental health	-	964,931	-	964,931
County environment and education	236,564	114,385	-	350,949
Roads and transportation	-	2,851,143	-	2,851,143
Governmental services to residents	266,841	2,566	-	269,407
Administration	834,924	-	-	834,924
Non-program	187	7,473	-	7,660
Capital projects	234,656	330,854	-	565,510
Total expenditures	<u>3,078,539</u>	<u>4,283,292</u>	-	<u>7,361,831</u>
Excess (deficiency) of revenues over (under) expenditures	(391,972)	161,921	-	(230,051)
Other financing sources:				
Sale of general fixed assets	7,352	4,590	-	11,942
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(384,620)	166,511	-	(218,109)
Fund balances beginning of year	1,357,661	5,105,917	1,573	6,465,151
Increase (decrease) in reserve for:				
Inventories	-	(26,856)	-	(26,856)
Prepaid items	38,234	(14,834)	-	23,400
Fund balances end of year	<u>\$ 1,011,275</u>	<u>5,230,738</u>	<u>1,573</u>	<u>6,243,586</u>

See notes to financial statements.

Fremont County

Comparison of Receipts, Disbursements and
Changes in Balances - Actual to Budget (Cash Basis)
All Governmental Fund Types and Expendable Trust Fund

Year ended June 30, 2003

	Actual	Less Funds not Required to be Budgeted	Net	Amended Budget	Variance - Favorable (Unfavorable)	Net as % of Amended Budget
Receipts:						
Property and other county tax	\$ 3,161,398	-	3,161,398	3,167,937	(6,539)	100%
Interest and penalty on property tax	30,187	-	30,187	21,025	9,162	144%
Intergovernmental	3,437,847	-	3,437,847	3,269,639	168,208	105%
Licenses and permits	13,098	-	13,098	11,155	1,943	117%
Charges for service	262,064	-	262,064	250,930	11,134	104%
Use of money and property	203,014	-	203,014	269,125	(66,111)	75%
Miscellaneous	80,433	9,058	71,375	32,452	38,923	220%
Total receipts	<u>7,188,041</u>	<u>9,058</u>	<u>7,178,983</u>	<u>7,022,263</u>	<u>156,720</u>	<u>102%</u>
Disbursements:						
Public safety and legal services	1,378,029	-	1,378,029	1,430,595	52,566	96%
Physical health and social services	174,062	-	174,062	334,234	160,172	52%
Mental health	896,859	-	896,859	1,342,689	445,830	67%
County environment and education	337,050	-	337,050	382,781	45,731	88%
Roads and transportation	2,893,507	-	2,893,507	3,251,000	357,493	89%
Governmental services to residents	271,147	-	271,147	313,606	42,459	86%
Administration	829,234	-	829,234	894,531	65,297	93%
Non-program	6,072	5,886	186	16,300	16,114	1%
Capital projects	572,911	-	572,911	708,405	135,494	81%
Total disbursements	<u>7,358,871</u>	<u>5,886</u>	<u>7,352,985</u>	<u>8,674,141</u>	<u>1,321,156</u>	<u>85%</u>
Excess (deficiency) of receipts over (under) disbursements	(170,830)	3,172	(174,002)	(1,651,878)		
Other financing sources, net	<u>11,942</u>	-	<u>11,942</u>	<u>34,000</u>		
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(158,888)	3,172	(162,060)	(1,617,878)		
Balance beginning of year	<u>5,995,939</u>	<u>41,503</u>	<u>5,954,436</u>	<u>5,947,739</u>		
Balance end of year	<u>\$ 5,837,051</u>	<u>44,675</u>	<u>5,792,376</u>	<u>4,329,861</u>		

See notes to financial statements.

Fremont County

Notes to Financial Statements

June 30, 2003

(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.

A. Reporting Entity

For financial reporting purposes, Fremont County has included all funds, organizations, account groups, 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, six 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 also participates in several jointly governed organizations for which the County is not financially accountable or the nature and significance of the relationship with the County are such that exclusion does not cause the County's financial statements to be misleading or incomplete. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Fremont County Assessor's Conference Board, Fremont County Joint E911 Service Board and Fremont County Emergency Management Commission. 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 Area Crime Commission.

B. Fund Accounting

The accounts of the County are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues and expenditures. The various funds and account groups and their designated purposes are as follows:

Governmental Funds

General Fund – 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 Funds – The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Fiduciary Funds

Trust Fund – The Trust Fund is used to account for assets held by the County in a trustee capacity. This includes an Expendable Trust Fund which is accounted for in essentially the same manner as Governmental Funds.

Agency Funds – The 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. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

Account Groups

General Fixed Assets – This account group is established to account for the general fixed assets of the County.

General Long-Term Debt – This account group is established to account for long-term debt of the County. Long-term liabilities expected to be financed from Governmental Funds are accounted for in this account group, not in the Governmental Funds.

C. Measurement Focus

Governmental Funds and the Expendable Trust Fund are accounted for on a spending or “financial flow” measurement focus. This means only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental Fund and Expendable Trust Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds and the Expendable Trust Fund are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and 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. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The assets and liabilities of the Agency Funds are accounted for using the modified accrual basis of accounting.

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.

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the combined balance sheet:

Cash and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred 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, 2001 assessed property valuations; is for the tax accrual period July 1, 2002 through June 30, 2003 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2002.

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.

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

Drainage Assessments Receivable – Drainage assessments receivable represents 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. Current drainage assessments receivable represent assessments which are due and payable but have not been collected.

Future drainage assessments receivable represents amounts which will be assessed to individuals and levied against their property in the future for work already done on drainage districts which benefit their property.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2003, balances of interfund amounts receivable or payable have been recorded.

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. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates they are not available to liquidate current obligations.

General Fixed Assets – General fixed assets are recorded as expenditures in the Governmental Funds and are capitalized (recorded and accounted for) in the General Fixed Assets Account Group. Assets in this account group are recorded at historical cost. Assets acquired by gift are accounted for at fair market value at the date of the gift. The General Fixed Assets Account Group excludes public domain or “infrastructure” general fixed assets such as roads, bridges, curbs, gutters, streets, sidewalks and similar assets that are immovable and of value only to the government.

In accordance with standards set forth by the Governmental Accounting Standards Board, depreciation expense is not recorded on the balance sheet for general fixed assets. At the time an asset is removed from service, the cost is removed from the General Fixed Assets Account Group. Maintenance and repair are recorded as expenditures in the Governmental Funds as incurred and are not capitalized.

During the year ended June 30, 2003, no interest costs were capitalized since the County’s policy is not to capitalize interest costs on assets constructed or acquired with tax-exempt debt paid for from annual debt service tax levies.

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 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, the succeeding year property tax receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours and longevity benefits for subsequent use or for payment upon termination, death or retirement. For the Agency Funds, these accumulations are recorded as liabilities in the year earned. In the Governmental Funds, the cost of vacation and sick leave payments and longevity benefits expected to be liquidated currently are recorded as liabilities of the Governmental Funds. A liability has been recorded in the General Long-Term Debt Account Group representing the County's commitment to fund non-current compensated absences. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2003.

F. Budgets and Budgetary Accounting

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 Agency Funds and the blended component units, 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 or fund type. 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, Special Revenue Funds and Expendable Trust Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department.

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.

Exhibit C is a comparison of cash basis receipts, disbursements and changes in balances with the cash basis budget, which is legally controlled by function, not by fund. Operations and ending fund balances on the cash and modified accrual basis have been reconciled as follows:

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 2,667,260	19,307	2,686,567	4,520,781	(75,568)	4,445,213
Expenditures	3,103,277	(24,738)	3,078,539	4,255,594	27,698	4,283,292
Net	(436,017)	44,045	(391,972)	265,187	(103,266)	161,921
Other financing sources, net	7,352	-	7,352	4,590	-	4,590
Beginning fund balances	1,386,728	(29,067)	1,357,661	4,607,638	498,279	5,105,917
Increase (decrease) in reserve for:						
Inventories	-	-	-	-	(26,856)	(26,856)
Prepaid items	-	38,234	38,234	-	(14,834)	(14,834)
Ending fund balances	\$ 958,063	53,212	1,011,275	4,877,415	353,323	5,230,738

	Fiduciary Fund Type					
	Expendable Trust			Total		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ -	-	-	7,188,041	(56,261)	7,131,780
Expenditures	-	-	-	7,358,871	2,960	7,361,831
Net	-	-	-	(170,830)	(59,221)	(230,051)
Other financing sources, net	-	-	-	11,942	-	11,942
Beginning fund balances	1,573	-	1,573	5,995,939	469,212	6,465,151
Increase (decrease) in reserve for:						
Inventories	-	-	-	-	(26,856)	(26,856)
Prepaid items	-	-	-	-	23,400	23,400
Ending fund balances	\$ 1,573	-	1,573	5,837,051	406,535	6,243,586

G. Total (Memorandum Only)

The total column on the combined balance sheet and the combined statement of revenues, expenditures and changes in fund balances is captioned "Memorandum Only" to indicate it is presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2003 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 \$1,657 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2003 is as follows:

Receivable Fund	Payable Fund	Amount
General	Trust and Agency:	
	County Recorder	\$ 4,993
	County Sheriff	5,056
	Auto License and Use Tax	4,757
Special Revenue:		
County Recorder's	Trust and Agency:	
Records Management	County Recorder	208
Total		<u>\$ 15,014</u>

(4) Property and Equipment

A summary of changes in property and equipment comprising general fixed assets for the year ended June 30, 2003 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land	\$ 288,873	57,404	36,040	310,237
Buildings	1,519,940	152,268	8,964	1,663,244
Equipment	6,324,615	444,709	920,835	5,848,489
Total	<u>\$ 8,133,428</u>	<u>654,381</u>	<u>965,839</u>	<u>7,821,970</u>

Equipment includes \$176,618 of assets acquired under capital leases.

(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. The Agency Fund collections also include accruals of property tax for the succeeding year. The 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	<u>\$ 9,422</u>
Special Revenue:		
Mental Health	Services	79,432
Secondary Roads	Services	53
		<u>79,485</u>
Trust and Agency:		
County Assessor	Collections	435,920
Schools		5,020,194
Corporations		1,206,419
Community Colleges		277,553
Auto License and Use Tax		127,630
Drainage Districts		560,789
City Special Assessments		560
E911		116,498
All other		237,259
		<u>7,982,822</u>
Total		<u>\$ 8,071,729</u>

(6) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2003 is as follows:

	Capital Lease Purchase Agreements	Compensated Absences	Total
Balance beginning of year	\$ 118,620	332,052	450,672
Additions	-	11,744	11,744
Reductions	<u>(25,519)</u>	-	<u>(25,519)</u>
Balance end of year	<u>\$ 93,101</u>	<u>343,796</u>	<u>436,897</u>

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease copiers and a golf course irrigation system. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 6.271% to 8.00% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2003:

Year Ending June 30,	County Mental Health CPC Copier	County Attorney Copier	Conservation Golf Course Irrigation System	Total
2004	\$ 2,004	1,465	25,845	29,314
2005	835	-	25,845	26,680
2006	-	-	25,845	25,845
2007	-	-	25,846	25,846
Total minimum lease payments	2,839	1,465	103,381	107,685
Less amount representing interest	(163)	(44)	(14,377)	(14,584)
Present value of net minimum lease payments	\$ 2,676	1,421	89,004	93,101

Payments under capital lease purchase agreements for the year ended June 30, 2003 totaled \$30,045.

(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.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual payroll except for law enforcement employees, in which case the percentages are 5.37% and 8.05%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2003, 2002 and 2001 were \$135,828, \$135,498 and \$131,170, 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 400 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 annual contributions to the Pool for the year ended June 30, 2003 were \$138,910.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also 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 that 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 that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2003, no liability has been recorded in the County's financial statements. As of June 30, 2003, 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 claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

(9) Development Agreements

The County 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, 2003, \$15,862 was rebated to the developer.

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, 2003, \$38,534 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.

(10) Related Party Transactions

The County had business transactions between the County and County officials (or relatives of County officials) totaling \$870 during the year ended June 30, 2003. In addition, an employee of the County Conservation Board operates a golf pro shop, sells food and liquor and rents golf carts at the County-owned golf course. Such operations are conducted as a private business rather than a County activity. According to an opinion by the County Attorney, these transactions do not represent conflicts of interest as defined by Chapter 331.342 of the Code of Iowa.

(11) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the year ending June 30, 2004. The effects are expected to significantly impact the presentation of the County’s financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual accounting. Also, the revised minimum reporting requirements include Management’s Discussion and Analysis to introduce the financial statements and to provide an analytical overview of the County’s financial activities.

(12) Pending Litigation

The County is a defendant in a lawsuit appeal. The probability and amount of loss, if any, is undeterminable.

Supplemental Information

Fremont County

Fremont County

General Fund

Statement of Revenues, Expenditures and
Changes in Fund Balance

Year ended June 30, 2003

Revenues:

Property and other county tax:

Property tax	\$1,505,596	
Local option sales tax	204,655	
Utility tax replacement excise tax	72,065	
Other	440	\$ 1,782,756
	<u> </u>	

Interest and penalty on property tax		30,180
--------------------------------------	--	--------

Intergovernmental:

State shared revenues:

Franchise tax	9,118	
Other	1,398	
	<u> </u>	
	10,516	

State tax replacements:

State tax credits	162,429	
State allocation	71,356	
	<u> </u>	
	233,785	

State and federal pass-thru revenues:

Human services administrative reimbursement	22,432	
Other	1,933	
	<u> </u>	
	24,365	

Contributions from other
governmental units:

Contract law enforcement	36,937	
Other	27,826	
	<u> </u>	
	64,763	

State grants and entitlements:

Home care aide grant	16,100	
Public health nurse grant	9,190	
Other	9,433	
	<u> </u>	
	34,723	

Payments in lieu of taxes	954	369,106
---------------------------	-----	---------

Licenses and permits		12,093
----------------------	--	--------

Schedule 1

Fremont County

General Fund

Statement of Revenues, Expenditures and
Changes in Fund Balance

Year ended June 30, 2003

Revenues (continued):		
Charges for service:		
Office fees and collections	89,319	
Auto registration, use tax, drivers license and postage	64,184	
Conservation golf fees	100,423	
Other	<u>6,821</u>	260,747
Use of money and property:		
Interest on investments	171,056	
Land and building rent	<u>19,039</u>	190,095
Miscellaneous		<u>41,590</u>
Total revenues		<u>2,686,567</u>
Expenditures:		
Operating:		
Public safety and legal services		1,315,495
Physical health and social services		189,872
County environment and education		236,564
Governmental services to residents		266,841
Administration		834,924
Non-program		187
Capital projects		<u>234,656</u>
Total expenditures		<u>3,078,539</u>
Deficiency of revenues under expenditures		(391,972)
Other financing sources:		
Sale of general fixed assets		<u>7,352</u>
Deficiency of revenues and other financing sources under expenditures		(384,620)
Fund balance beginning of year		1,357,661
Increase in reserve for prepaid items		<u>38,234</u>
Fund balance end of year		<u>\$ 1,011,275</u>

See accompanying independent auditor's report.

Fremont County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Public safety and legal services:			
Law enforcement:			
Uniformed patrol services	\$	366,692	
Investigations		9,629	
Law enforcement communication		326,148	
Adult correctional services		244,650	
Administration		189,669	
		<u>1,136,788</u>	
Legal services:			
Criminal prosecution		121,085	
Medical examinations		7,581	
Child support recovery		63	
		<u>128,729</u>	
Emergency services:			
Emergency management		<u>3,707</u>	
Assistance to district court system:			
Research and other assistance		<u>7,342</u>	
Court proceedings:			
Juries and witnesses		305	
Detention services		30,838	
		<u>31,143</u>	
Juvenile justice administration:			
Juvenile victim restitution		2,096	
Juvenile representation service		3,269	
Court-appointed attorneys for juveniles		2,421	
		<u>7,786</u>	1,315,495
Physical health and social services:			
Physical health services:			
Sanitation		20,088	
Health administration		274	
		<u>20,362</u>	
Services to the poor:			
Administration		63,751	
General welfare services		11,590	
Care in County Care Facility		1,737	
		<u>77,078</u>	

Schedule 2

Fremont County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Physical health and social services (continued):

Services to military veterans:

Administration	9,092	
General services to veterans	3,462	
	<u>12,554</u>	

Services to other adults:

Services to the elderly	71,319	
Other social services	3,000	
	<u>74,319</u>	

Chemical dependency:

Treatment services	<u>5,559</u>	189,872
--------------------	--------------	---------

County environment and education:

Conservation and recreation services:

Administration	87,319	
Recreation and environmental education	121,438	
	<u>208,757</u>	

County development:

Land use and building controls	<u>916</u>	
--------------------------------	------------	--

Educational services:

Libraries	3,000	
Historic preservation	23,891	
	<u>26,891</u>	236,564

Governmental services to residents:

Representation services:

Elections administration	60,571	
Local elections	4,518	
	<u>65,089</u>	

State administrative services:

Motor vehicle registrations and licensing	94,372	
Recording of public documents	107,380	
	<u>201,752</u>	266,841

Fremont County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Administration:

Policy and administration:

General County management	138,250	
Administrative management services	152,150	
Treasury management services	123,327	
Other policy and administration	41,851	
	<u>455,578</u>	

Central services:

General services	117,571	
Data processing services	163,853	
	<u>281,424</u>	

Risk management services:

Tort liability	57,606	
Safety of the workplace	36,684	
Fidelity of public officers	2,276	
Unemployment compensation	1,356	
	<u>97,922</u>	834,924

Non-program:

County farm operations		187
------------------------	--	-----

Capital projects:

Conservation land acquisition	25,845	
Other capital projects	208,811	234,656
	<u>234,656</u>	

Total		<u>\$ 3,078,539</u>
-------	--	---------------------

See accompanying independent auditor's report.

Fremont County
Special Revenue Funds
Combining Balance Sheet
June 30, 2003

	Rural Services	Secondary Roads	Mental Health	Resource Enhance- ment and Protection
Assets				
Cash and pooled investments	\$ 679,073	3,393,847	661,014	54,875
Receivables:				
Property tax:				
Delinquent	2,224	-	2,644	-
Succeeding year	781,000	-	433,000	-
Accounts	-	89	-	-
Drainage assessments:				
Current	-	-	-	-
Future	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	173,060	24,332	-
Inventories	-	343,697	-	-
Prepaid items	-	59,196	667	-
Total assets	\$ 1,462,297	3,969,889	1,121,657	54,875
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 650	63,482	35,228	-
Salaries and benefits payable	-	22,619	-	-
Due to other governments	-	53	79,432	-
Deferred revenue:				
Succeeding year property tax	781,000	-	433,000	-
Other	2,183	31,539	2,616	-
Compensated absences	-	13,217	1,087	-
Total liabilities	783,833	130,910	551,363	-
Fund equity:				
Fund balances:				
Reserved for:				
Inventories	-	343,697	-	-
Prepaid items	-	59,196	667	-
Unreserved:				
Designated for building improvements	-	1,500,000	-	-
Undesignated	678,464	1,936,086	569,627	54,875
Total fund equity	678,464	3,838,979	570,294	54,875
Total liabilities and fund equity	\$ 1,462,297	3,969,889	1,121,657	54,875

See accompanying independent auditor's report.

County Recorder's Records Management	Sheriff Special Law Enforcement	County Attorney Special Law Enforcement	Drainage Districts	Tax Increment Financing Rebate	Total
15,614	27,398	919	44,675	-	4,877,415
-	-	-	-	-	4,868
-	-	-	-	190,000	1,404,000
-	-	-	-	-	89
-	-	-	732	-	732
-	-	-	571	-	571
208	-	-	-	-	208
-	-	-	-	-	197,392
-	-	-	-	-	343,697
-	-	-	-	-	59,863
15,822	27,398	919	45,978	190,000	6,888,835
-	403	-	1,588	-	101,351
-	-	-	-	-	22,619
-	-	-	-	-	79,485
-	-	-	-	190,000	1,404,000
-	-	-	-	-	36,338
-	-	-	-	-	14,304
-	403	-	1,588	190,000	1,658,097
-	-	-	-	-	343,697
-	-	-	-	-	59,863
-	-	-	-	-	1,500,000
15,822	26,995	919	44,390	-	3,327,178
15,822	26,995	919	44,390	-	5,230,738
15,822	27,398	919	45,978	190,000	6,888,835

Fremont County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Mental Health	Resource Enhance- ment and Protection
Revenues:				
Property and other county tax:				
Property tax	\$ 797,396	-	415,307	-
Local option sales tax	58,960	-	-	-
Utility tax replacement excise tax	42,211	-	19,879	-
Tax increment financing	-	-	-	-
Other	135	-	121	-
	<u>898,702</u>	<u>-</u>	<u>435,307</u>	<u>-</u>
Intergovernmental:				
State shared revenues:				
Road use tax	-	2,260,517	-	-
State tax replacements:				
State tax credits	92,314	-	44,806	-
Mental health property tax relief	-	-	327,617	-
	<u>92,314</u>	<u>-</u>	<u>372,423</u>	<u>-</u>
State and federal pass-thru revenues:				
Social services block grant	-	-	38,682	-
State grants and entitlements:				
Other	-	-	-	181
Federal grants and entitlements:				
Watershed protection and flood prevention	-	20,100	-	-
Medicaid	-	-	144,240	-
	<u>-</u>	<u>20,100</u>	<u>144,240</u>	<u>-</u>
Contributions from other governmental units	-	90,335	1,214	-
	<u>92,314</u>	<u>2,370,952</u>	<u>556,559</u>	<u>181</u>
Licenses and permits	-	825	-	-
Charges for service	-	-	-	-

County Recorder's Records Management	Sheriff Special Law Enforcement	County Attorney Special Law Enforcement	Drainage Districts	Tax Increment Financing Rebate	Total
-	-	-	-	-	1,212,703
-	-	-	-	-	58,960
-	-	-	-	-	62,090
-	-	-	-	54,396	54,396
-	-	-	-	-	256
-	-	-	-	54,396	1,388,405
-	-	-	-	-	2,260,517
-	-	-	-	-	137,120
-	-	-	-	-	327,617
-	-	-	-	-	464,737
-	-	-	-	-	38,682
-	-	-	-	-	181
-	-	-	-	-	20,100
-	-	-	-	-	144,240
-	-	-	-	-	164,340
-	-	-	-	-	91,549
-	-	-	-	-	3,020,006
-	-	-	-	-	825
2,167	-	-	-	-	2,167

Fremont County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Mental Health	Resource Enhance- ment and Protection
Revenues (continued):				
Use of money and property:				
Interest on investments	-	-	-	609
Land rent	-	3,606	-	-
	-	3,606	-	609
Miscellaneous:				
Drainage assessments	-	-	-	-
Other	16	10,259	160	-
	16	10,259	160	-
Total revenues	991,032	2,385,642	992,026	790
Expenditures:				
Operating:				
Public safety and legal services:				
Law enforcement:				
Investigations	-	-	-	-
Physical health and social services:				
Services to other adults:				
Services to the elderly	1,577	-	-	-
Mental health:				
Persons with mental health problems - mental illness:				
General administration	-	-	175,650	-
Treatment services	-	-	37,505	-
Institutional, hospital and commitment services	-	-	13,384	-
	-	-	226,539	-
Persons with chronic mental illness:				
Coordination services	-	-	820	-
Personal and environmental support	-	-	1,633	-
Treatment services	-	-	37,006	-
Licensed or certified living arrangements	-	-	16,444	-
	-	-	55,903	-

County Recorder's Records Management	Sheriff Special Law Enforcement	County Attorney Special Law Enforcement	Drainage Districts	Tax Increment Financing Rebate	Total
368	-	-	-	-	977
-	-	-	-	-	3,606
368	-	-	-	-	4,583
-	-	-	3,667	-	3,667
-	15,125	-	-	-	25,560
-	15,125	-	3,667	-	29,227
2,535	15,125	-	3,667	54,396	4,445,213
-	10,363	-	-	-	10,363
-	-	-	-	-	1,577
-	-	-	-	-	175,650
-	-	-	-	-	37,505
-	-	-	-	-	13,384
-	-	-	-	-	226,539
-	-	-	-	-	820
-	-	-	-	-	1,633
-	-	-	-	-	37,006
-	-	-	-	-	16,444
-	-	-	-	-	55,903

Fremont County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Mental Health	Resource Enhance- ment and Protection
Expenditures (continued):				
Operating:				
Mental health:				
Persons with mental retardation:				
Coordination services	-	-	10,762	-
Personal and environmental support	-	-	119,938	-
Treatment services	-	-	300	-
Vocational and day services	-	-	85,948	-
Licensed or certified living arrangements	-	-	233,867	-
Institutional, hospital and commitment services	-	-	231,674	-
	-	-	682,489	-
	-	-	964,931	-
County environment and education:				
Environmental quality:				
Weed eradication	149	-	-	-
Solid waste disposal	35,600	-	-	-
	35,749	-	-	-
Conservation and recreation services:				
Maintenance and operations	-	-	-	2,700
County development:				
Economic development	-	-	-	-
Educational services:				
Libraries	21,540	-	-	-
	57,289	-	-	2,700
Roads and transportation:				
Secondary roads administration and engineering:				
Administration	-	126,016	-	-
Engineering	-	213,522	-	-
	-	339,538	-	-

County Recorder's Records Management	Sheriff Special Law Enforcement	County Attorney Special Law Enforcement	Drainage Districts	Tax Increment Financing Rebate	Total
-	-	-	-	-	10,762
-	-	-	-	-	119,938
-	-	-	-	-	300
-	-	-	-	-	85,948
-	-	-	-	-	233,867
-	-	-	-	-	231,674
-	-	-	-	-	682,489
-	-	-	-	-	964,931
-	-	-	-	-	149
-	-	-	-	-	35,600
-	-	-	-	-	35,749
-	-	-	-	-	2,700
-	-	-	-	54,396	54,396
-	-	-	-	-	21,540
-	-	-	-	54,396	114,385
-	-	-	-	-	126,016
-	-	-	-	-	213,522
-	-	-	-	-	339,538

Fremont County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Mental Health	Resource Enhance- ment and Protection
Expenditures (continued):				
Operating:				
Roads and transportation:				
Roadway maintenance:				
Bridges and culverts	-	66,736	-	-
Roads	-	1,254,317	-	-
Snow and ice control	-	53,385	-	-
Traffic controls	-	85,125	-	-
Road clearing	-	138,318	-	-
	-	1,597,881	-	-
General roadway:				
Equipment	-	224,836	-	-
Equipment operations	-	491,049	-	-
Tools, materials and supplies	-	33,037	-	-
Real estate and buildings	-	164,802	-	-
	-	913,724	-	-
	-	2,851,143	-	-
Governmental services to residents:				
Representation services:				
Township officials	2,566	-	-	-
Non-program:				
Drainage district construction and repair	-	-	-	-
Capital projects:				
Roadway construction	-	330,854	-	-
Total expenditures	61,432	3,181,997	964,931	2,700
Excess (deficiency) of revenues over (under) expenditures	929,600	(796,355)	27,095	(1,910)

County Recorder's Records Management	Sheriff Special Law Enforcement	County Attorney Special Law Enforcement	Drainage Districts	Tax Increment Financing Rebate	Total
-	-	-	-	-	66,736
-	-	-	-	-	1,254,317
-	-	-	-	-	53,385
-	-	-	-	-	85,125
-	-	-	-	-	138,318
-	-	-	-	-	1,597,881
-	-	-	-	-	224,836
-	-	-	-	-	491,049
-	-	-	-	-	33,037
-	-	-	-	-	164,802
-	-	-	-	-	913,724
-	-	-	-	-	2,851,143
-	-	-	-	-	2,566
-	-	-	7,473	-	7,473
-	-	-	-	-	330,854
-	10,363	-	7,473	54,396	4,283,292
2,535	4,762	-	(3,806)	-	161,921

Fremont County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Mental Health	Resource Enhance- ment and Protection
Other financing sources (uses):				
Sale of general fixed assets	-	4,590	-	-
Operating transfers in (out):				
Special Revenue:				
Rural Services	-	912,436	-	-
Secondary Roads	(912,436)	-	-	-
Total other financing sources (uses)	(912,436)	917,026	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	17,164	120,671	27,095	(1,910)
Fund balances beginning of year	661,300	3,751,726	551,471	56,785
(Decrease) in reserve for:				
Inventories	-	(26,856)	-	-
Prepaid items	-	(6,562)	(8,272)	-
Fund balances end of year	\$ 678,464	3,838,979	570,294	54,875

See accompanying independent auditor's report.

County Recorder's Records Management	Sheriff Special Law Enforcement	County Attorney Special Law Enforcement	Drainage Districts	Tax Increment Financing Rebate	Total
-	-	-	-	-	4,590
-	-	-	-	-	912,436
-	-	-	-	-	(912,436)
-	-	-	-	-	4,590
2,535	4,762	-	(3,806)	-	166,511
13,287	22,233	919	48,196	-	5,105,917
-	-	-	-	-	(26,856)
-	-	-	-	-	(14,834)
15,822	26,995	919	44,390	-	5,230,738

Fremont County
Trust and Agency Funds
Combining Balance Sheet
June 30, 2003

	Expendable Trust Fund			
	Conservation			Agricultural Extension Education
	Land Acquisition Trust	County Offices		
		County Recorder	County Sheriff	
Assets				
Cash and pooled investments:				
County Treasurer	\$ 1,573	-	-	1,199
Other County officials	-	8,667	6,621	-
Receivables:				
Property tax:				
Delinquent	-	-	-	429
Succeeding year	-	-	-	70,000
Accounts	-	12	-	-
Accrued interest	-	-	-	-
Special assessments	-	-	-	-
Drainage assessments:				
Current	-	-	-	-
Future	-	-	-	-
Prepaid items	-	-	-	-
Total assets	\$ 1,573	8,679	6,621	71,628
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	-	-
Due to other funds	-	5,201	5,056	-
Due to other governments	-	3,478	12	71,628
Trusts payable	-	-	1,553	-
Compensated absences	-	-	-	-
Total liabilities	-	8,679	6,621	71,628
Fund equity:				
Unreserved fund balance	1,573	-	-	-
Total liabilities and fund equity	\$ 1,573	8,679	6,621	71,628

See accompanying independent auditor's report.

Agency Funds						
County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication
229,039	83,534	4,906	18,331	2,212	132,387	-
-	-	-	-	-	-	-
1,272	30,660	1,647	19,088	467	-	9
208,000	4,906,000	271,000	1,169,000	151,000	-	1,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
12,761	-	-	-	-	-	-
<u>451,072</u>	<u>5,020,194</u>	<u>277,553</u>	<u>1,206,419</u>	<u>153,679</u>	<u>132,387</u>	<u>1,009</u>
1,534	-	-	-	-	-	-
-	-	-	-	-	4,757	-
435,920	5,020,194	277,553	1,206,419	153,679	127,630	1,009
-	-	-	-	-	-	-
13,618	-	-	-	-	-	-
<u>451,072</u>	<u>5,020,194</u>	<u>277,553</u>	<u>1,206,419</u>	<u>153,679</u>	<u>132,387</u>	<u>1,009</u>
-	-	-	-	-	-	-
<u>451,072</u>	<u>5,020,194</u>	<u>277,553</u>	<u>1,206,419</u>	<u>153,679</u>	<u>132,387</u>	<u>1,009</u>

Fremont County
Trust and Agency Funds
Combining Balance Sheet
June 30, 2003

	Drainage Districts	Emergency Management Services	City Special Assess- ments	Tax Sale Redemption
Assets				
Cash and pooled investments:				
County Treasurer	555,353	6,671	145	15,188
Other County officials	-	-	-	-
Receivables:				
Property tax				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	-
Accrued interest	1,130	-	-	-
Special assessments	-	-	415	-
Drainage assessments:				
Current	4,380	-	-	-
Future	1,841	-	-	-
Prepaid items	-	-	-	-
Total assets	562,704	6,671	560	15,188
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	1,915	-	-	-
Due to other funds	-	-	-	-
Due to other governments	560,789	6,671	560	-
Trusts payable	-	-	-	15,188
Compensated absences	-	-	-	-
Total liabilities	562,704	6,671	560	15,188
Fund equity:				
Unreserved fund balance	-	-	-	-
Total liabilities and fund equity	562,704	6,671	560	15,188

See accompanying independent auditor's report.

Agency Funds					
E911	Advance Tax	Partial Tax Payments	E911 Contributions	Anatomical Gift Public Awareness and Transportation	Total
103,944	767	9,647	15	21	1,164,932
-	-	-	-	-	15,288
-	-	-	-	-	53,572
-	-	-	-	-	6,776,000
13,219	-	-	-	-	13,231
-	-	-	-	-	1,130
-	-	-	-	-	415
-	-	-	-	-	4,380
-	-	-	-	-	1,841
-	-	-	-	-	12,761
<u>117,163</u>	<u>767</u>	<u>9,647</u>	<u>15</u>	<u>21</u>	<u>8,043,550</u>
665	-	-	-	-	4,114
-	-	-	-	-	15,014
116,498	767	-	15	-	7,982,822
-	-	9,647	-	21	26,409
-	-	-	-	-	13,618
<u>117,163</u>	<u>767</u>	<u>9,647</u>	<u>15</u>	<u>21</u>	<u>8,041,977</u>
-	-	-	-	-	1,573
<u>117,163</u>	<u>767</u>	<u>9,647</u>	<u>15</u>	<u>21</u>	<u>8,043,550</u>

Fremont County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	County Offices		Agricultural	
	County Recorder	County Sheriff	Extension Education	County Assessor
Assets and Liabilities				
Balances beginning of year	\$ 7,308	5,443	68,562	416,225
Additions:				
Property and other county tax	-	-	73,526	219,867
E911 surcharge	-	-	-	-
State tax credits	-	-	7,271	27,549
State allocation	-	-	-	2,069
Drivers license fees	-	-	-	-
Office fees and collections	126,232	35,193	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	1,805	162,077	-	-
Miscellaneous	-	-	-	11,853
Total additions	128,037	197,270	80,797	261,338
Deductions:				
Agency remittances:				
To other funds	59,437	28,528	-	-
To other governments	65,424	336	77,731	226,491
Trusts paid out	1,805	167,228	-	-
Total deductions	126,666	196,092	77,731	226,491
Balances end of year	\$ 8,679	6,621	71,628	451,072

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication
4,737,109	281,600	1,079,349	139,445	134,219	1,037
5,133,442	283,800	1,140,966	158,463	-	1,503
-	-	-	-	-	-
526,408	29,764	72,440	12,979	-	156
-	-	-	-	-	-
-	-	-	-	35,099	-
-	-	-	-	-	-
-	-	-	-	1,771,146	-
-	-	-	-	-	-
-	-	335	-	-	-
5,659,850	313,564	1,213,741	171,442	1,806,245	1,659
-	-	-	-	67,154	-
5,376,765	317,611	1,086,671	157,208	1,740,923	1,687
-	-	-	-	-	-
5,376,765	317,611	1,086,671	157,208	1,808,077	1,687
5,020,194	277,553	1,206,419	153,679	132,387	1,009

Fremont County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	Drainage Districts	Emergency Management Services	City Special Assess- ments	Tax Sale Redemption
Assets and Liabilities				
Balances beginning of year	559,615	5,612	1,038	1,935
Additions:				
Property and other county tax	-	-	-	-
E911 surcharge	-	-	-	-
State tax credits	-	-	-	-
State allocation	-	-	-	-
Drivers license fees	-	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	91,521	-	1,120	-
Trusts	-	-	-	113,772
Miscellaneous	5,877	6,307	-	-
Total additions	97,398	6,307	1,120	113,772
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	94,309	5,248	1,598	-
Trusts paid out	-	-	-	100,519
Total deductions	94,309	5,248	1,598	100,519
Balances end of year	562,704	6,671	560	15,188

See accompanying independent auditor's report.

E911	Advance Tax	Partial Tax Payments	E911 Contributions	Anatomical Gift Public Awareness and Transportation	Total
111,685	14,016	2,550	15	-	7,566,763
-	-	-	-	-	7,011,567
53,509	-	-	-	-	53,509
-	-	-	-	-	676,567
-	-	-	-	-	2,069
-	-	-	-	-	35,099
-	-	-	-	-	161,425
-	-	-	-	184	1,771,330
-	-	-	-	-	92,641
-	1,267	-	-	-	278,921
1,983	-	10,401	-	-	36,756
55,492	1,267	10,401	-	184	10,119,884
-	-	-	-	-	155,119
50,014	14,516	3,304	-	163	9,219,999
-	-	-	-	-	269,552
50,014	14,516	3,304	-	163	9,644,670
117,163	767	9,647	15	21	8,041,977

Schedule 7

Fremont County

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2003	2002	2001	2000
Taxes:				
Property tax	\$ 2,718,299	2,705,591	2,375,937	2,457,485
Local option sales tax	263,615	262,321	264,706	234,907
Utility tax replacement excise tax	134,155	133,358	124,883	-
Tax increment financing	54,396	13,267	-	-
Other	696	631	506	598
	<u>3,171,161</u>	<u>3,115,168</u>	<u>2,766,032</u>	<u>2,692,990</u>
Intergovernmental:				
State shared revenues:				
Road use tax	2,260,517	2,297,960	2,203,628	2,235,673
Franchise tax	9,118	7,540	14,308	6,923
Other	1,398	1,573	2,063	1,513
State tax replacements:				
State tax credits	299,549	283,951	276,120	248,865
State allocation	71,356	75,184	80,179	80,411
Mental health property tax relief	327,617	327,616	327,617	327,617
Other	-	-	37,677	40,181
State and federal pass-thru revenues:				
MH-DD community services fund allocation	-	-	57,019	52,049
Human services administrative reimbursements	22,432	39,027	27,628	23,437
Social services block grant	38,682	40,970	41,119	41,984
Public assistance grants	-	-	-	214,931
Other	1,933	227,898	165,802	40,214
Contributions from other governmental units:				
Contract law enforcement	36,937	35,178	33,503	30,388
Other	119,375	23,786	43,448	197,962
State grants and entitlements:				
Home care aide grant	16,100	9,736	31,268	37,849
Public health nurse grant	9,190	14,183	19,904	17,704
Other	9,614	-	-	-
Federal grants and entitlements:				
Watershed protection and flood prevention grant	20,100	-	22,149	53,145
Public safety partnership and community policing grant	-	-	74,999	-
Medicaid	144,240	-	-	-
Payments in lieu of taxes	954	707	615	-
	<u>3,389,112</u>	<u>3,385,309</u>	<u>3,459,046</u>	<u>3,650,846</u>
Total	<u>\$ 6,560,273</u>	<u>6,500,477</u>	<u>6,225,078</u>	<u>6,343,836</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting**

Fremont County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Officials of Fremont County:

We have audited the general purpose financial statements of Fremont County, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated March 5, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Fremont County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance 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, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose 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. Prior year statutory comments have all been resolved except for items (1) and (11).

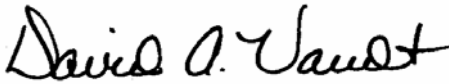
Internal Control Over Financial Reporting

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 opinion on the financial statements and not to provide assurance 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.

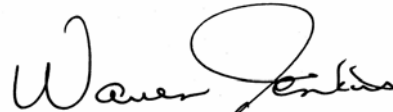
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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 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. Prior year reportable conditions have been resolved except for items (A) and (B).

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

March 5, 2004

Fremont County
Schedule of Findings
Year ended June 30, 2003

Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that 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.

County Treasurer – As of November 13, 2002, the Treasurer has control over opening and listing mail receipts, collecting, posting, investing, receivables and reconciling for which no compensating controls exist.

Conservation – One individual in the Conservation Department has control over opening and listing mail receipts, collecting, posting and the daily reconciling of receipts for which no compensating controls exist.

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 county personnel to provide additional control through review of financial transactions, reconciliations and reports.

Responses –

Treasurer – The office now has a deputy collect the mail. Another person opens and records mail receipts. Another enters receipts. We also rotate the daily posting-reconciling duties.

Conservation – We are currently using the system that involves myself (Conservation Director) collecting money, maintaining separate records and then remitting the cash/checks to the County Treasurer so that she can maintain her records.

Conclusion –

Treasurer – Response accepted.

Conservation – Response acknowledged. The duties of collecting receipts should be segregated from the daily reconciliation of the cash register tape and/or initial receipt listing to the extent possible.

Fremont County

Schedule of Findings

Year ended June 30, 2003

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

The County does not have written policies for:

- requiring password changes because software does not require the user to change log-ins/passwords periodically.
- ensuring only software licensed to the County is installed on computers.
- ownership of in-house developed software and data.
- ensuring terminals are logged off each night or over the weekend.

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

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

Response – Fremont County is continuing to develop a policy and procedure manual addressing the above items. Written policies regarding internet usage have been written and have been approved by the Board of Supervisors. These policies will be integrated with the information technology policies. Although Fremont County has procedures set in place for computer usage and disaster recovery, there is no written documentation at this time. After policy and procedure manuals are completed we will develop a guideline for disaster recovery. Expected completion date for computer policies is fall of 2004. There is no completion date set for a disaster recovery plan at this time.

Conclusion – Response accepted.

- (C) Conservation – Golf Course Receipts – Due to staff turnover, certain receipt documentation (cash register tapes and other supporting documentation) was not located for the period July 1, 2002 through March 13, 2003. Also, from March 13, 2003 through June 30, 2003, supporting documentation was maintained to summarize receipt collection. However, the use of the cash register for receipting purposes was discontinued.

Recommendation – Supporting documentation for all receipts should be maintained. In addition, prenumbered receipts should be issued in numerical sequence at the time of collection to improve controls over the collection and recording of all receipts. In this instance, reinstating the use of the cash register would improve control over cash collections and provide a receipt to the customer.

Fremont County

Schedule of Findings

Year ended June 30, 2003

Response – We are now using the cash register. We are printing and saving day-end sheets.

Conclusion – Response accepted.

- (D) Credit/Charge Cards – Various County employees use County issued credit cards and charge cards for County business. The County has not adopted a formal policy to regulate the use of these cards and to establish procedures for the proper accounting of card charges. In addition, adequate documentation to support card charges was not provided prior to Board of Supervisor approval.

Recommendation – The County should adopt a formal written policy regulating the use of County credit and charge cards. The policy, at a minimum, should address who controls the cards, who is authorized to use the cards, the types of expenses allowed to be charged, as well as the types of supporting documentation required to substantiate the charges. Board policy should also prohibit the use of County-owned credit cards and charge cards for personal expenses.

Response – A policy is being discussed and will be forthcoming.

Conclusion – Response accepted.

- (E) Improper County Sheriff's Office Disbursements – In September 2003, the Board of Supervisors questioned, and did not pay, credit card charges totaling \$190 initiated by a former employee of the County Sheriff's office. The \$190 was subsequently paid to the credit card company with a personal check from the former employee. At the request of the Board of Supervisors, the review of the supporting documentation for credit and charge cards for the County Sheriff's office was expanded. Supporting documentation for credit and charge card purchases was not properly maintained by the County Sheriff's office. Therefore, certain invoices were requested from the vendor, as necessary. Claims totaling \$920 paid from January 2003 through September 2003 were identified by the County Sheriff as personal, as follows:

<u>Description</u>	<u>Amount</u>
Telephone service and equipment	\$ 455
Gas	110
General merchandise	<u>355</u>
	<u>\$ 920</u>

Reimbursement of \$920 for these claims was subsequently received from the former employee.

Recommendation – The County Sheriff's office should require all claims submitted for payment to be supported by adequate documentation to satisfy the requirement of public purpose before approval to ensure personal expenses are not included.

Response – That is being done.

Conclusion – Response accepted.

Fremont County

Schedule of Findings

Year ended June 30, 2003

- (F) County Sheriff's Office Claims – Chapter 331.504(8) of the Code of Iowa states, in part, claims, before being audited or paid, shall be itemized to clearly show the basis of the claim. Supporting documentation for certain claims submitted for payment by the County Sheriff's Office was not submitted to the Board of Supervisors for examination prior to approval.

Recommendation – Each claim should be supported by an invoice or other supporting documentation clearly showing the basis of the claim and should be made available to the Board of Supervisors for independent review prior to Board of Supervisor approval as required by Chapter 331.504(8) of the Code of Iowa.

Response – Each claim is now supported by documentation that clearly shows the basis of the claim before the claim is approved.

Conclusion – Response accepted.

- (G) Personal Telephone Calls – County claims were approved by the County Sheriff which included employee personal telephone calls. In one instance, six personal calls totaling \$36 were identified. Other personal calls were also noted. However, the dollar value for each call totaled less than \$3. A written policy governing the use of telephones has not been adopted.

Recommendation – The Board of Supervisors should establish a written policy prohibiting the personal use of County telephones.

Response – A policy is being discussed and will be forthcoming.

Conclusion – Response accepted.

Fremont County
 Schedule of Findings
 Year ended June 30, 2003

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.

However, the County Treasurer and the County Recorder did not file a new depository resolution at the time Citizens Bank became Great Western Bank. Also, the County Sheriff did not file a new depository resolution at the time Fremont County Savings Bank became First Community Bank.

Recommendation – A new resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the Board in a timely manner.

Response – A new resolution has been completed for all offices identified above.

Conclusion – Response accepted.

- (2) Certified Budget – Disbursements during the year ended June 30, 2003 did not exceed the amounts budgeted.
- (3) Questionable Expenditures – In addition to the items previously reported, certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

Paid for	Purpose	Amount
Flowers purchased by County Sheriff’s office for an employee’s family member	Funeral memorial	\$ 32

Recommendation – According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

The Board of Supervisors should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including the requirement for proper documentation.

Response – This practice was never allowed by any department.

Conclusion – Response acknowledged. The Board should enforce compliance to ensure similar expenditures are not made in the future.

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

Fremont County

Schedule of Findings

Year ended June 30, 2003

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

Name, Title and Business Connection	Transaction Description	Amount
Joan Gibson, spouse of Conservation Director and Golf Course Manager Jack Gibson	Services	\$870

In addition, Jack Gibson, employee of the County Conservation Board, operated a golf pro shop, sold food and liquor and rented golf carts at the County-owned golf course. Such operations were conducted as a private business rather than a County activity until his retirement in March 2003. Ryan Funk was employed by the County Conservation Board in March 2003 and began operating the private business previously operated by Jack Gibson.

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

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

- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments – Except as noted above, 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 policies were noted.
- (9) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (10) Emergency Management Services – The notice of the Emergency Management Commission's budget hearing was not published at least ten days prior to the hearing as required by Chapter 24.9 of the Code of Iowa.

Recommendation – The notice of the budget hearing should be published in the time period required.

Response – In the future, we will see it is published in a timely manner.

Conclusion – Response accepted.

Fremont County

Schedule of Findings

Year ended June 30, 2003

- (11) 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, 2003 for the County Extension Office did not exceed the amount budgeted.

The County Extension Office received \$12,852 from several sources for a 4-H trip to Washington D.C. These receipts were recorded in the Agency Fund and were not included in the annual budget or monthly financial reports for the operating fund.

Recommendation – This financial activity should be recorded in the operating fund and included in the Extension Council’s annual budget and financial statements. All disbursements should be approved by the Extension Council prior to payment.

Response – In response to your concerns about our county and agency funds, we feel it is not appropriate to commingle tax and donation dollars. We are an elected board and feel that our constituents would not approve combining the two. As an extension council we do monitor all agency disbursements.

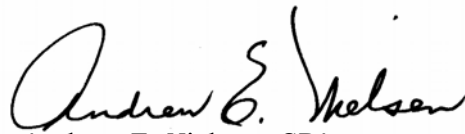
Conclusion – Response acknowledged. As required by guidelines established by Iowa State University Extension, all operating receipts should be recorded in the operating fund. Sub-accounts should be used to account for tax and donation dollars separately within the operating fund.

Fremont County

Staff

This audit was performed by:

Suzanne R. Hanft, CPA, Manager
Nancy F. Curtis, CPA, Senior Auditor II
Jill M. Bergantzel, CPA, Staff Auditor
Sarah D. McFadden, CPA, Staff Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State