



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

Contact: Andy Nielsen

FOR RELEASE May 1, 2013

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 \$13,423,596 for the year ended June 30, 2012, which included \$532,619 in tax credits from the state. The County forwarded \$9,600,540 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,823,056 of the local tax revenue to finance County operations, a 5.1% increase over the prior year. Other revenues included charges for service of \$768,307, operating grants, contributions and restricted interest of \$5,895,865, tax increment financing of \$342,040, local option sales tax of \$339,736, unrestricted investment earnings of \$25,432 and other general revenues of \$304,532.

Expenses for County operations totaled \$11,304,395, a 26.8% increase over the prior year. Expenses included \$6,261,722 for roads and transportation, \$1,696,758 for public safety and legal services and \$1,149,062 for mental health.

Vaudt reported former Chief Deputy Kevin Aistrope received \$2,980 in overtime pay earned prior to taking office as Fremont County Sheriff. Vaudt recommended the County determine whether the position of Chief Deputy is non-exempt from the Fair Labor Standards Act (FLSA) in order to determine whether the position is eligible for overtime pay.

Vaudt also reported the County Sheriff should follow the Code of Iowa when disposing of seized, forfeited or abandoned weapons.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Office of Auditor of State's web site at <http://auditor.iowa.gov/reports/1210-0036-B00F.pdf>.

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FREMONT COUNTY

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

JUNE 30, 2012

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Fremont County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Cara Morgan	Board of Supervisors	Jan 2013
Bart Bartholomew	Board of Supervisors	Jan 2015
Randy Hickey	Board of Supervisors	Jan 2015
Joan Kirk	County Auditor	Jan 2013
Judith M. Crain	County Treasurer	Jan 2015
Jenny McAllister	County Recorder	Jan 2015
Kevin Aistrope	County Sheriff	Jan 2013
Margaret E. Johnson	County Attorney	Jan 2015
Karen L. Berry	County Assessor	Jan 2016

Fremont County



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Independent Auditor's Report

To the Officials of Fremont County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Fremont County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Fremont County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Fremont County at June 30, 2012, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 3, 2013 on our consideration of Fremont County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 42 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of

preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fremont County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 3, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fremont County provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 8.5%, or approximately \$901,500, from fiscal year 2011 to fiscal year 2012. Property and other county tax increased approximately \$172,300 over fiscal year 2011. Operating grants, contributions and restricted interest increased approximately \$2,329,600, capital grants, contributions and restricted interest decreased approximately \$1,683,000 and charges for service increased approximately \$40,400.
- Program expenses of the County's governmental activities increased 26.8%, or approximately \$2,391,800. Roads and transportation expenses increased approximately \$2,394,200, mental health expenses increased approximately \$150,900 and county environment and education services expenses increased approximately \$98,900.
- The County's net assets increased approximately \$194,600 from June 30, 2011 to June 30, 2012.

USING THIS ANNUAL REPORT

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES:

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has two kinds of funds:

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

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

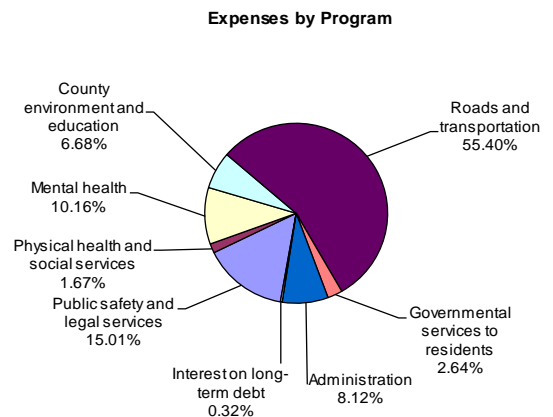
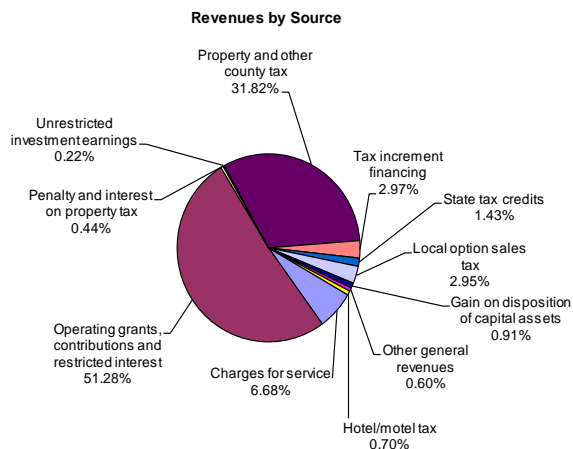
Net Assets of Governmental Activities		
	June 30,	
	2012	2011
Current and other assets	\$ 10,597,094	10,245,180
Capital assets	11,122,550	11,129,342
Total assets	21,719,644	21,374,522
Long-term liabilities	1,296,290	1,505,225
Other liabilities	4,872,010	4,512,526
Total liabilities	6,168,300	6,017,751
Net assets:		
Invested in capital assets, net of related debt	11,043,686	11,001,685
Restricted	3,990,348	4,028,608
Unrestricted	517,310	326,478
Total net assets	\$ 15,551,344	15,356,771

Net assets of Fremont County's governmental activities increased 1.3%, or approximately \$195,000, during the year. The largest portion of the County's net assets is invested in capital assets (i.e. land, buildings, infrastructure and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from \$326,478 at June 30, 2011 to \$517,310 at the end of this year, an increase of 58.4%.

Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2012	2011
Revenues:		
Program revenues:		
Charges for service	\$ 768,307	727,877
Operating grants, contributions and restricted interest	5,895,865	3,566,313
Capital grants, contributions and restricted interest	-	1,683,426
General revenues:		
Property and other county tax	3,659,060	3,486,779
Tax increment financing	342,040	353,311
Penalty and interest on property tax	50,359	39,029
State tax credits	163,996	150,271
Local option sales tax	339,736	340,242
Hotel/motel tax	80,494	109,190
Unrestricted investment earnings	25,432	59,741
Gain on disposition of capital assets	105,200	58,351
Other general revenues	68,479	22,923
Total revenues	11,498,968	10,597,453
Program expenses:		
Public safety and legal services	1,696,758	1,704,457
Physical health and social services	188,687	232,651
Mental health	1,149,062	998,184
County environment and education	755,606	656,705
Roads and transportation	6,261,722	3,867,526
Governmental services to residents	298,354	314,225
Administration	917,513	1,098,046
Interest on long-term debt	36,693	40,840
Total expenses	11,304,395	8,912,634
Increase in net assets	194,573	1,684,819
Net assets beginning of year	15,356,771	13,671,952
Net assets end of year	\$ 15,551,344	15,356,771



Overall, revenues increased approximately \$902,000, or 8.5%, during the year. The increase is primarily due to road repairs paid with FEMA funding.

Fremont County's overall property tax rate for fiscal year 2012 decreased \$.00381 per \$1,000 of taxable valuation. The countywide assessed property taxable valuation increased approximately \$16,495,000. The general basic levy remained at \$3.70 per \$1,000 of taxable valuation while the general supplemental levy decreased \$.07224 per \$1000 of taxable valuation. The levy for rural services remained at \$3.00 per \$1,000 of taxable valuation while the mental health levy increased \$.06843 per \$1,000 of taxable valuation.

The cost of all governmental activities this year was approximately \$11.3 million compared to approximately \$8.9 million last year, an increase of approximately 27%. This increase is primarily due to road repairs after the flooding in the Summer of 2011.

INDIVIDUAL MAJOR FUND ANALYSIS

As Fremont County completed the year, its governmental funds reported a combined fund balance of \$5,116,653 compared to \$5,625,283 at June 30, 2011, a decrease of \$508,630, or 9%.

The General Fund, the operating fund for Fremont County, ended fiscal year 2012 with a balance of \$2,267,367, an increase of \$157,987 over the fiscal year 2011 ending balance of \$2,109,380. Total expenditures decreased \$173,990 while total revenues increased \$66,326.

The County has continued to look for ways to effectively manage the cost of mental health services. The Special Revenue, Mental Health Fund balance at year-end increased \$180,725, or 60.1%, over the prior year to \$481,524. Total expenditures increased \$161,657 and total revenues increased \$228,694.

The Special Revenue, Rural Services Fund ending fund balance increased \$37,367 over the prior year to \$295,854. The increase is primarily due to property tax revenue increasing more than the increases in expenditures for public safety and legal services and county environment and education.

The Special Revenue, Secondary Roads Fund ended fiscal year 2012 with a \$1,892,047 fund balance, a decrease of \$873,000 compared to the prior year ending fund balance of \$2,765,047. The decrease is primarily the result of capital project expense to repair roads damaged by the flooding during the Summer of 2011.

BUDGETARY HIGHLIGHTS

Over the course of the year, Fremont County amended its budget once. The amendment was made in April 2012 and resulted in an increase in budgeted disbursements of \$2,404,614, primarily due to an increase in flood related road repairs.

The County's receipts were \$395,993 less than budgeted, a variance of 3.5%. The most significant variance resulted from lower than expected property and other County tax receipts and intergovernmental receipts.

Total disbursements were \$933,822 less than the amended budget. Actual disbursements for the administration, mental health, county environment and education and physical health and social services functions were \$379,908, \$194,920, \$105,902 and \$101,537, respectively, less than the amounts budgeted. This was primarily due to cost cutting measures instituted countywide.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, Fremont County had approximately \$11.12 million invested in a broad range of capital assets, including public safety equipment, buildings, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$7,000, or .06%, from last year. The decrease was primarily due to depreciation of assets.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2012	2011
Land	\$ 1,542,473	\$ 1,542,473
Buildings	2,405,612	2,415,782
Improvements other than buildings	145,072	102,592
Equipment and vehicles	2,036,629	1,852,650
Infrastructure	4,992,764	5,215,845
Total	<u>\$ 11,122,550</u>	<u>\$ 11,129,342</u>
This year's major additions included:		
Shed	\$ 53,000	
County Sheriff's vehicles	59,098	
Courthouse generator	50,400	
Replacement of a motorgrader and other secondary roads department equipment and vehicles	<u>585,286</u>	
Total	<u>\$ 747,784</u>	

Fremont County had depreciation expense of \$778,698 in fiscal year 2012 and total accumulated depreciation of \$5,733,623 at June 30, 2012. More detailed information about the County's capital assets is included in Note 4 to the financial statements.

Long-Term Debt

Principal paid on the general obligation bonds totaled \$110,000 during the year ended June 30, 2012. Principal payments made in fiscal year 2012 on the capital lease purchase agreements totaled \$48,793.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Fremont County's constitutional debt limit is approximately \$22.6 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Fremont County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 county budget, tax rates and fees for the various County services. One of those factors is the economy.

Amounts available for appropriation in the fiscal year 2013 operating budget are approximately \$9.9 million, a decrease of 12.9% from the final fiscal year 2012 budget. Property tax (including general fund levies set at \$5.24687 per \$1,000 of taxable valuation) are expected to increase slightly, offset by expected decreases in intergovernmental receipts from the state and federal government. Budgeted disbursements for the fiscal year 2013 operating budget are approximately \$10.1 million, a decrease of 17.9% from the final fiscal year 2012 budget.

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

Unprecedented flooding during the Summer of 2011 damaged roads, farms and houses. The impact on taxable valuations are beginning to be realized and the full economic impact of this event is not yet known.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Fremont County

Basic Financial Statements

Exhibit A

Fremont County
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,120,631
Receivables:	
Property tax:	
Delinquent	23,400
Succeeding year	4,266,000
Interest and penalty on property tax	31,800
Accounts	2,339
Accrued interest	2,594
Loan	765,000
Due from other governments	869,880
Inventories	340,010
Prepaid items	175,440
Capital assets - nondepreciable	1,542,473
Capital assets - depreciable (net)	9,580,077
Total assets	<u>21,719,644</u>
Liabilities	
Accounts payable	302,707
Salaries and benefits payable	77,348
Due to other governments	100,577
Deferred revenue:	
Succeeding year property tax	4,266,000
Other	125,378
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	38,615
General obligation bonds	110,000
Compensated absences	66,371
Portion due or payable after one year:	
Capital lease purchase agreements	40,249
General obligation bonds	655,000
Compensated absences	345,695
Net OPEB liability	40,360
Total liabilities	<u>6,168,300</u>
Net Assets	
Invested in capital assets, net of related debt	11,043,686
Restricted for:	
Supplemental levy purposes	608,082
Mental health purposes	471,736
Rural services purposes	300,249
Secondary roads purposes	2,161,940
Other purposes	448,341
Unrestricted	517,310
Total net assets	<u>\$ 15,551,344</u>

See notes to financial statements.

Fremont County
Statement of Activities
Year ended June 30, 2012

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	
Functions/Programs:				
Governmental activities:				
Public safety and legal services	\$ 1,696,758	220,859	24,998	(1,450,901)
Physical health and social services	188,687	9,144	75,584	(103,959)
Mental health	1,149,062	265,411	602,825	(280,826)
County environment and education	755,606	95,428	164,640	(495,538)
Roads and transportation	6,261,722	24,119	4,955,157	(1,282,446)
Governmental services to residents	298,354	145,174	22,855	(130,325)
Administration	917,513	8,172	13,113	(896,228)
Interest on long-term debt	36,693	-	36,693	-
Total	\$ 11,304,395	768,307	5,895,865	(4,640,223)
General Revenues:				
Property and other county tax levied for general purposes				3,659,060
Tax increment financing				342,040
Penalty and interest on property tax				50,359
State tax credits				163,996
Local option sales tax				339,736
Hotel/motel tax				80,494
Unrestricted investment earnings				25,432
Gain on disposition of capital assets				105,200
Miscellaneous				68,479
Total general revenues				4,834,796
Change in net assets				194,573
Net assets beginning of year				15,356,771
Net assets end of year				\$ 15,551,344
See notes to financial statements.				

Fremont County
Balance Sheet
Governmental Funds

June 30, 2012

	Special Revenue		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 1,414,705	566,669	290,584
Receivables:			
Property tax:			
Delinquent	16,282	2,603	4,515
Succeeding year	2,424,000	440,000	1,095,000
Interest and penalty on property tax	31,800	-	-
Accounts	839	-	-
Accrued interest	2,594	-	-
Loan	765,000	-	-
Due from other governments	50,436	23,743	6,210
Inventories	-	-	-
Prepaid items	101,611	1,395	-
Total assets	\$ 4,807,267	1,034,410	1,396,309
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 27,965	10,544	-
Salaries and benefits payable	36,913	6,221	1,060
Due to other governments	6,653	93,843	-
Deferred revenue:			
Succeeding year property tax	2,424,000	440,000	1,095,000
Other	44,369	2,278	4,395
Total liabilities	2,539,900	552,886	1,100,455
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid items	101,611	1,395	-
Restricted for:			
Supplemental levy purposes	614,514	-	-
Mental health purposes	-	480,129	-
Rural services purposes	-	-	295,854
Secondary roads purposes	-	-	-
Drainage	-	-	-
Local option sales tax purposes	266,907	-	-
Debt service	765,000	-	-
Conservation land acquisition/capital improvements	1,573	-	-
Other purposes	-	-	-
Unassigned	517,762	-	-
Total fund balances	2,267,367	481,524	295,854
Total liabilities and fund balances	\$ 4,807,267	1,034,410	1,396,309

See notes to financial statements.

Secondary Roads	Nonmajor	Total
1,632,087	216,586	4,120,631
-	-	23,400
-	307,000	4,266,000
-	-	31,800
1,500	-	2,339
-	-	2,594
-	-	765,000
728,916	60,575	869,880
340,010	-	340,010
72,434	-	175,440
<u>2,774,947</u>	<u>584,161</u>	<u>10,597,094</u>
166,898	97,300	302,707
33,154	-	77,348
81	-	100,577
-	307,000	4,266,000
<u>682,767</u>	<u>-</u>	<u>733,809</u>
<u>882,900</u>	<u>404,300</u>	<u>5,480,441</u>
340,010	-	340,010
72,434	-	175,440
-	-	614,514
-	-	480,129
-	-	295,854
1,479,603	-	1,479,603
-	40,623	40,623
-	-	266,907
-	-	765,000
-	-	1,573
-	139,238	139,238
-	-	517,762
<u>1,892,047</u>	<u>179,861</u>	<u>5,116,653</u>
<u>2,774,947</u>	<u>584,161</u>	<u>10,597,094</u>

Fremont County

Fremont County

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

June 30, 2012

Total governmental fund balances (page 19)	\$ 5,116,653
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$16,856,173 and the accumulated depreciation is \$5,733,623.	11,122,550
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	608,431
Long-term liabilities, including capital lease purchase agreements payable, bonds payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(1,296,290)</u>
Net assets of governmental activities (page 16)	<u><u>\$ 15,551,344</u></u>

See notes to financial statements.

Fremont County

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

Year ended June 30, 2012

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,261,524	440,344	965,802
Local option sales tax	237,815	-	101,921
Hotel/motel tax	80,494	-	-
Tax increment financing	-	-	-
Interest and penalty on property tax	47,182	-	-
Intergovernmental	390,383	887,914	43,261
Licenses and permits	13,511	-	-
Charges for service	292,843	-	-
Use of money and property	80,714	-	-
Miscellaneous	107,398	204	-
Total revenues	<u>3,511,864</u>	<u>1,328,462</u>	<u>1,110,984</u>
Expenditures:			
Operating:			
Public safety and legal services	1,615,999	-	84,866
Physical health and social services	171,983	-	16,394
Mental health	-	1,147,737	-
County environment and education	252,073	-	71,893
Roads and transportation	-	-	-
Governmental services to residents	291,027	-	464
Administration	876,102	-	-
Capital projects	-	-	-
Debt service	146,693	-	-
Total expenditures	<u>3,353,877</u>	<u>1,147,737</u>	<u>173,617</u>
Excess (deficiency) of revenues over (under) expenditures	<u>157,987</u>	<u>180,725</u>	<u>937,367</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	(900,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(900,000)</u>
Change in fund balances	157,987	180,725	37,367
Fund balances beginning of year	2,109,380	300,799	258,487
Fund balances end of year	<u>\$ 2,267,367</u>	<u>481,524</u>	<u>295,854</u>

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	-	3,667,670
-	-	339,736
-	-	80,494
-	342,040	342,040
-	-	47,182
4,414,841	119,175	5,855,574
2,165	-	15,676
-	1,691	294,534
-	159	80,873
24,068	38,758	170,428
4,441,074	501,823	10,894,207
-	59	1,700,924
-	-	188,377
-	-	1,147,737
-	513,473	837,439
4,759,708	-	4,759,708
-	-	291,491
-	-	876,102
1,454,366	-	1,454,366
-	-	146,693
6,214,074	513,532	11,402,837
(1,773,000)	(11,709)	(508,630)
900,000	9,009	909,009
-	(9,009)	(909,009)
900,000	-	-
(873,000)	(11,709)	(508,630)
2,765,047	191,570	5,625,283
1,892,047	179,861	5,116,653

Fremont County

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

Year ended June 30, 2012

Change in fund balances - Total governmental funds (page 23) \$ (508,630)

***Amounts reported for governmental activities in the Statement of
Activities are different because:***

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 666,706	
Depreciation expense	<u>(778,698)</u>	(111,992)

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 105,200

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

Property tax	(5,350)	
Other	<u>506,410</u>	501,060

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 158,793

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	62,242	
Other postemployment benefits	<u>(12,100)</u>	<u>50,142</u>

Change in net assets of governmental activities (page 17) \$ 194,573

See notes to financial statements.

Fremont County
 Statement of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2012

Assets

Cash and pooled investments:	
County Treasurer	\$ 852,271
Other County officials	31,538
Receivables:	
Property tax:	
Delinquent	63,624
Succeeding year	9,232,000
Accounts	654
Drainage assessments	399
Prepaid items	2,253
Total assets	10,182,739

Liabilities

Accounts payable	3,948
Salaries and benefits payable	3,311
Due to other governments	10,107,556
Trusts payable	24,909
Compensated absences	43,015
Total liabilities	10,182,739
Net assets	\$ -

See notes to financial statements.

Fremont County

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

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

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

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

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column of the Statement of Net Assets.

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

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

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

Unassigned – All amounts not included in the preceding classifications

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the capital projects function.

(2) Cash and Pooled Investments

The County’s deposits in banks at June 30, 2012 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 no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$ 900,000
Low to Moderate Income Assistance	Tax Increment Financing Rebate	9,009
Total		\$ 909,009

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 158,404	-	-	158,404
Intangibles, road network	1,384,069	-	-	1,384,069
Construction in progress	-	-	-	-
Total capital assets not being depreciated	1,542,473	-	-	1,542,473
Capital assets being depreciated:				
Buildings	3,139,486	53,000		3,192,486
Improvements other than buildings	142,836	50,400		193,236
Equipment and vehicles	5,845,757	670,406	(417,829)	6,098,334
Infrastructure, road network	5,468,795	-	-	5,468,795
Infrastructure, other	360,849	-	-	360,849
Total capital assets being depreciated	14,957,723	773,806	(417,829)	15,313,700
Less accumulated depreciation for:				
Buildings	723,704	63,170	-	786,874
Improvements other than buildings	40,244	7,920	-	48,164
Equipment and vehicles	3,993,107	484,527	(415,929)	4,061,705
Infrastructure, road network	534,877	211,053		745,930
Infrastructure, other	78,922	12,028	-	90,950
Total accumulated depreciation	5,370,854	778,698	(415,929)	5,733,623
Total capital assets being depreciated, net	9,586,869	(4,892)	(1,900)	9,580,077
Governmental activities capital assets, net	\$ 11,129,342	(4,892)	(1,900)	11,122,550

The County has acquired golf and turf equipment and an asphalt zipper under capital lease purchase agreements. The cost of the golf and turf equipment was \$153,528 and the accumulated depreciation at June 30, 2012 was \$41,983. The cost of the asphalt zipper was \$125,760 and the accumulated depreciation at June 30, 2012 was \$18,864.

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 68,568
Mental health	8,376
County environment and education	19,650
Roads and transportation	637,689
Governmental services to residents	9,216
Administration	35,199
Total depreciation expense - governmental activities	<u>\$ 778,698</u>

(5) Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 6,653
Special Revenue:		
Mental Health	Services	93,843
Secondary Roads		81
Total for governmental funds		<u>\$ 100,577</u>
Agency:		
County Assessor	Collections	\$ 307,504
Schools		6,541,198
Community Colleges		529,068
Corporations		1,791,125
Townships		194,897
Auto License and Use Tax		173,801
Drainage Districts		201,147
All other		368,816
Total for agency funds		<u>\$ 10,107,556</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	<u>Capital Lease</u>	<u>General</u>	<u>Compensated</u>	<u>Net</u>	
	<u>Purchase</u>	<u>Obligation</u>	<u>Absences</u>	<u>OPEB</u>	
	<u>Agreements</u>	<u>Bonds</u>		<u>Liability</u>	<u>Total</u>
Balance beginning of year	\$ 127,657	875,000	474,308	28,260	1,505,225
Increases	-	-	377,259	16,620	393,879
Decreases	48,793	110,000	439,501	4,520	602,814
Balance end of year	<u>\$ 78,864</u>	<u>765,000</u>	<u>412,066</u>	<u>40,360</u>	<u>1,296,290</u>
Due within one year	<u>\$ 38,615</u>	<u>110,000</u>	<u>66,371</u>	<u>-</u>	<u>214,986</u>

Capital Lease Purchase Agreements

On May 20, 2008, the County entered into a capital lease purchase agreement to lease golf and turf equipment for \$153,528 with 4.902% per annum interest. The County made a principal payment of \$25,087 and an interest payment of \$3,965 during the year ended June 30, 2012.

On July 3, 2008, the County entered into a capital lease purchase agreement to lease asphalt zipper equipment for \$113,305 with 4.790% per annum interest. The County made a principal payment of \$23,706 and an interest payment of \$2,046 during the year ended June 30, 2012.

The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreements in effect at June 30, 2012:

Year Ending June 30,	Golf and Turf Equipment	Asphalt Zipper	Total
2013	\$ 29,052	12,876	41,928
2014	29,052	12,876	41,928
Total minimum lease payments	58,104	25,752	83,856
Less amount representing interest	(4,095)	(897)	(4,992)
Present value of net minimum lease payments	\$ 54,009	24,855	78,864

General Obligation Bonds

On August 9, 2007, the County issued \$1,265,000 of general obligation solid waste disposal bonds for the purpose of constructing improvements to the Fremont County Landfill Commission facilities. The Commission has agreed to make payments to the County to pay the principal and interest on the general obligation solid waste disposal bonds as they become due.

Annual debt service requirements to maturity for the general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	4.000%	\$ 110,000	32,348	142,348
2014	4.125	80,000	27,948	107,948
2015	4.125	80,000	24,648	104,648
2016	4.250	65,000	21,348	86,348
2017	4.250	65,000	18,585	83,585
2018-2022	4.250-4.400	365,000	49,713	414,713
Total		\$ 765,000	174,590	939,590

During the year ended June 30, 2012, the County retired \$110,000 of general obligation bonds.

(7) Loan Receivable

The County loaned bond proceeds to the Fremont County Landfill Commission. Under the agreement, the Fremont County Landfill Commission has agreed to make payments to the County equal to the payments the County is required to make on the general obligation solid waste disposal bonds, as detailed in Note 6 of the Notes to Financial Statements. The principal and interest payments from the Fremont County Landfill Commission are credited to the General Fund.

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$251,848, \$211,604 and \$199,995, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 70 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 16,569
Interest on net OPEB obligation	1,130
Adjustment to annual required contribution	(1,079)
Annual OPEB cost	<u>16,620</u>
Contributions made	<u>(4,520)</u>
Increase in net OPEB obligation	12,100
Net OPEB obligation beginning of year	<u>28,260</u>
Net OPEB obligation end of year	<u>\$ 40,360</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the County contributed \$4,520 to the medical plan. Plan members eligible for benefits did not make any contributions.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 16,569	9.6%	\$ 14,977
2011	16,569	20.0	28,260
2012	16,569	27.2	40,360

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$125,246 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$125,246. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,594,000 and the ratio of the UAAL to covered payroll was 4.8%. As of June 30, 2012, there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods

and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Combined Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$513 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual 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 150% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2012 were \$ 149,507.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, 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 casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty 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 \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Development Agreements

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

The County agreed to rebate 100% of the incremental property tax paid by the developer in exchange for the costs of certain improvements. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated in twenty semi-annual payments beginning on December 1, 2001. During the year ended June 30, 2012, \$29,752 was rebated to the developer, K&M Lyons, Inc., with a cumulative total of \$274,793 rebated to the developer as of June 30, 2012.

The County agreed to rebate 100% of the incremental property tax paid by developers and a company organized as an Iowa limited liability company in exchange for the construction and maintenance of certain improvements. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developers and 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, 2012, \$288,417 was rebated to the company on behalf of the developers, with a cumulative total of \$2,182,940 rebated to the developers as of June 30, 2012.

The County agreed to rebate 62.26% of the incremental property tax paid by the developer in exchange for the construction of certain road, water and sanitary sewer improvements. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated in twenty semi-annual payments beginning on December 1, 2003. The total to be paid by the County under this agreement is not to exceed \$300,000. During the year ended June 30, 2012, \$14,862 was rebated to the developer, with a cumulative total of \$83,830 rebated to the developer as of June 30, 2012.

(12) Financial Assurance

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

The County has provided a local government guarantee for a portion of the closure and postclosure care costs of the Commission in accordance with Chapter 567-104.26(5) of the Iowa Administrative Code. Total estimated costs for closure and postclosure care of the Commission as of June 30, 2012 are \$1,254,489 and the County's financial assurance obligation amount is \$732,870. At June 30, 2012, the County has met the guarantor conditions outlined in Chapter 567-104.26(5) of the Iowa Administrative Code

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

Required Supplementary Information

Fremont County

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

Required Supplementary Information

Year ended June 30, 2012

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 4,391,814	-	4,391,814
Interest and penalty on property tax	45,733	-	45,733
Intergovernmental	5,951,125	48,700	5,902,425
Licenses and permits	15,293	-	15,293
Charges for service	293,001	-	293,001
Use of money and property	82,319	-	82,319
Miscellaneous	280,923	35,255	245,668
Total receipts	<u>11,060,208</u>	<u>83,955</u>	<u>10,976,253</u>
Disbursements:			
Public safety and legal services	1,736,462	-	1,736,462
Physical health and social services	211,144	-	211,144
Mental health	1,206,992	-	1,206,992
County environment and education	749,888	71,900	677,988
Roads and transportation	4,893,986	-	4,893,986
Governmental services to residents	299,801	-	299,801
Administration	897,934	-	897,934
Non-program	-	-	-
Debt service	146,693	-	146,693
Capital projects	1,343,718	-	1,343,718
Total disbursements	<u>11,486,618</u>	<u>71,900</u>	<u>11,414,718</u>
Excess (deficiency) of receipts over (under) disbursements	(426,410)	12,055	(438,465)
Other financing sources, net	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(426,410)	12,055	(438,465)
Balance beginning of year	4,547,041	64,993	4,482,048
Balance end of year	<u>\$ 4,120,631</u>	<u>77,048</u>	<u>4,043,583</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
4,717,572	4,717,572	(325,758)
24,045	24,045	21,688
3,671,173	5,995,626	(93,201)
20,055	20,055	(4,762)
293,732	293,732	(731)
143,754	143,754	(61,435)
177,462	177,462	68,206
9,047,793	11,372,246	(395,993)
1,705,316	1,761,805	25,343
312,681	312,681	101,537
1,237,787	1,401,912	194,920
783,890	783,890	105,902
3,766,000	4,930,000	36,014
400,417	400,417	100,616
1,277,842	1,277,842	379,908
2,300	2,300	2,300
146,693	146,693	-
311,000	1,331,000	(12,718)
9,943,926	12,348,540	933,822
(896,133)	(976,294)	537,829
-	146,693	(146,693)
(896,133)	(829,601)	391,136
2,576,542	2,541,542	1,940,506
1,680,409	1,711,941	2,331,642

Fremont County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 11,060,208	(166,001)	10,894,207
Expenditures	11,486,618	(83,781)	11,402,837
Net	(426,410)	(82,220)	(508,630)
Other financing sources, net	-	-	-
Beginning fund balances	4,547,041	1,078,242	5,625,283
Ending fund balances	\$ 4,120,631	996,022	5,116,653

See accompanying independent auditor's report.

Fremont County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements approximately \$ 2,404,614. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the capital projects function and disbursements exceeded the budgeted amount in the roads and transportation function prior to the budget amendment.

Fremont County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 125	125	0.00%	\$ 2,818	4.40%
2011	Jul 1, 2009	-	125	125	0.00	2,773	4.50
2012	Jul 1, 2009	-	125	125	0.00	2,594	4.80

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

See accompanying independent auditor's report.

Supplementary Information

Fremont County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2012

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts
Assets			
Cash and pooled investments	\$ 21,238	255	77,048
Receivables:			
Succeeding year property tax	-	-	-
Due from other governments	-	-	60,575
Total assets	\$ 21,238	255	137,623
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	-	97,000
Deferred revenue:			
Succeeding year property tax	-	-	-
Total Liabilities	-	-	97,000
Fund balances:			
Restricted for:			
Drainage	-	-	40,623
Other purposes	21,238	255	-
Total fund balances	21,238	255	40,623
Total liabilities and fund balances	\$ 21,238	255	137,623

See accompanying independent auditor's report.

Special Revenue					
Tax Increment Financing Rebate	Low to Moderate Income Assistance	Resource Enhancement and Protection	County Attorney Special Law Enforcement	Sheriff Special Law Enforcement	Total
-	41,840	48,039	919	27,247	216,586
307,000	-	-	-	-	307,000
-	-	-	-	-	60,575
307,000	41,840	48,039	919	27,247	584,161
-	-	300	-	-	97,300
307,000	-	-	-	-	307,000
307,000	-	300	-	-	404,300
-	-	-	-	-	40,623
-	41,840	47,739	919	27,247	139,238
-	41,840	47,739	919	27,247	179,861
307,000	41,840	48,039	919	27,247	584,161

Fremont County

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

Year ended June 30, 2012

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts
Revenues:			
Tax increment financing	\$ -	-	-
Intergovernmental	-	-	109,275
Charges for service	1,691	-	-
Use of money and property	47	-	-
Miscellaneous	-	-	35,255
Total revenues	<u>1,738</u>	<u>-</u>	<u>144,530</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	-	168,900
Total expenditures	<u>-</u>	<u>-</u>	<u>168,900</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,738</u>	<u>-</u>	<u>(24,370)</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>1,738</u>	<u>-</u>	<u>(24,370)</u>
Fund balances beginning of year	<u>19,500</u>	<u>255</u>	<u>64,993</u>
Fund balances end of year	<u>\$ 21,238</u>	<u>255</u>	<u>40,623</u>

See accompanying independent auditor's report.

Special Revenue					
Tax Increment Financing Rebate	Low to Moderate Income Assistance	Resource Enhancement and Protection	County Attorney Special Law Enforcement	Sheriff Special Law Enforcement	Total
342,040	-	-	-	-	342,040
-	-	9,400	-	500	119,175
-	-	-	-	-	1,691
-	-	112	-	-	159
-	-	-	-	3,503	38,758
342,040	-	9,512	-	4,003	501,823
-	-	-	-	59	59
333,031	3,000	8,542	-	-	513,473
333,031	3,000	8,542	-	59	513,532
9,009	(3,000)	970	-	3,944	(11,709)
-	9,009	-	-	-	9,009
(9,009)	-	-	-	-	(9,009)
(9,009)	9,009	-	-	-	-
-	6,009	970	-	3,944	(11,709)
-	35,831	46,769	919	23,303	191,570
-	41,840	47,739	919	27,247	179,861

Fremont County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	2,838	98,867	108,605
Other County officials	31,538	-	-	-
Receivables:				
Property tax:				
Delinquent	-	821	1,498	38,593
Succeeding year	-	139,000	253,000	6,394,000
Accounts	159	-	-	-
Drainage assessments	-	-	-	-
Prepaid items	-	-	-	-
Total assets	\$ 31,697	142,659	353,365	6,541,198
Liabilities				
Accounts payable	\$ -	-	57	-
Salaries and benefits payable	-	-	2,789	-
Due to other governments	6,788	142,659	307,504	6,541,198
Trusts payable	24,909	-	-	-
Compensated absences	-	-	43,015	-
Total liabilities	\$ 31,697	142,659	353,365	6,541,198

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Drainage Districts	Other	Total
6,054	39,190	3,134	173,801	200,748	219,034	852,271
-	-	-	-	-	-	31,538
3,014	18,935	763	-	-	-	63,624
520,000	1,733,000	191,000	-	-	2,000	9,232,000
-	-	-	-	-	495	654
-	-	-	-	399	-	399
-	-	-	-	-	2,253	2,253
529,068	1,791,125	194,897	173,801	201,147	223,782	10,182,739
-	-	-	-	-	3,891	3,948
-	-	-	-	-	522	3,311
529,068	1,791,125	194,897	173,801	201,147	219,369	10,107,556
-	-	-	-	-	-	24,909
-	-	-	-	-	-	43,015
529,068	1,791,125	194,897	173,801	201,147	223,782	10,182,739

Fremont County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 52,981	127,147	306,378	6,171,161
Additions:				
Property and other county tax	-	139,591	253,076	6,401,395
E911 surcharge	-	-	-	-
State tax credits	-	5,578	7,165	271,759
State grants and reimbursements	-	-	-	-
Drivers license fees	-	-	-	-
Office fees and collections	129,863	-	-	-
Electronic transaction fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	200,060	-	-	-
Miscellaneous	25	-	1,851	-
Total additions	329,948	145,169	262,092	6,673,154
Deductions:				
Agency remittances:				
To other funds	49,335	-	-	-
To other governments	81,427	129,657	215,105	6,303,117
Trusts paid out	220,470	-	-	-
Total deductions	351,232	129,657	215,105	6,303,117
Balances end of year	\$ 31,697	142,659	353,365	6,541,198

See accompanying independent auditor's report.

Community Colleges	Corpora- tions	Townships	Auto License and Use Tax	Drainage Districts	Other	Total
350,885	1,720,336	194,626	172,715	625,380	167,091	9,888,700
521,861	1,721,640	192,039	-	-	2,315	9,231,917
-	-	-	-	-	50,238	50,238
15,083	60,329	8,650	-	-	59	368,623
-	-	-	-	1,072,919	-	1,072,919
-	-	-	22,765	-	-	22,765
-	-	-	-	-	1,206	131,069
-	-	-	-	-	1,692	1,692
-	-	-	2,434,348	-	-	2,434,348
-	-	-	-	11,953	-	11,953
-	-	-	-	-	165,365	365,425
-	616	-	-	139,229	58,664	200,385
536,944	1,782,585	200,689	2,457,113	1,224,101	279,539	13,891,334
-	-	-	111,715	-	-	161,050
358,761	1,711,796	200,418	2,344,312	1,648,334	94,397	13,087,324
-	-	-	-	-	128,451	348,921
358,761	1,711,796	200,418	2,456,027	1,648,334	222,848	13,597,295
529,068	1,791,125	194,897	173,801	201,147	223,782	10,182,739

Fremont County

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

For the Last Ten Years

	2012	2011	2010	2009
Revenues:				
Property and other county tax	\$ 3,667,670	3,502,764	3,207,927	2,891,750
Local option sales tax	339,736	340,242	276,560	298,869
Hotel/motel tax	80,494	109,190	104,837	136,810
Tax increment financing	342,040	353,311	331,228	294,230
Interest and penalty on property tax	47,182	31,395	36,418	34,779
Intergovernmental	5,855,574	3,954,807	3,943,988	3,609,589
Licenses and permits	15,676	10,014	14,384	21,737
Charges for service	294,534	294,739	297,077	281,712
Use of money and property	80,873	109,033	143,749	200,421
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	170,428	113,870	242,230	334,715
Total	\$ 10,894,207	8,819,365	8,598,398	8,104,612
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,700,924	1,678,496	1,632,171	1,577,670
Physical health and social services	188,377	232,310	225,919	173,847
Mental health	1,147,737	986,080	1,031,039	1,094,904
County environment and education	837,439	686,860	709,649	592,200
Roads and transportation	4,759,708	3,482,456	3,303,655	3,540,488
Governmental services to residents	291,491	304,531	305,626	311,891
Administration	876,102	1,072,083	966,078	931,847
Non-program	-	-	-	5,750
Capital projects	1,454,366	198,276	214,622	181,268
Debt service	146,693	145,840	144,740	143,445
Total	\$ 11,402,837	8,786,932	8,533,499	8,553,310

See accompanying independent auditor's report.

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
2,796,186	2,954,419	2,896,357	2,980,737	2,958,560	2,853,150
354,818	366,556	320,013	301,586	309,600	263,615
125,265	-	-	-	-	-
287,926	249,628	226,431	246,880	193,882	54,396
32,132	32,363	36,374	31,149	29,109	30,180
3,441,598	3,803,528	3,569,818	3,355,608	3,475,783	3,389,112
13,748	11,085	15,238	13,932	18,424	12,918
245,832	266,114	267,302	282,084	296,107	262,914
273,144	295,786	198,819	144,583	147,749	194,678
-	-	-	-	-	-
288,346	70,275	89,066	65,073	125,355	70,817
7,858,995	8,049,754	7,619,418	7,421,632	7,554,569	7,131,780
1,589,735	1,440,145	1,541,422	1,490,027	1,429,674	1,325,858
173,261	160,364	151,511	156,665	132,073	191,449
1,131,939	1,148,688	1,076,418	1,011,944	995,212	964,931
798,325	569,297	544,600	600,397	478,330	350,949
3,081,546	2,847,459	3,132,924	4,048,002	3,974,302	2,851,143
308,794	283,362	394,944	331,275	279,894	269,407
949,115	904,719	894,836	814,262	746,481	834,924
-	-	540	1,015	215	7,660
197,167	141,305	284,134	45,766	226,211	565,510
133,296	-	-	-	-	-
8,363,178	7,495,339	8,021,329	8,499,353	8,262,392	7,361,831

Fremont County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of the Interior:			
Payments in Lieu of Taxes	15.226		\$ 10,951
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		3,378
U.S. Department of Justice:			
Iowa Department of Justice:			
Crime Victim Assistance Division:			
Crime Victim Assistance	16.575	VA-12-68	6,230
Iowa Department of Public Health:			
Paul Coverdale Forensic Sciences Improvement Grant Program	16.742		1,865
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	5881OB14	1,225
Highway Planning and Construction	20.205	IA-11-01-36	64,215
Highway Planning and Construction	20.205	IA-11-01-36-03	42,460
Highway Planning and Construction	20.205	IA-11-01-36-04	24,985
			<u>132,885</u>
Iowa Department of Public Safety:			
National Highway Traffic Safety Administration			
(NHTSA) Discretionary Safety Grants	20.614	PAP 12-03, Task 164	4,500

Fremont County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5882BT36	12,532
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance_State Administered Programs	93.566		6
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		749
Foster Care-Title IV-E	93.658		1,233
Adoption Assistance	93.659		360
Social Services Block Grant	93.667		1,083
Social Services Block Grant	93.667		26,620
			27,703
Children's Health Insurance Program	93.767		12
Medical Assistance Program	93.778		3,174
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-IA 1998	2,058,060
Emergency Management Performance Grants	97.042	EMPG-12-PT-36	11,942
Homeland Security Grant Program	97.067		6,865
Total indirect			2,271,494
Total			\$ 2,282,445

* Includes \$6,865 of non-cash awards.

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Fremont County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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

To the Officials of Fremont County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Fremont County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated April 3, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Fremont County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Fremont County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Fremont County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fremont's County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12 through II-D-12 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-E-12 through II-I-12 to be significant deficiencies.

Compliance and Other Matters

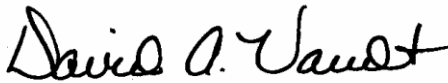
As part of obtaining reasonable assurance about whether Fremont County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

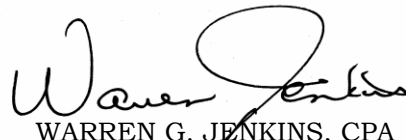
Fremont County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Fremont County's responses and, accordingly, we express no opinion on them.

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, including federal awarding agencies and pass-through entities, and 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

April 3, 2013

**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133**

Fremont County



OFFICE OF AUDITOR OF STATE
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Independent Auditor's Report on Compliance
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To the Officials of Fremont County:

Compliance

We have audited Fremont County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2012. Fremont County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Fremont County's management. Our responsibility is to express an opinion on Fremont County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fremont County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Fremont County's compliance with those requirements.

In our opinion, Fremont County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance


The management of Fremont County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Fremont County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fremont County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance we consider to be a significant deficiency or a material weakness.

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, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 3, 2013

Fremont County

Schedule of Findings

Year ended June 30, 2012

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters).
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Fremont County did not qualify as a low-risk auditee.

Fremont County

Schedule of Findings

Year ended June 30, 2012

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or more individuals in these offices have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Receipts - collecting, recording, posting receipts and maintaining receivable records.	County Treasurer
(2) Investments - investing, custody and accounting	County Treasurer
(3) Bank accounts are not reconciled at the end of each month by an individual who does not sign checks, handle or record cash.	County Treasurer
(4) One individual has custody of the change fund and can handle more than one fund, along with other cash receipts, and can also collect and reconcile receipts.	County Treasurer
(5) Timesheets - One individual records timesheet information and also approves timesheets.	County Sheriff

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

Fremont County

Schedule of Findings

Year ended June 30, 2012

Responses –

- (1) Employees take turns in collecting mail. The Treasurer opens the mail and records in a spreadsheet including name, bank, amount and check number. All employees enter receipts. I have established a rotation schedule for reconciling and daily balancing.
- (2) A request for interest quotes is emailed to all banks by a tax deputy (rotated). A quote sheet is prepared for the Treasurer's approval. Only the Treasurer can cash or purchase investments. Spreadsheets are prepared for individual investments by tax deputies (rotated).
- (3) All employees are needed to sign checks, handle or record cash to serve the customers.
- (4) All employees are trained in each division of the office. We rotate daily balancing. To serve our customers, all must handle and receipt money received.
- (5) The County Sheriff or Chief Deputy will approve the reserve officer timesheets prior to submittal as a claim.

Conclusions –

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

County Sheriff – Response accepted.

- II-B-12 Financial Reporting – During the audit, we identified material amounts of receivables and payables not recorded in the financial statements. In addition, salaries and benefits payable were calculated incorrectly and one capital asset was not included in the county's capital asset records. Adjustments were subsequently made by the County to properly reflect these amounts.

Recommendation – The County should implement procedures to ensure all receivables and payables are identified and recorded and capital assets are properly valued and included in the County's financial statements. Also, the County should ensure salaries and benefits payable are calculated correctly and properly reported.

Response – In the future, we will work to be more careful encoding items to the correct fiscal year.

I will appoint a second person in my office to review salaries and benefits payable are calculated correctly.

Fremont County

Schedule of Findings

Year ended June 30, 2012

I spoke with my Deputy who lists capital assets, and she said it was the new generator for the courthouse installed right at the end of the fiscal year and she neglected to put it on the capital asset records. I suggested she code these assets as they come in and she said she would.

Conclusion – Response accepted.

- II-C-12 County Conservation - The County does not have a policy for employees who have other jobs which could result in a conflict of interest with the employee's job responsibilities with the County.

Annual golf course membership fees are not reconciled with a listing of golf course members and are not reconciled to deposits with the County Treasurer's Office.

Recommendation – The County should establish a policy concerning employees having other jobs which could result in a conflict of interest with the employee's job responsibilities with the County.

Annual golf course membership fees should be reconciled with a listing of golf course members and all collections should be traced to deposits with the County Treasurer's Office. This reconciliation should be reviewed by an independent person.

Response – The County has asked for input from the Conservation Board in order to resolve this matter.

We are looking into performing a monthly reconciliation of golf course fees to deposit.

Conclusion – Response acknowledged. A reconciliation of golf course fees to golf course members and deposits should begin immediately.

- II-D-12 Sheriff's Signature Stamp – The County Sheriff uses a signature stamp to authorize claims for payment. However, the signature stamp is not secured and is used by other Sheriff's Office employees.

Recommendation – If a signature stamp is used, the County Sheriff should secure his signature stamp and the stamp should only be used by the County Sheriff and the County Sheriff should initial near the stamp.

Response – The use of a signature stamp will be terminated effective immediately.

Conclusion – Response accepted.

- II-E-12 Credit Card Policy – The County has a written credit card policy. All credit cards and credit limits must be authorized by the Board of Supervisors when issued to Department heads. The Board does not maintain a list of authorized credit cards or credit limits.

Fremont County

Schedule of Findings

Year ended June 30, 2012

Recommendation – The Board should compile and maintain a list of County issued credit cards and credit limits. This list should be provided to the County Auditor’s office for auditing claims to ensure purchases are authorized. In addition, the policy should be periodically reviewed and include requirements for supporting documentation.

Response – We have supplied our Human Resources Director with several credit card policies from other counties as examples. He is going to incorporate a credit card policy into an updated County employee handbook.

Conclusion – Response accepted.

II-F-12 Sheriff’s Chief Deputy’s Overtime Payout – As the result of concerns brought to our attention, we reviewed a payment of \$2,980 to Sheriff Kevin Aistrope in January 2009, when he took office as County Sheriff, for overtime he earned as Chief Deputy. We obtained a copy of a letter signed by the former Sheriff which, among other things, stated the Chief Deputy is non-exempt under the Fair Labor Standards Act (FLSA) and established overtime for the Chief Deputy would be paid in accordance with FLSA guidelines. Specifically, the former Sheriff stated the Chief Deputy would be paid overtime in excess of 171 hours in a 28 day cycle. Based on the description of overtime in the former Sheriff’s letter, it appears the former Sheriff established the Chief Deputy’s overtime pay in accordance with Section 7(k) of the FLSA. Section 7(k) provides employees engaged in law enforcement may be paid overtime on a “work period” basis. A “work period” may be from seven consecutive days to twenty-eight consecutive days. According to the former Sheriff’s letter, the Chief Deputy worked a six day schedule. As a result, the Section 7(k) exemption of FLSA does not apply. The former Sheriff’s letter was never formally adopted as policy by the Board of Supervisors.

Prior to the payout, the overtime was recalculated by Sheriff Aistrope using the policy agreed to by the Board of Supervisors and the Teamsters Local Union representing the employees of the Sheriff’s Office, even though the agreement specifically excluded the Chief Deputy and others in the Sheriff’s Office.

Chapter 331.904(2)(d) of the Code of Iowa states the Board of Supervisors will set the annual base salary of each deputy sheriff who is not classified as exempt under the Fair Labor Standards Act. Since the former Sheriff stated the Chief Deputy was non-exempt under the Fair Labor Standards Act, the salary and overtime of the Chief Deputy should follow the policy established by the Board of Supervisors.

Because the overtime was not calculated according to the policy of the Board of Supervisors, we were unable to determine if the amount paid is correct.

Recommendation – If the County determines the Chief Deputy is non-exempt under the Fair Labor Standards Act, the Sheriff’s Office should pay overtime to the Chief Deputy according to the policy established by the Board of

Fremont County

Schedule of Findings

Year ended June 30, 2012

Supervisors. Also, the County should consult legal counsel to resolve this matter.

Response – During my time as Chief Deputy, from 01/01/93 until 12/31/08, or after taking over as Sheriff, I have never figured anyone’s overtime, including my own. My time was figured by Ms. Angela Rasmussen, who was Sheriff Steve MacDonald’s personal secretary. She did everyone’s time, including her own. I asked Sheriff MacDonald and Ms. Rasmussen prior to myself becoming Sheriff to figure up any payout so it could be turned in before 01/01/09. It was unknown to me how my time was figured by them. I did not “recalculate” the overtime after it was figured by Ms. Rasmussen.

Per recommendation of the State Auditor’s Office, I will request the Board of Supervisors formally adopt a policy concerning overtime pay for the Chief Deputy appointed under my administration

Conclusion – Response acknowledged. The County should determine whether the Chief Deputy is exempt or non-exempt under the Fair Labor Standards Act.

II-G-12 Accounting Policies and Procedures Manual – The Sheriff’s office does not have a written standardized accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- Aid in training additional or replacement personnel.
- Help achieve uniformity in accounting and in the application of policies and procedures.

Response – The Sheriff’s Office will begin developing an accounting policy and procedure manual.

Conclusion – Response accepted.

II-H-12 Wright Express – Certain employees in the Sheriff’s Office and the Emergency Management Office use a Wright Express fuel card to purchase fuel for County owned vehicles. Each vehicle has an assigned Wright Express fuel card and each authorized employee is to be assigned a unique PIN number. The employee is to use their assigned PIN number each time they put fuel in the vehicle. However, not all employees in the Sheriff’s Office have been assigned a PIN number, resulting in PIN numbers being shared or left in vehicles for employee use. This results in inaccurate records of fuel usage by employees and limits the Sheriff’s Office ability to identify potentially fraudulent fuel purchases. In addition, there is no evidence of review of monthly fuel usage reports.

Recommendation – The County should establish a policy requiring employees to obtain a PIN and keep their PIN numbers private. Additionally, the monthly fuel usage reports should be reviewed and evidence of the review should be

Fremont County

Schedule of Findings

Year ended June 30, 2012

documented on the reports by the signature or initials of the reviewer and the date of the review.

Response – The County will establish a written policy requiring departments who use Wright Express cards to issue personal PINs to employees and to not share cards or PINs.

All Sheriff's Office employees have been assigned a private PIN number and have been directed to keep the number private. Reviews of monthly reports will be documented.

Conclusion – Response accepted.

II-I-12 Prepaid Expenditures and Holding Warrants – In July 2012, the County issued a \$6,515 warrant for body cameras for the Sheriff's Office. The warrant was later found on a former Sheriff's Office employee's desk. The warrant was subsequently voided because the equipment had not being received.

Recommendation – Payment for goods and services should only be made after the goods or services are received. Also, all warrants should be mailed directly by the County Auditor's Office.

Responses –

County Auditor – In the future, all warrants will be mailed directly from the County Auditor's office.

County Sheriff - On June 25, 2012, the Sheriff elected to purchase body cameras for Deputies after determining there was a surplus in the FY2012 budget. Due to the time constraint of the fiscal year end, June 30, 2012, an invoice from the camera company was obtained on June 25, 2012 and presented to the Board of Supervisors for approval. Once the purchase was approved, a check was issued by the Auditor and given to the Sheriff's Office to be held until the cameras were received.

The Sheriff later learned the surplus in his FY2012 budget had been calculated wrong and was less than originally determined. The Sheriff then cancelled the order for the cameras. The Sheriff's Office employee who was in charge of accounts payable failed to return the check to the Auditor's Office. It was not until after the employee was later terminated that the check was found on her desk.

Fremont County

Schedule of Findings

Year ended June 30, 2012

This was an isolated incident caused only by the time constraint of the fiscal year end. The normal practice of the Sheriff's Office is to request payment for goods or services only after they have been received.

Conclusions –

County Auditor – Response accepted.

County Sheriff – Response acknowledged. Warrants should not be issued until the goods or services have been received.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Fremont County

Schedule of Findings

Year ended June 30, 2012

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

Fremont County

Schedule of Findings

Year ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amount budgeted in the roads and transportation function before the budget amendment was adopted on April 24, 2012.

In addition, disbursements during the year ended June 30, 2012 exceeded the amount budgeted in the capital projects function.

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

Response – The budget was exceeded in these functions due to extensive repairs to flood damaged roads. In the future, we will amend the budget before disbursements exceed the amount budgeted.

Conclusion – Response accepted.

IV-B-12 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-12 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-12 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Nancy Henneman, Mental Health Department Secretary, son owns Henneman Lawn Service/Snow Removal	Custodial, repair and maintenance	\$ 1,125
Jarod Johnson, Reserve Deputy Sheriff, owner of Johnson Repairs	Sheriff’s Office vehicle maintenance	4,750

In accordance with Chapter 331.342(2) of the Code of Iowa, the transactions with Henneman Lawn Service/Snow Removal do not appear to represent a conflict of interest since Nancy Henneman’s remuneration of employment is not directly affected as a result of the contract and her duties of employment did not directly involve the procurement or preparation of any part of the contract.

The transactions with Jared Johnson may represent a conflict of interest since the transactions exceed \$1,500 and were not competitively bid.

Fremont County

Schedule of Findings

Year ended June 30, 2012

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

Response – Johnson Repairs will no longer be used by the Sheriff's Office for vehicle repair in order to prevent any possible conflict of interest.

Conclusion – Response acknowledged. The County should consult legal counsel to determine the disposition of this matter.

IV-E-12 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-12 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-H-12 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).

IV-I-12 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, 2012 for the County Extension Office did not exceed the amount budgeted.

IV-J-12 Semi-Annual Report - The semi-annual report of the County Treasurer, including a schedule of the receipts and disbursements of the County and the current cash balance in each fund in the Treasurer's Office, was not published as required by Chapter 349.16(3) of the Code of Iowa.

Recommendation – The Treasurer's Semi-Annual report should be published in accordance with Chapter 349.16(3) of the Code of Iowa.

Response – I will ensure future reports are published.

Conclusion – Response accepted.

Fremont County

Schedule of Findings

Year ended June 30, 2012

- IV-K-12 County E-911 Commission Budget Notice of Public Hearing – The County E-911 Commission initially approved the County E-911 Commission budget on March 9, 2011, including the public hearing on the budget. However, the notice of budget hearing for the County E-911 Commission was not published prior to the March 9, 2011 meeting. The County E-911 Commission did not publish notice of a budget hearing on April 7, 2011 and held the hearing and approved the County E-911 Commission budget on April 20, 2011. Chapter 24.9 of the Code of Iowa states the notice of hearing must be published at least 10 days before the hearing.

Recommendation - The County E-911 Commission should ensure the publications are made as required.

Response – We will publish the notice of public hearing at least 10 but not more than 20 days before the date of the hearing.

Conclusion – Response accepted.

- IV-L-12 Emergency Management Commission Budget – Disbursements during the year ended June 30, 2012 for the County Emergency Management Fund exceeded the amount budgeted.

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

Response – The problem has been identified and corrective action will be taken so that it does not occur again.

Conclusion – Response accepted.

- IV-M-12 Disposal of Abandoned, Seized and Forfeited Firearms - The Sheriff's Office obtained ownership of 115 firearms which had been seized, forfeited or abandoned over many years. The Sheriff's Office received a court order stating the firearms were the property of the Sheriff's Office and should be disposed of in a reasonable manner. The Sheriff's Office contacted a local licensed firearms dealer and exchanged the weapons for components and accessories for M-16 rifles received from the U.S. Department of Justice.

The dealer provided us with a list of the weapons and the prices he says he received when they were sold. The Sheriff purchased fifteen of these weapons from the dealer for personal use at an average cost of \$77 per weapon. The overall average per weapon price from the list provided by the dealer was \$55, including prices for 35 weapons the dealer indicates were "scrap". The scrap items were not detailed on the list. For this reason, we made no attempt to account for each weapon identified in the court order. An additional four weapons were sold to other Sheriff's Office employees for a total of \$365.

Fremont County

Schedule of Findings

Year ended June 30, 2012

We contacted the Iowa Attorney General's Office which said there were three chapters of the Iowa Code that could apply to these firearms. Chapter 80.39 would apply to abandoned property, Chapter 809 would apply to seized property and Chapter 809A would apply to forfeited property.

If the weapon is abandoned, Chapter 80.39 of the Code of Iowa requires an attempt to locate the owner before the weapon is permitted to be sold at auction, with the proceeds required to be deposited in the Special Revenue, Rural Services Fund of the County.

If the weapon is seized, Chapter 809 of the Code of Iowa requires firearms and ammunition with an aggregate fair market value equal to or less than \$500 to be provided to the Iowa Department of Public Safety to be tested or provided to the criminalistics laboratory before the Department disposes of the property. If the aggregate fair market value of the seized property exceeds \$500, the property is subject to forfeiture proceedings outlined in Chapter 809A of the Code of Iowa.

If the property is successfully forfeited under Chapter 809A of the Code of Iowa, Chapter 809A.17(5)(b) states forfeited property which is a weapon or ammunition will be provided to the Iowa Department of Public Safety to be disposed of in accordance with Department rules.

The County Sheriff's Office did not follow the Code of Iowa in the disposition of the weapons.

Recommendation – In the future, the County Sheriff should determine the aggregate fair market value of firearms by case and follow the appropriate Iowa Code section. The Code of Iowa does not permit the County Sheriff to exchange abandoned, seized or forfeited firearms for weapons components. The County should consult legal counsel to determine the disposition of this matter.

Response – The Sheriff's Office received a solicitation via the mail from an Iowa firm named "High Velocity Ltd." In the mailing, High Velocity offered to take our seized, forfeited and abandoned weapons in trade for new equipment and/or weapons, citing that the transaction was legal per Iowa Code Section 809.5 and 724.

The Sheriff's Office responded via e-mail to High Velocity's solicitation and inquired about the transaction process, including any court order needed. The President of High Velocity in-turn replied and wrote that his company had bought/traded seized firearms from law enforcement agencies many times. He attached a court order form to use and stated that the form had been created by another Sheriff's Office in Iowa.

During a phone conversation with High Velocity's President, he offered the names of five other law enforcement agencies in Iowa that he had done business with, by taking weapons in trade. The Sheriff's Office contacted three of those agencies who all confirmed doing business with High Velocity.

Fremont County

Schedule of Findings

Year ended June 30, 2012

The Sheriff's Office prepared an itemized list and "Application for Disposal of Property" of seized, forfeited and abandoned weapons in its possession and presented it to the County Attorney for approval. The County Attorney was advised of the Sheriff's Office's intention of trading the weapons for equipment and/or new duty weapons for officers. The County Attorney signed the "Application" indicating approval. The County Attorney presented the list of weapons and a prepared "Application for Disposal of Property" to the District Court. A District Court Judge signed the "Application for Disposal of Property" and so ordered that the listed items be deemed property of the Sheriff's Office and shall be disposed of in a reasonable manner.

In the weeks to follow, the Sheriff's Office never reached an agreement with High Velocity concerning a "trade". A local licensed firearms dealer was approached regarding a similar trade. In an agreement the local firearms offered to take the Sheriff's Office weapons in trade for components for recently acquired M-16 rifles the Sheriff's Office obtained from the Federal Government. The M-16's would be converted from the military configuration to a design that is better suited for law enforcement use in an urban environment.

The local firearms dealer offered to take all of the Sheriff's Office weapons in trade and then, as he sold the firearms, he would create a credit for the Sheriff's Office until enough money was obtained to cover the expense of the M-16 components. In doing so, no money was exchanged between the Sheriff's Office and the firearms dealer. The dealer offered his services free to the Sheriff's Office and did not receive any profit in the transaction.

In conclusion, as a result of this audit, the Sheriff's Office now understands and acknowledges that procedural errors were made concerning the disposal of the aforementioned seized and forfeited firearms, per Iowa Code. However, it is important to understand that, as previously described, the Sheriff's Office was misled by the firm High Velocity. This misinformation was further compounded by communication with other Iowa law enforcement agencies who confirmed conducting the same type of transaction with High Velocity.

All actions of the Sheriff's Office in this matter were made in good faith with the sole intent of ridding the office of a stockpile of useless weapons in trade for needed law enforcement equipment, with no cost to the taxpayer. All transactions made by the firearms dealer are documented, were supplied to the State Auditor and are available for review. All email communications with High Velocity are also available for review. There was no intent on the part of the Sheriff's Office or the firearms dealer to purposely defraud any person or entity.

As a result of information received in the audit, the Sheriff's Office has consulted the County Attorney and has received training and guidance in disposition of seized, forfeited and abandoned property.

Fremont County

Schedule of Findings

Year ended June 30, 2012

Subsequent to the audit report, and at the request of the Board of Supervisors, the Fremont County Attorney contacted the Bureau Chief of the Department of Public Safety in regards to the disposition of this matter. The Bureau Chief responded in an e-mail communication dated March 18, 2013 by stating the following:

“The Iowa Department of Public Safety, after consultation with our Assistant Attorney General, has determined that the Department will not be requesting or otherwise making claim to any portion of the monetary value of the barter.”

Conclusion – Response acknowledged. The County Sheriff should follow the appropriate Iowa Code section when disposing of abandoned, seized and forfeited firearms.

Fremont County

Staff

This audit was performed by:

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Elissa R. Olson, Assistant Auditor
Ryan J. Pithan, Auditor Intern

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