

# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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## NEWS RELEASE

Contact: Andy Nielsen  
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FOR RELEASE \_\_\_\_\_ March 29, 2018

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

The County had local tax revenue of \$16,676,548 for the year ended June 30, 2017, which included \$1,261,773 in tax credits from the state. The County forwarded \$11,367,742 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,308,806 of the local tax revenue to finance County operations, a 5.5% increase over the prior year. Other revenues included charges for service of \$533,502, operating grants, contributions and restricted interest of \$3,466,773, capital grants, contributions and restricted interest of \$1,394,985, tax increment financing of \$240,155, local option sales tax of \$ 361,049, hotel/motel tax of \$126,307, unrestricted investment earnings of \$46,872 and other general revenues of \$331,282.

Expenses for County operations for the year ended June 30, 2017 totaled \$10,888,423, a 5.9% increase over the prior year. Expenses included \$4,553,164 for roads and transportation, \$3,501,435 for public safety and legal services and \$1,167,933 for administration.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Office of Auditor of State's web site at <https://auditor.iowa.gov/reports/1710-0036-B00F>.

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**FREMONT COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2017**

## Table of Contents

|   |                 | <u>Page</u> |
|---|-----------------|-------------|
| Officials   |                 | 3           |
| Independent Auditor’s Report  |                 | 5-7         |
| Management’s Discussion and Analysis  |                 | 9-15        |
| Basic Financial Statements:   | <u>Exhibit</u>  |             |
| Government-wide Financial Statements:   |                 |             |
| Statement of Net Position   | A               | 18          |
| Statement of Activities   | B               | 19          |
| Governmental Fund Financial Statements:   |                 |             |
| Balance Sheet   | C               | 20-21       |
| Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position   | D               | 23          |
| Statement of Revenues, Expenditures and Changes in Fund Balances  | E               | 24-25       |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities  | F               | 26          |
| Fiduciary Fund Financial Statement:   |                 |             |
| Statement of Fiduciary Assets and Liabilities – Agency Funds  | G               | 27          |
| Notes to Financial Statements   |                 | 29-48       |
| Required Supplementary Information:   |                 |             |
| Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds  |                 | 50-51       |
| Budget to GAAP Reconciliation   |                 | 53          |
| Notes to Required Supplementary Information – Budgetary Reporting   |                 | 54          |
| Schedule of the County’s Proportionate Share of the Net Pension Liability   |                 | 55          |
| Schedule of County Contributions  |                 | 56-57       |
| Notes to Required Supplementary Information – Pension Liability   |                 | 58          |
| Schedule of Funding Progress for the Retiree Health Plan  |                 | 59          |
| Supplementary Information:  | <u>Schedule</u> |             |
| Nonmajor Governmental Funds:  |                 |             |
| Combining Balance Sheet   | 1               | 62-63       |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances   | 2               | 64-65       |
| Agency Funds:   |                 |             |
| Combining Schedule of Fiduciary Assets and Liabilities  | 3               | 66-67       |
| Combining Schedule of Changes in Fiduciary Assets and Liabilities   | 4               | 68-69       |
| Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds  | 5               | 70-71       |
| Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> |                 | 73-74       |
| Schedule of Findings  |                 | 75-82       |
| Staff   |                 | 83          |

**Fremont County**

**Officials**

**(Before January 2017)**

| <u>Name</u>                      | <u>Title</u>         | <u>Term Expires</u> |
|----------------------------------|----------------------|---------------------|
| Cara Morgan                      | Board of Supervisors | Jan 2017            |
| Earl Hendrickson                 | Board of Supervisors | Jan 2019            |
| Randy Hickey                     | Board of Supervisors | Jan 2019            |
| Joan Kirk                        | County Auditor       | Jan 2017            |
| Judith M. Crain                  | County Treasurer     | Jan 2019            |
| Jenny McAllister                 | County Recorder      | Jan 2019            |
| Kevin Aistrope                   | County Sheriff       | Jan 2017            |
| Corey J. Becker                  | County Attorney      | (Resigned Sep 2016) |
| Brenna Bird (Appointed Nov 2016) | County Attorney      | Nov 2018            |
| Brenda Mintle                    | County Assessor      | Jan 2022            |

**(After January 2017)**

| <u>Name</u>                       | <u>Title</u>         | <u>Term Expires</u> |
|-----------------------------------|----------------------|---------------------|
| Earl Hendrickson                  | Board of Supervisors | Jan 2019            |
| Randy Hickey                      | Board of Supervisors | Jan 2019            |
| Terry Graham                      | Board of Supervisors | Jan 2021            |
| Dee Owen                          | County Auditor       | Jan 2021            |
| Judith M. Crain                   | County Treasurer     | (Retired May 2017)  |
| Alise Snyder (Appointed Jun 2017) | County Treasurer     | Nov 2018            |
| Jenny McAllister                  | County Recorder      | Jan 2019            |
| Kevin Aistrope                    | County Sheriff       | Jan 2021            |
| Brenna Bird                       | County Attorney      | Nov 2018            |
| Brenda Mintle                     | County Assessor      | Jan 2022            |

**Fremont County**



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

## Independent Auditor's Report

To the Officials of Fremont County:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Fremont County, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Fremont County as of June 30, 2017, and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 50 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Supplementary Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fremont County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2018 on our consideration of Fremont County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Fremont County's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

March 20, 2018

**Fremont County**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2017. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2017 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 15.9%, or \$1,622,257, from fiscal year 2016 to fiscal year 2017. Property and other county tax, including tax increment financing, increased \$337,665 from fiscal year 2016. Operating grants, contributions and restricted interest increased \$129,471, capital grants, contributions and restricted interest increased \$1,394,985 and charges for service decreased \$158,839.
- Program expenses of the County's governmental activities in fiscal year 2017 increased 5.9%, or \$604,364, over fiscal year 2016. Public safety and legal services increased \$965,922, roads and transportation expenses decreased \$420,864, and administration increased \$124,538.
- The County's net position at June 30, 2017 increased \$921,308, or 5.3%, from the June 30, 2016 balance.

### **USING THIS ANNUAL REPORT**

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Fremont County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Fremont County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Fremont County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has two kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Fremont County's combined net position increased from approximately \$17.4 million to approximately \$18.3 million. The analysis below shows the changes in the net position of governmental activities from a year ago.

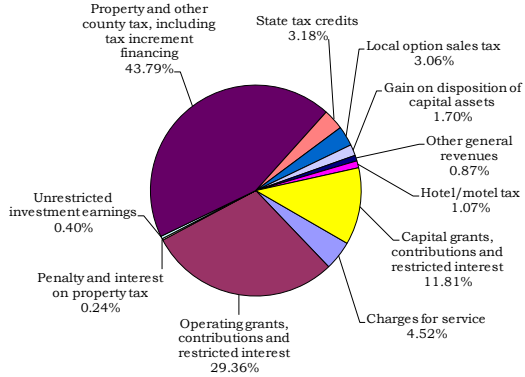
| Net Position of Governmental Activities |                      |                   |
|---|----------------------|-------------------|
|   | June 30,             |                   |
|   | 2017                 | 2016              |
| Current and other assets                | \$ 11,354,576        | 11,584,248        |
| Capital assets                          | 19,866,188           | 18,913,055        |
| Total assets                            | 31,220,764           | 30,497,303        |
| Deferred outflows of resources          | 843,079              | 408,869           |
| Long-term liabilities                   | 7,860,787            | 7,792,682         |
| Other liabilities                       | 416,530              | 311,630           |
| Total liabilities                       | 8,277,317            | 8,104,312         |
| Deferred inflows of resources           | 5,467,359            | 5,404,001         |
| Net position:                           |                      |                   |
| Net investment in capital assets        | 15,131,188           | 13,938,055        |
| Restricted                              | 3,832,544            | 4,022,071         |
| Unrestricted                            | (644,565)            | (562,267)         |
| Total net position                      | <u>\$ 18,319,167</u> | <u>17,397,859</u> |

Net position of Fremont County's governmental activities increased 5.3%, or approximately \$921,000, during the year. The largest portion of the County's net position is invested in capital assets (i.e. land, buildings, infrastructure and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased \$82,298 from the prior year.

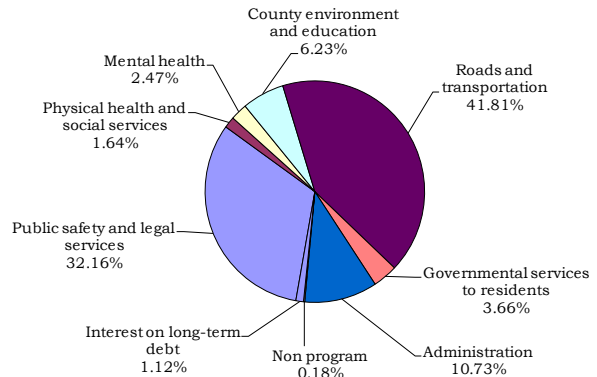
**Changes in Net Position of Governmental Activities**

|  | Year ended June 30,  |                   |
|--|----------------------|-------------------|
|  | 2017                 | 2016              |
| <b>Revenues:</b>   |                      |                   |
| <b>Program revenues:</b>   |                      |                   |
| Charges for service  | \$ 533,502           | 692,341           |
| Operating grants, contributions and restricted interest          | 3,466,773            | 3,337,302         |
| Capital grants, contributions and restricted interest            | 1,394,985            | -                 |
| <b>General revenues:</b>   |                      |                   |
| Property and other county tax, including tax increment financing | 5,173,856            | 4,848,557         |
| Penalty and interest on property tax                             | 28,034               | 38,287            |
| State tax credits  | 375,105              | 438,281           |
| Local option sales tax   | 361,049              | 405,049           |
| Hotel/motel tax  | 126,307              | 97,991            |
| Unrestricted investment earnings                                 | 46,872               | 30,752            |
| Gain on disposition of capital assets                            | 200,265              | 82,044            |
| Other general revenues   | 102,983              | 216,870           |
| <b>Total revenues</b>  | <b>11,809,731</b>    | <b>10,187,474</b> |
| <b>Program expenses:</b>   |                      |                   |
| Public safety and legal services                                 | 3,501,435            | 2,535,513         |
| Physical health and social services                              | 178,425              | 156,272           |
| Mental health  | 268,856              | 349,158           |
| County environment and education                                 | 678,283              | 650,042           |
| Roads and transportation   | 4,553,164            | 4,974,028         |
| Governmental services to residents                               | 398,177              | 406,404           |
| Administration   | 1,167,933            | 1,043,395         |
| Non-program  | 19,786               | 15,000            |
| Interest on long-term debt                                       | 122,364              | 154,247           |
| <b>Total expenses</b>  | <b>10,888,423</b>    | <b>10,284,059</b> |
| <b>Change in net position</b>                                    | <b>921,308</b>       | <b>(96,585)</b>   |
| <b>Net position beginning of year</b>                            | <b>17,397,859</b>    | <b>17,494,444</b> |
| <b>Net position end of year</b>                                  | <b>\$ 18,319,167</b> | <b>17,397,859</b> |

**Revenues by Source**



**Expenses by Program**



Overall, revenues increased \$1,622,257, or 15.9%, during the year. The increase is primarily due to an increase in capital grants, contributions and restricted interest for roads and bridges paid for by the Iowa Department of Transportation.

Fremont County's overall property tax rate for fiscal year 2017 increased \$.07243 per \$1,000 of taxable valuation. The countywide assessed property taxable valuation increased \$26,223,266. The general supplemental and rural services levies remained the same. The general basic levy increased \$0.25000 per \$1,000 of taxable valuation while the debt service levy decreased to \$0.03143 per \$1,000 of taxable valuation and the mental health levy decreased \$.14614 per \$1,000 of taxable valuation.

The cost of all governmental activities this year was approximately \$10.9 million compared to approximately \$10.3 million last year. This increase is primarily due to law enforcement spending for increased personnel costs, video surveillance equipment and automotive parts and repairs.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Fremont County completed the year, its governmental funds reported a combined fund balance of \$5,624,060 compared to \$5,951,592 at June 30, 2016, a decrease of \$327,532, or 5.5%.

The General Fund, the operating fund for Fremont County, ended fiscal year 2017 with a balance of \$2,167,619, a decrease of \$251,962 from the fiscal year 2016 ending balance of \$2,419,581. Total expenditures increased \$126,143 and total revenues increased \$267,264. The County's revenues increased as a result of an increase in property tax and expenditures increased because of law enforcement center operations.

The County has continued to look for ways to effectively manage the cost of mental health services. The State has taken over Medicaid funded services. The Special Revenue, Mental Health Fund balance at year-end decreased \$34,767 or 16.2%, from the prior year to \$179,863. \$183,175 of the mental health funds collected by the County were distributed to Southwest Iowa MHDS, the regional mental health organization.

The Special Revenue, Rural Services Fund ending fund balance increased \$159,899 over the prior year to \$956,220. The increase is primarily due to an increase in property tax revenue.

The Special Revenue, Secondary Roads Fund ended fiscal year 2017 with a \$2,068,001 fund balance, a decrease of \$206,320 compared to the prior year ending fund balance of \$2,274,321. This was a 9.1% decrease. Revenues increased 4.2% and expenditures increased 11.1% primarily due to an increase in county spending for a road project in fiscal year 2017.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Fremont County amended its budget twice. The amendments were both made in May 2017 and resulted in an increase in budgeted disbursements of \$784,758, primarily due to an increase in roads and transportation costs, public safety and legal services costs and capital project costs.

The County's receipts were \$52,145 more than budgeted, a variance of .5%.

Total disbursements were \$1,036,259 less than the amended budget. Actual disbursements for the administration, roads and transportation and physical health and social services functions were \$411,083, \$224,559 and \$120,419, respectively, less than the amounts budgeted.

Even with the budget amendments, the County exceeded the budgeted amount in the non-program function for the year ended June 30, 2017. In addition, disbursements in the capital projects function exceeded the budget prior to the budget amendment. Also, disbursements in one department exceeded the amount appropriated.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2017, Fremont County had approximately \$19.87 million invested in a broad range of capital assets, including public safety equipment, buildings, roads and bridges. This is a net increase (including additions and deletions) of \$953,133, or 5.0%, over last year.

| Capital Assets of Governmental Activities at Year End               |                      |                     |
|---|----------------------|---------------------|
|   | June 30,             |                     |
|   | 2017                 | 2016                |
| Land  | \$ 197,904           | 197,904             |
| Intangibles, road network   | 1,384,069            | 1,384,069           |
| Construction in progress  | -                    | 122,282             |
| Buildings   | 7,306,295            | 7,478,580           |
| Improvements other than buildings                                   | 122,114              | 131,614             |
| Equipment and vehicles  | 2,649,155            | 2,492,191           |
| Infrastructure  | 8,206,651            | 7,106,415           |
| Total   | <u>\$ 19,866,188</u> | <u>18,913,055</u>   |
| This year's major additions included:                               |                      |                     |
| Capital assets contributed by the Iowa Department of Transportation | \$                   | 1,394,985           |
| Secondary Roads equipment and vehicles                              |                      | 395,733             |
| County Sheriff's vehicles, communications equipment and copier      |                      | 109,202             |
| Total   |                      | <u>\$ 1,899,920</u> |

Fremont County had depreciation expense of \$1,147,052 in fiscal year 2017 and total accumulated depreciation of \$8,245,904 at June 30, 2017. More detailed information about the County's capital assets is included in Note 4 to the financial statements.

### Long-Term Debt

At June 30, 2017, Fremont County had \$5,136,277 of outstanding general obligation bonds/notes and other debt outstanding, compared to \$5,472,554 of general obligation bonds/notes at June 30, 2016.

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 \$29.4 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 2018 County budget, tax rates and fees that apply for the various county services. One of those factors is the economy. Amounts available for appropriation in the fiscal year 2018 operating budget are approximately \$10.3 million. Property tax, including the general levies set at \$5.60546 per \$1,000 of taxable valuation, is expected to remain constant with the exception of the MHDS mental health levy which increased slightly from \$.28305 per \$1,000 of taxable valuation to \$.32863 per \$1,000 of taxable valuation. Budgeted disbursements for the fiscal year 2018 operating budget are approximately \$11 million, a decrease of approximately 6.35% from the final amended fiscal year 2017 budget. The County has added no major new programs or initiatives to the fiscal year 2018 budget.

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



## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

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

**Fremont County**

## **Basic Financial Statements**

Fremont County  
Statement of Net Position  
June 30, 2017

|   | Governmental<br>Activities |
|---|----------------------------|
| <b>Assets</b>                                   |                            |
| Cash and pooled investments                     | \$ 4,622,076               |
| Receivables:                                    |                            |
| Property tax:                                   |                            |
| Delinquent                                      | 14,555                     |
| Succeeding year                                 | 5,233,000                  |
| Interest and penalty on property tax            | 28,034                     |
| Accounts  | 15,442                     |
| Accrued interest                                | 1,598                      |
| Loan  | 375,000                    |
| Due from other governments                      | 399,985                    |
| Inventories                                     | 317,208                    |
| Prepaid items                                   | 347,678                    |
| Capital assets, net of accumulated depreciation | 19,866,188                 |
| <b>Total assets</b>                             | <b>31,220,764</b>          |
| <b>Deferred Outflows of Resources</b>           |                            |
| Pension related deferred outflows               | 843,079                    |
| <b>Liabilities</b>                              |                            |
| Accounts payable                                | 123,533                    |
| Accrued interest payable                        | 11,914                     |
| Salaries and benefits payable                   | 149,544                    |
| Due to other governments                        | 131,539                    |
| Long-term liabilities:                          |                            |
| Portion due or payable within one year:         |                            |
| Capital lease purchase agreement                | 26,277                     |
| General obligation bonds/notes                  | 315,000                    |
| Compensated absences                            | 102,931                    |
| Portion due or payable after one year:          |                            |
| General obligation bonds/notes                  | 4,795,000                  |
| Compensated absences                            | 254,987                    |
| Net pension liability                           | 2,245,941                  |
| Net OPEB liability                              | 120,651                    |
| <b>Total liabilities</b>                        | <b>8,277,317</b>           |
| <b>Deferred Inflows of Resources</b>            |                            |
| Unavailable property tax revenue                | 5,233,000                  |
| Pension related deferred inflows                | 234,359                    |
| <b>Total deferred inflows of resources</b>      | <b>5,467,359</b>           |
| <b>Net Position</b>                             |                            |
| Net investment in capital assets                | 15,131,188                 |
| Restricted for:                                 |                            |
| Supplemental levy purposes                      | 564,848                    |
| Mental health purposes                          | 172,850                    |
| Rural services purposes                         | 958,728                    |
| Secondary roads purposes                        | 1,892,422                  |
| Other purposes                                  | 243,696                    |
| Unrestricted                                    | (644,565)                  |
| <b>Total net position</b>                       | <b>\$ 18,319,167</b>       |

See notes to financial statements.

Fremont County  
Statement of Activities

Year ended June 30, 2017

|   | Program Revenues     |                           |  |  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
|---|----------------------|---------------------------|--|--|--|
|   | Expenses             | Charges<br>for<br>Service | Operating Grants,<br>Contributions<br>and Restricted<br>Interest | Capital Grants,<br>Contributions<br>and Restricted<br>Interest |  |
| <b>Functions/Programs:</b>                                |                      |                           |  |  |  |
| Governmental activities:                                  |                      |                           |  |  |  |
| Public safety and legal services                          | \$ 3,501,435         | 231,281                   | 28,272   | -  | (3,241,882)  |
| Physical health and social services                       | 178,425              | 12,065                    | 70,331   | -  | (96,029)   |
| Mental health   | 268,856              | 32,377                    | -  | -  | (236,479)  |
| County environment and education                          | 678,283              | 93,420                    | 31,897   | -  | (552,966)  |
| Roads and transportation                                  | 4,553,164            | 2,965                     | 3,224,044  | 1,394,985  | 68,830   |
| Governmental services to residents                        | 398,177              | 150,346                   | -  | -  | (247,831)  |
| Administration  | 1,167,933            | 11,048                    | 112,229  | -  | (1,044,656)  |
| Non program   | 19,786               | -                         | -  | -  | (19,786)   |
| Interest on long-term debt                                | 122,364              | -                         | -  | -  | (122,364)  |
| <b>Total</b>  | <b>\$ 10,888,423</b> | <b>533,502</b>            | <b>3,466,773</b>   | <b>1,394,985</b>   | <b>(5,493,163)</b>   |
| <b>General Revenues:</b>                                  |                      |                           |  |  |  |
| Property and other county tax levied for general purposes |                      |                           |  |  | 4,933,701  |
| Tax increment financing                                   |                      |                           |  |  | 240,155  |
| Penalty and interest on property tax                      |                      |                           |  |  | 28,034   |
| State tax credits   |                      |                           |  |  | 375,105  |
| Local option sales tax                                    |                      |                           |  |  | 361,049  |
| Hotel/motel tax   |                      |                           |  |  | 126,307  |
| Unrestricted investment earnings                          |                      |                           |  |  | 46,872   |
| Gain on disposition of capital assets                     |                      |                           |  |  | 200,265  |
| Miscellaneous   |                      |                           |  |  | 102,983  |
| Total general revenues                                    |                      |                           |  |  | 6,414,471  |
| Change in net position                                    |                      |                           |  |  | 921,308  |
| Net position beginning of year                            |                      |                           |  |  | 17,397,859   |
| Net position end of year                                  |                      |                           |  |  | \$ 18,319,167  |

See notes to financial statements.

Fremont County  
Balance Sheet  
Governmental Funds

June 30, 2017

|   | Special Revenue     |                  |                   |                    |
|---|---------------------|------------------|-------------------|--------------------|
|   | General             | Mental<br>Health | Rural<br>Services | Secondary<br>Roads |
| <b>Assets</b>   |                     |                  |                   |                    |
| Cash and pooled investments   | \$ 1,775,626        | 180,340          | 960,344           | 1,453,608          |
| Receivables:  |                     |                  |                   |                    |
| Property tax:   |                     |                  |                   |                    |
| Delinquent  | 10,331              | 585              | 2,512             | -                  |
| Succeeding year   | 3,144,000           | 184,000          | 1,503,000         | -                  |
| Interest and penalty on property tax  | 28,034              | -                | -                 | -                  |
| Accounts  | 6,790               | -                | -                 | 7,992              |
| Accrued interest  | 1,598               | -                | -                 | -                  |
| Loan  | 375,000             | -                | -                 | -                  |
| Due from other governments  | 96,320              | -                | 6,218             | 297,447            |
| Inventories   | -                   | -                | -                 | 317,208            |
| Prepaid items   | 214,865             | 11               | -                 | 132,802            |
| <b>Total assets</b>   | <b>\$ 5,652,564</b> | <b>364,936</b>   | <b>2,472,074</b>  | <b>2,209,057</b>   |
| <b>Liabilities, Deferred Inflows of Resources<br/>and Fund Balances</b>       |                     |                  |                   |                    |
| Liabilities:  |                     |                  |                   |                    |
| Accounts payable  | \$ 41,321           | -                | 714               | 81,063             |
| Salaries and benefits payable   | 85,236              | 500              | 9,633             | 54,175             |
| Due to other governments  | 125,671             | -                | -                 | 5,818              |
| Total liabilities   | 252,228             | 500              | 10,347            | 141,056            |
| Deferred inflows of resources:  |                     |                  |                   |                    |
| Unavailable revenues:   |                     |                  |                   |                    |
| Succeeding year property tax  | 3,144,000           | 184,000          | 1,503,000         | -                  |
| Other   | 88,717              | 573              | 2,507             | -                  |
| Total deferred inflows of resources   | 3,232,717           | 184,573          | 1,505,507         | -                  |
| Fund balances:  |                     |                  |                   |                    |
| Nonspendable:   |                     |                  |                   |                    |
| Inventories   | -                   | -                | -                 | 317,208            |
| Prepaid items   | 214,865             | 11               | -                 | 132,802            |
| Restricted for:   |                     |                  |                   |                    |
| Supplemental levy purposes  | 579,330             | -                | -                 | -                  |
| Mental health purposes  | -                   | 179,852          | -                 | -                  |
| Rural services purposes   | -                   | -                | 956,220           | -                  |
| Secondary roads purposes  | -                   | -                | -                 | 1,617,991          |
| Capital projects  | -                   | -                | -                 | -                  |
| Debt service  | 375,000             | -                | -                 | -                  |
| Conservation purposes   | 1,573               | -                | -                 | -                  |
| Other purposes  | -                   | -                | -                 | -                  |
| Unassigned  | 996,851             | -                | -                 | -                  |
| Total fund balances   | 2,167,619           | 179,863          | 956,220           | 2,068,001          |
| <b>Total liabilities, deferred inflows of resources<br/>and fund balances</b> | <b>\$ 5,652,564</b> | <b>364,936</b>   | <b>2,472,074</b>  | <b>2,209,057</b>   |

See notes to financial statements.

| <u>Nonmajor</u> | <u>Total</u>      |
|-----------------|-------------------|
| 252,158         | 4,622,076         |
| 1,127           | 14,555            |
| 402,000         | 5,233,000         |
| -               | 28,034            |
| 660             | 15,442            |
| -               | 1,598             |
| -               | 375,000           |
| -               | 399,985           |
| -               | 317,208           |
| -               | 347,678           |
| <u>655,945</u>  | <u>11,354,576</u> |
| 435             | 123,533           |
| -               | 149,544           |
| <u>50</u>       | <u>131,539</u>    |
| <u>485</u>      | <u>404,616</u>    |
| 402,000         | 5,233,000         |
| <u>1,103</u>    | <u>92,900</u>     |
| <u>403,103</u>  | <u>5,325,900</u>  |
| -               | 317,208           |
| -               | 347,678           |
| -               | 579,330           |
| -               | 179,852           |
| -               | 956,220           |
| -               | 1,617,991         |
| 9,686           | 9,686             |
| 10,234          | 385,234           |
| -               | 1,573             |
| 232,437         | 232,437           |
| -               | 996,851           |
| <u>252,357</u>  | <u>5,624,060</u>  |
| <u>655,945</u>  | <u>11,354,576</u> |

**Fremont County**



Fremont County

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

June 30, 2017

**Total governmental fund balances (page 21)** \$ 5,624,060

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$28,112,092 and the accumulated depreciation is \$8,245,904. 19,866,188

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 92,900

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

|                                |                  |         |
|--------------------------------|------------------|---------|
| Deferred outflows of resources | \$ 843,079       |         |
| Deferred inflows of resources  | <u>(234,359)</u> | 608,720 |

Long-term liabilities, including accrued interest payable, capital lease purchase agreement payable, bonds/notes payable, compensated absences payable, net pension liability and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (7,872,701)

**Net assets of governmental activities (page 18)** \$ 18,319,167

See notes to financial statements.

Fremont County

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

Year ended June 30, 2017

|   | Special Revenue |               |                |                 |
|---|-----------------|---------------|----------------|-----------------|
|   | General         | Mental Health | Rural Services | Secondary Roads |
| Revenues:   |                 |               |                |                 |
| Property and other county tax                             | \$ 2,988,837    | 152,237       | 1,454,328      | -               |
| Local option sales tax                                    | 274,926         | -             | 114,599        | -               |
| Hotel/motel tax   | 126,307         | -             | -              | -               |
| Tax increment financing                                   | -               | -             | -              | -               |
| Interest and penalty on property tax                      | 31,829          | -             | -              | -               |
| Intergovernmental   | 614,880         | 11,213        | 81,602         | 3,224,044       |
| Licenses and permits                                      | 10,465          | -             | -              | 2,965           |
| Charges for service                                       | 314,610         | -             | -              | -               |
| Use of money and property                                 | 89,124          | -             | -              | 10,576          |
| Miscellaneous   | 87,441          | 45            | 24             | 160,873         |
| Total revenues  | 4,538,419       | 163,495       | 1,650,553      | 3,398,458       |
| Expenditures:   |                 |               |                |                 |
| Operating:  |                 |               |                |                 |
| Public safety and legal services                          | 2,627,553       | -             | 97,317         | -               |
| Physical health and social services                       | 166,267         | -             | 12,607         | -               |
| Mental health   | 77,768          | 198,262       | -              | -               |
| County environment and education                          | 284,237         | -             | 84,616         | -               |
| Roads and transportation                                  | -               | -             | -              | 4,217,741       |
| Governmental services to residents                        | 392,153         | -             | 600            | -               |
| Administration  | 1,145,031       | -             | -              | -               |
| Non-program   | 19,786          | -             | -              | -               |
| Capital projects  | -               | -             | -              | 682,551         |
| Debt service  | 77,586          | -             | -              | -               |
| Total expenditures  | 4,790,381       | 198,262       | 195,140        | 4,900,292       |
| Excess (deficiency) of revenues over (under) expenditures | (251,962)       | (34,767)      | 1,455,413      | (1,501,834)     |
| Other financing sources (uses):                           |                 |               |                |                 |
| Transfers in  | -               | -             | -              | 1,295,514       |
| Transfers out   | -               | -             | (1,295,514)    | -               |
| Total other financing sources (uses)                      | -               | -             | (1,295,514)    | 1,295,514       |
| Change in fund balances                                   | (251,962)       | (34,767)      | 159,899        | (206,320)       |
| Fund balances beginning of year                           | 2,419,581       | 214,630       | 796,321        | 2,274,321       |
| Fund balances end of year                                 | \$ 2,167,619    | 179,863       | 956,220        | 2,068,001       |

See notes to financial statements.

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| Nonmajor | Total       |
|----------|-------------|
| 359,042  | 4,954,444   |
| -        | 389,525     |
| -        | 126,307     |
| 240,155  | 240,155     |
| -        | 31,829      |
| 75,863   | 4,007,602   |
| 880      | 14,310      |
| 1,841    | 316,451     |
| 4,208    | 103,908     |
| 37,835   | 286,218     |
| <hr/>    | <hr/>       |
| 719,824  | 10,470,749  |
| <br>     | <br>        |
| 14,888   | 2,739,758   |
| -        | 178,874     |
| -        | 276,030     |
| 295,793  | 664,646     |
| -        | 4,217,741   |
| -        | 392,753     |
| -        | 1,145,031   |
| -        | 19,786      |
| 22,000   | 704,551     |
| 381,525  | 459,111     |
| <hr/>    | <hr/>       |
| 714,206  | 10,798,281  |
| <hr/>    | <hr/>       |
| 5,618    | (327,532)   |
| <br>     | <br>        |
| 16,823   | 1,312,337   |
| (16,823) | (1,312,337) |
| <hr/>    | <hr/>       |
| -        | -           |
| 5,618    | (327,532)   |
| 246,739  | 5,951,592   |
| <hr/>    | <hr/>       |
| 252,357  | 5,624,060   |

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, 2017

**Change in fund balances - Total governmental funds (page 25)** \$ (327,532)

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

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

|   |                    |         |
|---|--------------------|---------|
| Expenditures for capital assets                                     | \$ 504,935         |         |
| Capital assets contributed by the Iowa Department of Transportation | 1,394,985          |         |
| Depreciation expense  | <u>(1,147,052)</u> | 752,868 |

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. 200,265

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

|              |                 |          |
|--------------|-----------------|----------|
| Property tax | (20,743)        |          |
| Other        | <u>(54,767)</u> | (75,510) |

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 336,277

The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 316,423

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          | 26,288     |                  |
| Other postemployment benefits | (22,486)   |                  |
| Pension expense               | (285,755)  |                  |
| Interest on long-term debt    | <u>470</u> | <u>(281,483)</u> |

**Change in net position of governmental activities (page 19)** \$ 921,308

See notes to financial statements.

Fremont County  
 Statement of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2017

**Assets**

|                              |                   |
|------------------------------|-------------------|
| Cash and pooled investments: |                   |
| County Treasurer             | \$ 1,529,361      |
| Other County officials       | 16,311            |
| Receivables:                 |                   |
| Property tax:                |                   |
| Delinquent                   | 836               |
| Succeeding year              | 10,499,000        |
| Accounts                     | 302               |
| Drainage assessments         | 968,559           |
| Due from other governments   | <u>228</u>        |
| <b>Total assets</b>          | <u>13,014,597</u> |

**Liabilities**

|                               |                   |
|-------------------------------|-------------------|
| Accounts payable              | 419               |
| Salaries and benefits payable | 8,005             |
| Stamped warrants payable      | 1,460,607         |
| Due to other governments      | 11,462,875        |
| Trusts payable                | 71,442            |
| Compensated absences          | <u>11,249</u>     |
| <b>Total liabilities</b>      | <u>13,014,597</u> |

|                     |                    |
|---------------------|--------------------|
| <b>Net position</b> | <u><u>\$ -</u></u> |
|---------------------|--------------------|

See notes to financial statements.

**Fremont County**

Fremont County

Notes to Financial Statements

June 30, 2017

**(1) Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

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

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

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

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

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor's Conference Board, County Emergency Management Commission and County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

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

B. Basis of Presentation

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

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

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

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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



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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is 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, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2016.

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

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

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

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

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2017. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health and Secondary Roads Funds.

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

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

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

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

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unrecognized items not yet credited to pension expense.

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. Disbursements during the year ended June 30, 2017 exceeded the amount budgeted in the non-program function. In addition, disbursements in the capital projects function exceeded the budget prior to amendment. Also, disbursements in one department exceeded the amount appropriated.

**(2) Cash, Cash Equivalents and Pooled Investments**

The County's deposits in banks at June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

| Transfer to                       | Transfer from    | Amount              |
|-----------------------------------|------------------|---------------------|
| Special Revenue:                  | Special Revenue: |                     |
| Secondary Roads                   | Rural Services   | \$ 1,295,514        |
| Low to Moderate Income Assistance | Tax Increment    |                     |
|                                   | Financing Rebate | 16,823              |
| Total                             |                  | <u>\$ 1,312,337</u> |

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

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2017 was as follows:

|   | Balance<br>Beginning<br>of Year | Increases        | Decreases          | Balance<br>End<br>of Year |
|---|---------------------------------|------------------|--------------------|---------------------------|
| <b>Governmental activities:</b>             |                                 |                  |                    |                           |
| Capital assets not being depreciated:       |                                 |                  |                    |                           |
| Land  | \$ 197,904                      | -                | -                  | 197,904                   |
| Intangibles, road network                   | 1,384,069                       | -                | -                  | 1,384,069                 |
| Construction in progress                    | 122,282                         | 1,394,985        | (1,517,267)        | -                         |
| Total capital assets not being depreciated  | 1,704,255                       | 1,394,985        | (1,517,267)        | 1,581,973                 |
| Capital assets being depreciated:           |                                 |                  |                    |                           |
| Buildings                                   | 8,628,280                       | -                | -                  | 8,628,280                 |
| Improvements other than buildings           | 213,036                         | -                | -                  | 213,036                   |
| Equipment and vehicles                      | 6,697,351                       | 791,893          | (496,100)          | 6,993,144                 |
| Infrastructure, road network                | 8,782,543                       | 1,517,267        | -                  | 10,299,810                |
| Infrastructure, other                       | 395,849                         | -                | -                  | 395,849                   |
| Total capital assets being depreciated      | 24,717,059                      | 2,309,160        | (496,100)          | 26,530,119                |
| Less accumulated depreciation for:          |                                 |                  |                    |                           |
| Buildings                                   | 1,149,700                       | 172,285          | -                  | 1,321,985                 |
| Improvements other than buildings           | 81,422                          | 9,500            | -                  | 90,922                    |
| Equipment and vehicles                      | 4,205,160                       | 548,236          | (409,407)          | 4,343,989                 |
| Infrastructure, road network                | 1,931,830                       | 403,919          | -                  | 2,335,749                 |
| Infrastructure, other                       | 140,147                         | 13,112           | -                  | 153,259                   |
| Total accumulated depreciation              | 7,508,259                       | 1,147,052        | (409,407)          | 8,245,904                 |
| Total capital assets being depreciated, net | 17,208,800                      | 1,162,108        | (86,693)           | 18,284,215                |
| Governmental activities capital assets, net | <u>\$ 18,913,055</u>            | <u>2,557,093</u> | <u>(1,603,960)</u> | <u>19,866,188</u>         |

Depreciation expense was charged to the following functions:

|  |    |                  |
|--|----|------------------|
| Governmental activities:                             |    |                  |
| Public safety and legal services                     | \$ | 177,273          |
| County environment and education                     |    | 29,118           |
| Roads and transportation                             |    | 900,189          |
| Governmental services to residents                   |    | 8,450            |
| Administration                                       |    | 32,022           |
| Total depreciation expense - governmental activities | \$ | <u>1,147,052</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 at June 30, 2017 is as follows:

| Fund                            | Description | Amount               |
|---------------------------------|-------------|----------------------|
| General                         | Services    | \$ 125,671           |
| Special Revenue:                |             |                      |
| Secondary Roads                 | Services    | 5,818                |
| Sheriff Special Law Enforcement | Services    | 50                   |
| Total for governmental funds    |             | <u>\$ 131,539</u>    |
| Agency:                         |             |                      |
| County Assessor                 | Collections | \$ 626,253           |
| Schools                         |             | 7,292,561            |
| Community Colleges              |             | 735,474              |
| Corporations                    |             | 1,902,386            |
| Townships                       |             | 234,728              |
| Auto License and Use Tax        |             | 214,949              |
| All other                       |             | 456,524              |
| Total for agency funds          |             | <u>\$ 11,462,875</u> |

**(6) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

|                           | Capital Lease Purchase Agreement | General Obligation Notes | General Obligation Bonds LEC | Compensated Absences | Net Pension Liability | Net OPEB Liability | Total            |
|---------------------------|----------------------------------|--------------------------|------------------------------|----------------------|-----------------------|--------------------|------------------|
| Balance beginning of year | \$ 52,554                        | 445,000                  | 4,975,000                    | 384,206              | 1,837,757             | 98,165             | 7,792,682        |
| Increases                 | -                                | -                        | -                            | 539,095              | 408,184               | 22,486             | 969,765          |
| Decreases                 | 26,277                           | 70,000                   | 240,000                      | 565,383              | -                     | -                  | 901,660          |
| Balance end of year       | <u>\$ 26,277</u>                 | <u>375,000</u>           | <u>4,735,000</u>             | <u>357,918</u>       | <u>2,245,941</u>      | <u>120,651</u>     | <u>7,860,787</u> |
| Due within one year       | \$ 26,277                        | 70,000                   | 245,000                      | 102,931              | -                     | -                  | 444,208          |

Capital Lease Purchase Agreement

On February 1, 2015, the County entered into a non-interest bearing capital lease purchase agreement to purchase a dispatch system for the Law Enforcement Center for \$78,831. Future minimum lease payments under the agreement in effect at June 30, 2017 extend to the year ending June 30, 2018 and total \$26,277.

General Obligation Bonds/Notes

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

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

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

| Year<br>Ending<br>June 30, | Solid Waste Disposal Refunding Notes |            |          |
|----------------------------|--------------------------------------|------------|----------|
|                            | Interest<br>Rates                    | Principal  | Interest |
| 2018                       | 1.20%                                | \$ 70,000  | 6,745    |
| 2019                       | 1.20                                 | 75,000     | 5,905    |
| 2020                       | 1.70                                 | 70,000     | 4,630    |
| 2021                       | 2.15                                 | 75,000     | 3,440    |
| 2022                       | 2.15                                 | 85,000     | 1,828    |
| Total                      |                                      | \$ 375,000 | 22,548   |

| Year<br>Ending<br>June 30, | Law Enforcement Center Bonds |              |           | Total     |           |           |
|----------------------------|------------------------------|--------------|-----------|-----------|-----------|-----------|
|                            | Interest<br>Rates            | Principal    | Interest  | Principal | Interest  | Total     |
| 2018                       | 2.00%                        | \$ 245,000   | 136,225   | 315,000   | 142,970   | 457,970   |
| 2019                       | 2.00                         | 250,000      | 131,325   | 325,000   | 137,230   | 462,230   |
| 2020                       | 2.00                         | 255,000      | 110,725   | 325,000   | 115,355   | 440,355   |
| 2021                       | 2.00                         | 260,000      | 103,975   | 335,000   | 107,415   | 442,415   |
| 2022                       | 2.00                         | 265,000      | 96,975    | 350,000   | 98,803    | 448,803   |
| 2023-2027                  | 2.50-3.00                    | 1,430,000    | 481,100   | 1,430,000 | 481,100   | 1,911,100 |
| 2028-2032                  | 3.25-3.75                    | 1,660,000    | 249,763   | 1,660,000 | 249,763   | 1,909,763 |
| 2033                       | 3.75                         | 370,000      | 13,875    | 370,000   | 13,875    | 383,875   |
| Total                      |                              | \$ 4,735,000 | 1,323,963 | 5,110,000 | 1,346,511 | 6,456,511 |

During the year ended June 30, 2017, the County retired \$310,000 of general obligation bonds/notes.

**(7) Loan Receivable**

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



**(8) Pension Plan**

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

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

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

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

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

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

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

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

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

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

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

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll, for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.63% of covered payroll for a total rate of 19.26%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll for a total rate of 16.40%.

The County’s contributions to IPERS for the year ended June 30, 2017 totaled \$316,423.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the County reported a liability of \$2,245,941 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County’s proportion of the net pension liability was based on the County’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the County’s proportion was 0.035688%, which was a decrease of 0.00151% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$285,755. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience   | \$ 18,204                         | 53,996                           |
| Changes of assumptions   | 31,425                            | 10,043                           |
| Net difference between projected and actual earnings on IPERS' investments   | 460,489                           | -                                |
| Changes in proportion and differences between County contributions and the County's proportionate share of contributions | 16,538                            | 170,320                          |
| County contributions subsequent to the measurement date  | 316,423                           | -                                |
| <b>Total</b>   | <b>\$ 843,079</b>                 | <b>234,359</b>                   |

\$316,423 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending<br>June 30, | Amount            |
|-------------------------|-------------------|
| 2018                    | \$ 7,847          |
| 2019                    | 7,847             |
| 2020                    | 194,294           |
| 2021                    | 96,618            |
| 2022                    | (14,309)          |
| Total                   | <u>\$ 292,297</u> |

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

| Asset Class            | Asset Allocation | Long-Term Expected Real Rate of Return |
|------------------------|------------------|--|
| Core plus fixed income | 28%              | 1.90%                                  |
| Domestic equity        | 24               | 5.85                                   |
| International equity   | 16               | 6.32                                   |
| Private equity/debt    | 11               | 10.31                                  |
| Real estate            | 8                | 3.87                                   |
| Credit opportunities   | 5                | 4.48                                   |
| U.S. TIPS              | 5                | 1.36                                   |
| Other real assets      | 2                | 6.42                                   |
| Cash                   | 1                | (0.26)                                 |
| Total                  | <u>100%</u>      |  |

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

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

|   | 1%<br>Decrease<br>(6.50%) | Discount<br>Rate<br>(7.50%) | 1%<br>Increase<br>(8.50%) |
|---|---------------------------|-----------------------------|---------------------------|
| County's proportionate share of the net pension liability | \$ 4,155,605              | 2,245,941                   | 635,868                   |

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

Payables to IPERS – At June 30, 2017, the County reported payables to IPERS of \$24,418 for legally required County contributions and \$17,371 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**(9) Other Postemployment Benefits (OPEB)**

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

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

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

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

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

|  |    |                |
|--|----|----------------|
| Annual required contribution               | \$ | 22,460         |
| Interest on net OPEB obligation            |    | 3,927          |
| Adjustment to annual required contribution |    | <u>(3,901)</u> |
| Annual OPEB cost                           |    | 22,486         |
| Contributions made                         |    | <u>-</u>       |
| Increase in net OPEB obligation            |    | 22,486         |
| Net OPEB obligation beginning of year      |    | <u>98,165</u>  |
| Net OPEB obligation end of year            | \$ | <u>120,651</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, 2017.

For the year ended June 30, 2017, the County and the plan members eligible for benefits did not contribute to the medical plan.

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

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------|------------------|--|---------------------|
| 2015                | \$ 13,807        | 20.6%                                      | \$ 75,686           |
| 2016                | 22,479           | 00.0                                       | 98,165              |
| 2017                | 22,486           | 00.0                                       | 120,651             |

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was approximately \$142,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$142,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,574,000 and the ratio of the UAAL to covered payroll was 4.0%. As of June 30, 2017, there were no trust fund assets.

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

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

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

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

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

**(10) Risk Management**

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 753 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2017 were \$173,247.

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

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2017, no liability has been recorded in the County's financial statements. As of June 30, 2017, settled claims have not exceeded the Pool or reinsurance coverage since the Pool's inception.

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

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

**(11) Development Agreements**

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

The County agreed to rebate 100% of the incremental property tax paid by developers and a company organized as an Iowa limited liability company in exchange for the construction and maintenance of certain improvements. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developers and the company will be rebated in thirty semi-annual payments beginning on December 1, 2002. The total to be paid by the County under this agreement is not to exceed \$5,923,031. During the year ended June 30, 2017, \$230,760 was rebated to the Company on behalf of the developers, with a cumulative total of \$3,436,095 rebated to the developers as of June 30, 2017.

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, 2017, \$27,754 was rebated to the developer, with a cumulative total of \$226,116 rebated to the developer as of June 30, 2017.

**(12) Tax Abatements**

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

**County Tax Abatements**

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

For the year ended June 30, 2017, the County abated \$108,499 of property tax under the urban renewal and economic development projects.

**(13) Financial Assurance**

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



The County has provided a local government guarantee for a portion of the closure and postclosure care costs of the Commission in accordance with Chapter 567-104.26(5) of the Iowa Administrative Code. Total estimated costs for closure and postclosure care of the Commission as of June 30, 2017 are \$1,704,163 and the County's financial assurance obligation amount is \$1,049,799. At June 30, 2017, the County has met the guarantor conditions outlined in Chapter 567-104.26(5) of the Iowa Administrative Code.

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

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

SWIA MHDS, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 1, 2014, includes the following member counties: Cass County, Harrison County, Mills County, Monona County, Montgomery County, Page County, Pottawattamie County, Shelby County and Fremont County. The financial activity of the County's Special Revenue, Mental Health Fund is included in SWIA MHDS for the year ended June 30, 2017, as follows:

|                                       |                |                   |
|---------------------------------------|----------------|-------------------|
| Revenues:                             |                |                   |
| Property and other county tax         |                | \$ 152,237        |
| Intergovernmental:                    |                |                   |
| State tax credits                     |                | 11,213            |
| Miscellaneous                         |                | <u>45</u>         |
| Total revenues                        |                | <u>163,495</u>    |
| Expenditures:                         |                |                   |
| Services to persons with:             |                |                   |
| Mental illness                        |                | <u>1,844</u>      |
| General administration:               |                |                   |
| Direct administration                 | 13,243         |                   |
| Distribution to regional fiscal agent | <u>183,175</u> | <u>196,418</u>    |
| Total expenditures                    |                | <u>198,262</u>    |
| Excess of expenditures over revenues  |                | (34,767)          |
| Fund balance beginning of year        |                | <u>214,630</u>    |
| Fund balance end of year              |                | <u>\$ 179,863</u> |

**(15) New Accounting Pronouncement**

The County adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about the County's tax abatements.

**(16) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the County's other postemployment benefits.

**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, 2017

|   | Actual       | Less<br>Funds not<br>Required to<br>be Budgeted | Net        |
|---|--------------|---|------------|
| <b>Receipts:</b>  |              |   |            |
| Property and other county tax   | \$ 5,728,624 | 17,950  | 5,710,674  |
| Interest and penalty on property tax  | 31,801       | -   | 31,801     |
| Intergovernmental   | 3,937,526    | -   | 3,937,526  |
| Licenses and permits  | 14,935       | -   | 14,935     |
| Charges for service   | 314,012      | -   | 314,012    |
| Use of money and property   | 86,635       | -   | 86,635     |
| Miscellaneous   | 325,397      | -   | 325,397    |
| Total receipts  | 10,438,930   | 17,950  | 10,420,980 |
| <b>Disbursements:</b>   |              |   |            |
| Public safety and legal services  | 2,764,709    | -   | 2,764,709  |
| Physical health and social services   | 172,620      | -   | 172,620    |
| Mental health   | 268,996      | -   | 268,996    |
| County environment and education  | 667,383      | 8,903   | 658,480    |
| Roads and transportation  | 4,178,441    | -   | 4,178,441  |
| Governmental services to residents  | 392,739      | -   | 392,739    |
| Administration  | 1,025,835    | -   | 1,025,835  |
| Non-program   | 19,786       | -   | 19,786     |
| Debt service  | 458,610      | -   | 458,610    |
| Capital projects  | 722,722      | -   | 722,722    |
| Total disbursements   | 10,671,841   | 8,903   | 10,662,938 |
| Excess (deficiency) of receipts<br>over (under) disbursements   | (232,911)    | 9,047   | (241,958)  |
| Other financing sources, net  | -            | -   | -          |
| Excess (deficiency) of receipts and<br>other financing sources over (under)<br>disbursements and other financing uses | (232,911)    | 9,047   | (241,958)  |
| Balance beginning of year   | 4,854,987    | -   | 4,854,987  |
| Balance end of year   | \$ 4,622,076 | 9,047   | 4,613,029  |

See accompanying independent auditor's report.

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| Budgeted Amounts  |                   | Final to         |
|-------------------|-------------------|------------------|
| Original          | Final             | Net              |
|                   |                   | Variance         |
| 5,706,097         | 5,706,097         | 4,577            |
| 24,045            | 24,045            | 7,756            |
| 4,180,725         | 4,180,725         | (243,199)        |
| 19,700            | 19,700            | (4,765)          |
| 282,975           | 282,975           | 31,037           |
| 86,573            | 86,573            | 62               |
| 68,270            | 68,720            | 256,677          |
| <u>10,368,385</u> | <u>10,368,835</u> | <u>52,145</u>    |
| 2,658,455         | 2,824,280         | 59,571           |
| 290,868           | 293,039           | 120,419          |
| 384,516           | 384,516           | 115,520          |
| 653,264           | 684,426           | 25,946           |
| 4,093,000         | 4,403,000         | 224,559          |
| 482,908           | 482,908           | 90,169           |
| 1,433,318         | 1,436,918         | 411,083          |
| 4,000             | 4,000             | (15,786)         |
| 459,110           | 459,110           | 500              |
| 455,000           | 727,000           | 4,278            |
| <u>10,914,439</u> | <u>11,699,197</u> | <u>1,036,259</u> |
| (546,054)         | (1,330,362)       | 1,088,404        |
| <u>128,648</u>    | <u>128,648</u>    | <u>(128,648)</u> |
| (417,406)         | (1,201,714)       | 959,756          |
| <u>5,051,279</u>  | <u>5,051,279</u>  | <u>(196,292)</u> |
| <u>4,633,873</u>  | <u>3,849,565</u>  | <u>763,464</u>   |

**Fremont County**

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Fremont County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2017

|                              | <u>Governmental Funds</u> |                    |                  |
|------------------------------|---------------------------|--------------------|------------------|
|                              | <u>Cash</u>               | <u>Accrual</u>     | <u>Modified</u>  |
|                              | <u>Basis</u>              | <u>Adjustments</u> | <u>Accrual</u>   |
|                              |                           |                    | <u>Basis</u>     |
| Revenues                     | \$ 10,438,930             | 31,819             | 10,470,749       |
| Expenditures                 | 10,671,841                | 126,440            | 10,798,281       |
| Net                          | (232,911)                 | (94,621)           | (327,532)        |
| Other financing sources, net | -                         | -                  | -                |
| Beginning fund balances      | 4,854,987                 | 1,096,605          | 5,951,592        |
| Ending fund balances         | <u>\$ 4,622,076</u>       | <u>1,001,984</u>   | <u>5,624,060</u> |

See accompanying independent auditor's report.

Fremont County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2017

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements \$784,758. The budget amendment is reflected in the final budgeted amounts.

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

Disbursements during the year ended June 30, 2017 exceeded the amount budgeted in the non-program function. In addition, disbursements in the capital projects function exceeded the budget prior to amendment. Also, disbursements in one department exceeded the amount appropriated.



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Fremont County

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

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

Required Supplementary Information

|   | 2017      | 2016      | 2015      |
|---|-----------|-----------|-----------|
| County's proportion of the net pension liability  | 0.035688% | 0.037198% | 0.036244% |
| County's proportionate share of the net pension liability   | \$ 2,246  | 1,838     | 1,437     |
| County's covered-employee payroll   | \$ 3,362  | 3,080     | 2,978     |
| County's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 66.81%    | 59.68%    | 48.25%    |
| IPERS' net position as a percentage of the total pension liability  | 81.82%    | 85.19%    | 87.61%    |

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

See accompanying independent auditor's report.

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Fremont County

Schedule of County Contributions

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

Required Supplementary Information

|   | <u>2017</u>  | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  |
|---|--------------|--------------|--------------|--------------|
| Statutorily required contribution                                     | \$ 316       | 310          | 281          | 271          |
| Contributions in relation to the<br>statutorily required contribution | <u>(316)</u> | <u>(310)</u> | <u>(281)</u> | <u>(271)</u> |
| Contribution deficiency (excess)                                      | <u>\$ -</u>  | <u>-</u>     | <u>-</u>     | <u>-</u>     |
| County's covered-employee payroll                                     | \$ 3,444     | 3,362        | 3,080        | 2,978        |
| Contributions as a percentage of<br>covered-employee payroll          | 9.18%        | 9.22%        | 9.12%        | 9.10%        |

See accompanying independent auditor's report.

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| 2013  | 2012  | 2011  | 2010  | 2009  | 2008  |
|-------|-------|-------|-------|-------|-------|
| 253   | 252   | 212   | 200   | 181   | 163   |
| (253) | (252) | (212) | (200) | (181) | (163) |
| -     | -     | -     | -     | -     | -     |
| 2,844 | 3,010 | 2,877 | 2,885 | 2,747 | 2,619 |
| 8.90% | 8.37% | 7.37% | 6.93% | 6.59% | 6.22% |

Fremont County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2017

*Changes of benefit terms:*

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

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

*Changes of assumptions:*

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

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

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

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

Fremont County

Schedule of 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) (\$) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------|--------------------------|-------------------------------|--|-----------------------------|--------------------|---------------------|---|
| 2011                | Jul 1, 2009              | -                             | 125                                    | 125                         | 0.0%               | \$ 2,773            | 4.4%  |
| 2012                | Jul 1, 2009              | -                             | 125                                    | 125                         | 0.0                | 2,594               | 4.8   |
| 2013                | Jul 1, 2012              | -                             | 120                                    | 120                         | 0.0                | 2,726               | 4.4   |
| 2014                | Jul 1, 2012              | -                             | 120                                    | 120                         | 0.0                | 2,634               | 4.6   |
| 2015                | Jul 1, 2013              | -                             | 120                                    | 120                         | 0.0                | 3,175               | 3.8   |
| 2016                | Jul 1, 2015              | -                             | 142                                    | 142                         | 0.0                | 3,478               | 4.1   |
| 2017                | Jul 1, 2015              | -                             | 142                                    | 142                         | 0.0                | 3,574               | 4.0   |

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

See accompanying independent auditor's report.

**Fremont County**

## **Supplementary Information**

Fremont County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2017

|   | County<br>Recorder's<br>Records<br>Management | County<br>Recorder's<br>Electronic<br>Transaction Fee | Drainage<br>Districts | Special<br>Tax<br>Increment<br>Financing<br>Rebate |
|---|---|---|-----------------------|--|
| <b>Assets</b>   |   |   |                       |  |
| Cash and pooled investments   | \$ 29,600                                     | 256   | 9,047                 | -  |
| Receivables:  |   |   |                       |  |
| Delinquent property tax   | -   | -   | -                     | -  |
| Succeeding year property tax  | -   | -   | -                     | 43,000   |
| Accounts  | -   | -   | -                     | -  |
| <b>Total assets</b>   | <b>\$ 29,600</b>                              | <b>256</b>  | <b>9,047</b>          | <b>43,000</b>                                      |
| <b>Liabilities, Deferred Inflows of Resources<br/>and Fund Balances</b>       |   |   |                       |  |
| Liabilities:  |   |   |                       |  |
| Accounts payable  | \$ -  | -   | 72                    | -  |
| Due to other governments  | -   | -   | -                     | -  |
| Total liabilities   | -   | -   | 72                    | -  |
| Deferred inflows of resources:  |   |   |                       |  |
| Unavailable revenues:   |   |   |                       |  |
| Succeeding year property tax  | -   | -   | -                     | 43,000   |
| Other   | -   | -   | -                     | -  |
| Total deferred inflows of resources   | -   | -   | -                     | 43,000   |
| Fund balances:  |   |   |                       |  |
| Restricted for:   |   |   |                       |  |
| Debt service  | -   | -   | -                     | -  |
| Capital projects  | -   | -   | -                     | -  |
| Other purposes  | 29,600  | 256   | 8,975                 | -  |
| Total fund balances   | 29,600  | 256   | 8,975                 | -  |
| <b>Total liabilities, deferred inflows of resources<br/>and fund balances</b> | <b>\$ 29,600</b>                              | <b>256</b>  | <b>9,047</b>          | <b>43,000</b>                                      |

See accompanying independent auditor's report.



| Revenue                           |                                     |   |                                 |                |                  |                |  |
|-----------------------------------|-------------------------------------|---|---------------------------------|----------------|------------------|----------------|--|
| Low to Moderate Income Assistance | Resource Enhancement and Protection | County Attorney Special Law Enforcement | Sheriff Special Law Enforcement | Debt Service   | Capital Projects | Total          |  |
| 94,648                            | 10,717                              | 1,539                                   | 86,455                          | 10,210         | 9,686            | 252,158        |  |
| -                                 | -                                   | -                                       | -                               | 1,127          | -                | 1,127          |  |
| -                                 | -                                   | -                                       | -                               | 359,000        | -                | 402,000        |  |
| -                                 | -                                   | -                                       | 660                             | -              | -                | 660            |  |
| <u>94,648</u>                     | <u>10,717</u>                       | <u>1,539</u>                            | <u>87,115</u>                   | <u>370,337</u> | <u>9,686</u>     | <u>655,945</u> |  |
| -                                 | -                                   | -                                       | 363                             | -              | -                | 435            |  |
| -                                 | -                                   | -                                       | 50                              | -              | -                | 50             |  |
| -                                 | -                                   | -                                       | 413                             | -              | -                | 485            |  |
| -                                 | -                                   | -                                       | -                               | 359,000        | -                | 402,000        |  |
| -                                 | -                                   | -                                       | -                               | 1,103          | -                | 1,103          |  |
| -                                 | -                                   | -                                       | -                               | 360,103        | -                | 403,103        |  |
| -                                 | -                                   | -                                       | -                               | 10,234         | -                | 10,234         |  |
| -                                 | -                                   | -                                       | -                               | -              | 9,686            | 9,686          |  |
| <u>94,648</u>                     | <u>10,717</u>                       | <u>1,539</u>                            | <u>86,702</u>                   | <u>-</u>       | <u>-</u>         | <u>232,437</u> |  |
| <u>94,648</u>                     | <u>10,717</u>                       | <u>1,539</u>                            | <u>86,702</u>                   | <u>10,234</u>  | <u>9,686</u>     | <u>252,357</u> |  |
| <u>94,648</u>                     | <u>10,717</u>                       | <u>1,539</u>                            | <u>87,115</u>                   | <u>370,337</u> | <u>9,686</u>     | <u>655,945</u> |  |

Fremont County

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

Year ended June 30, 2017

|  | County<br>Recorder's<br>Records<br>Management | County<br>Recorder's<br>Electronic<br>Transaction Fee | Drainage<br>Districts | Special<br>Tax<br>Increment<br>Financing<br>Rebate |
|--|---|---|-----------------------|--|
| Revenues:  |   |   |                       |  |
| Property tax   | \$ -  | -   | -                     | -  |
| Tax increment financing                                      | -   | -   | -                     | 240,155  |
| Intergovernmental  | -   | -   | -                     | 35,182   |
| Licenses and permits   | -   | -   | -                     | -  |
| Charges for service  | 1,841   | -   | -                     | -  |
| Use of money and property                                    | 13  | -   | -                     | -  |
| Miscellaneous  | -   | -   | 17,950                | -  |
| Total revenues   | 1,854   | -   | 17,950                | 275,337  |
| Expenditures:  |   |   |                       |  |
| Operating:   |   |   |                       |  |
| Public safety and legal services                             | -   | -   | -                     | -  |
| County environment and education                             | -   | -   | 8,743                 | 258,514  |
| Capital projects   | -   | -   | -                     | -  |
| Debt service   | -   | -   | -                     | -  |
| Total expenditures   | -   | -   | 8,743                 | 258,514  |
| Excess (deficiency) of revenues<br>over (under) expenditures | 1,854   | -   | 9,207                 | 16,823   |
| Other financing sources (uses):                              |   |   |                       |  |
| Transfers in   | -   | -   | -                     | -  |
| Transfers out  | -   | -   | -                     | (16,823)   |
| Total other financing sources (uses)                         | -   | -   | -                     | (16,823)   |
| Change in fund balances                                      | 1,854   | -   | 9,207                 | -  |
| Fund balances beginning of year                              | 27,746  | 256   | (232)                 | -  |
| Fund balances end of year                                    | \$ 29,600                                     | 256   | 8,975                 | -  |

See accompanying independent auditor's report.

| Revenue                           |                                     |   |                                 |              |   |          |          |
|-----------------------------------|-------------------------------------|---|---------------------------------|--------------|---|----------|----------|
| Low to Moderate Income Assistance | Resource Enhancement and Protection | County Attorney Special Law Enforcement | Sheriff Special Law Enforcement | Debt Service | Capital Projects Law Enforcement Center |          | Total    |
| -                                 | -                                   | -                                       | -                               | 359,042      | -                                       | -        | 359,042  |
| -                                 | -                                   | -                                       | -                               | -            | -                                       | -        | 240,155  |
| -                                 | 12,826                              | -                                       | 900                             | 26,955       | -                                       | -        | 75,863   |
| -                                 | -                                   | -                                       | 880                             | -            | -                                       | -        | 880      |
| -                                 | -                                   | -                                       | -                               | -            | -                                       | -        | 1,841    |
| -                                 | 6                                   | -                                       | 4,160                           | -            | -                                       | 29       | 4,208    |
| -                                 | -                                   | -                                       | 19,885                          | -            | -                                       | -        | 37,835   |
| -                                 | 12,832                              | -                                       | 25,825                          | 385,997      | -                                       | 29       | 719,824  |
| -                                 | -                                   | -                                       | 14,888                          | -            | -                                       | -        | 14,888   |
| 8,999                             | 19,537                              | -                                       | -                               | -            | -                                       | -        | 295,793  |
| -                                 | -                                   | -                                       | -                               | -            | -                                       | 22,000   | 22,000   |
| -                                 | -                                   | -                                       | -                               | 381,525      | -                                       | -        | 381,525  |
| 8,999                             | 19,537                              | -                                       | 14,888                          | 381,525      | -                                       | 22,000   | 714,206  |
| (8,999)                           | (6,705)                             | -                                       | 10,937                          | 4,472        | -                                       | (21,971) | 5,618    |
| 16,823                            | -                                   | -                                       | -                               | -            | -                                       | -        | 16,823   |
| -                                 | -                                   | -                                       | -                               | -            | -                                       | -        | (16,823) |
| 16,823                            | -                                   | -                                       | -                               | -            | -                                       | -        | -        |
| 7,824                             | (6,705)                             | -                                       | 10,937                          | 4,472        | -                                       | (21,971) | 5,618    |
| 86,824                            | 17,422                              | 1,539                                   | 75,765                          | 5,762        | -                                       | 31,657   | 246,739  |
| 94,648                            | 10,717                              | 1,539                                   | 86,702                          | 10,234       | -                                       | 9,686    | 252,357  |

Fremont County

Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2017

|  | County<br>Offices | Agricultural<br>Extension<br>Education | County<br>Assessor | Schools          |
|--|-------------------|--|--------------------|------------------|
| <b>Assets</b>                                  |                   |  |                    |                  |
| Cash, cash equivalents and pooled investments: |                   |  |                    |                  |
| County Treasurer                               | \$ -              | 4,696                                  | 348,366            | 90,102           |
| Other County officials                         | 16,311            | -                                      | -                  | -                |
| Receivables:                                   |                   |  |                    |                  |
| Property tax:                                  |                   |  |                    |                  |
| Delinquent                                     | -                 | 11                                     | 20                 | 459              |
| Succeeding year                                | -                 | 167,000                                | 295,000            | 7,202,000        |
| Accounts                                       | 302               | -                                      | -                  | -                |
| Drainage assessments                           | -                 | -                                      | -                  | -                |
| Due from other governments                     | -                 | -                                      | -                  | -                |
| <b>Total assets</b>                            | <b>\$ 16,613</b>  | <b>171,707</b>                         | <b>643,386</b>     | <b>7,292,561</b> |
| <b>Liabilities</b>                             |                   |  |                    |                  |
| Accounts payable                               | \$ -              | -                                      | -                  | -                |
| Salaries and benefits payable                  | -                 | -                                      | 5,884              | -                |
| Stamped warrants payable                       | -                 | -                                      | -                  | -                |
| Due to other governments                       | 16,284            | 171,707                                | 626,253            | 7,292,561        |
| Trusts payable                                 | 329               | -                                      | -                  | -                |
| Compensated absences                           | -                 | -                                      | 11,249             | -                |
| <b>Total liabilities</b>                       | <b>\$ 16,613</b>  | <b>171,707</b>                         | <b>643,386</b>     | <b>7,292,561</b> |

See accompanying independent auditor's report.

| Community<br>Colleges | Corporations     | Townships      | Auto<br>License<br>and<br>Use Tax | Drainage<br>Districts | Other          | Total             |
|-----------------------|------------------|----------------|-----------------------------------|-----------------------|----------------|-------------------|
| 10,426                | 26,089           | 2,727          | 214,949                           | 492,048               | 339,958        | 1,529,361         |
| -                     | -                | -              | -                                 | -                     | -              | 16,311            |
| 48                    | 297              | 1              | -                                 | -                     | -              | 836               |
| 725,000               | 1,876,000        | 232,000        | -                                 | -                     | 2,000          | 10,499,000        |
| -                     | -                | -              | -                                 | -                     | -              | 302               |
| -                     | -                | -              | -                                 | 968,559               | -              | 968,559           |
| -                     | -                | -              | -                                 | -                     | 228            | 228               |
| <u>735,474</u>        | <u>1,902,386</u> | <u>234,728</u> | <u>214,949</u>                    | <u>1,460,607</u>      | <u>342,186</u> | <u>13,014,597</u> |
| -                     | -                | -              | -                                 | -                     | 419            | 419               |
| -                     | -                | -              | -                                 | -                     | 2,121          | 8,005             |
| -                     | -                | -              | -                                 | 1,460,607             | -              | 1,460,607         |
| 735,474               | 1,902,386        | 234,728        | 214,949                           | -                     | 268,533        | 11,462,875        |
| -                     | -                | -              | -                                 | -                     | 71,113         | 71,442            |
| -                     | -                | -              | -                                 | -                     | -              | 11,249            |
| <u>735,474</u>        | <u>1,902,386</u> | <u>234,728</u> | <u>214,949</u>                    | <u>1,460,607</u>      | <u>342,186</u> | <u>13,014,597</u> |

Fremont County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2017

|                                    | County<br>Offices | Agricultural<br>Extension<br>Education | County<br>Assessor | Schools   |
|------------------------------------|-------------------|--|--------------------|-----------|
| <b>Assets and Liabilities</b>      |                   |  |                    |           |
| Balances beginning of year         | \$ 10,506         | 166,174                                | 531,083            | 7,116,946 |
| Additions:                         |                   |  |                    |           |
| Property and other county tax      | -                 | 168,359                                | 297,130            | 7,249,933 |
| E-911 surcharge                    | -                 | -                                      | -                  | -         |
| State tax credits                  | -                 | 11,958                                 | 21,592             | 524,410   |
| Drivers license fees               | -                 | -                                      | -                  | -         |
| Office fees and collections        | 154,214           | -                                      | -                  | -         |
| Electronic transaction fees        | -                 | -                                      | -                  | -         |
| Auto licenses, use tax and postage | -                 | -                                      | -                  | -         |
| Assessments                        | -                 | -                                      | -                  | -         |
| Trusts                             | 311,080           | -                                      | -                  | -         |
| Miscellaneous                      | -                 | -                                      | 715                | -         |
| Total additions                    | 465,294           | 180,317                                | 319,437            | 7,774,343 |
| Deductions:                        |                   |  |                    |           |
| Agency remittances:                |                   |  |                    |           |
| To other funds                     | 49,661            | -                                      | -                  | -         |
| To other governments               | 94,482            | 174,784                                | 207,134            | 7,598,728 |
| Trusts paid out                    | 315,044           | -                                      | -                  | -         |
| Total deductions                   | 459,187           | 174,784                                | 207,134            | 7,598,728 |
| Balances end of year               | \$ 16,613         | 171,707                                | 643,386            | 7,292,561 |

See accompanying independent auditor's report.

| Community<br>Colleges | Corporations | Townships | Auto<br>License<br>and<br>Use Tax | Drainage<br>Districts | Other   | Total      |
|-----------------------|--------------|-----------|-----------------------------------|-----------------------|---------|------------|
| 830,676               | 1,806,651    | 233,404   | 201,528                           | 1,450,530             | 254,222 | 12,601,720 |
| 729,969               | 1,796,629    | 237,282   | -                                 | -                     | 1,772   | 10,481,074 |
| -                     | -            | -         | -                                 | -                     | 135,533 | 135,533    |
| 61,328                | 254,204      | 13,045    | -                                 | -                     | 131     | 886,668    |
| -                     | -            | -         | 29,534                            | -                     | -       | 29,534     |
| -                     | -            | -         | -                                 | -                     | 250     | 154,464    |
| -                     | -            | -         | -                                 | -                     | 1,556   | 1,556      |
| -                     | -            | -         | 2,612,239                         | -                     | -       | 2,612,239  |
| -                     | -            | -         | -                                 | 336,587               | -       | 336,587    |
| -                     | -            | -         | -                                 | -                     | 203,436 | 514,516    |
| -                     | 27,274       | -         | -                                 | -                     | 74,144  | 102,133    |
| 791,297               | 2,078,107    | 250,327   | 2,641,773                         | 336,587               | 416,822 | 15,254,304 |
| -                     | -            | -         | 113,939                           | -                     | -       | 163,600    |
| 886,499               | 1,982,372    | 249,003   | 2,514,413                         | 326,510               | 153,255 | 14,187,180 |
| -                     | -            | -         | -                                 | -                     | 175,603 | 490,647    |
| 886,499               | 1,982,372    | 249,003   | 2,628,352                         | 326,510               | 328,858 | 14,841,427 |
| 735,474               | 1,902,386    | 234,728   | 214,949                           | 1,460,607             | 342,186 | 13,014,597 |

Fremont County

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

For the Last Ten Years

|                                      |                      |                   |                   | Modified          |
|--------------------------------------|----------------------|-------------------|-------------------|-------------------|
|                                      | 2017                 | 2016              | 2015              | 2014              |
| <b>Revenues:</b>                     |                      |                   |                   |                   |
| Property and other county tax        | \$ 4,954,444         | 4,586,033         | 4,615,221         | 4,029,758         |
| Local option sales tax               | 389,525              | 376,573           | 496,146           | 369,605           |
| Hotel/motel tax                      | 126,307              | 116,234           | 85,618            | 85,376            |
| Tax increment financing              | 240,155              | 252,521           | 289,238           | 288,762           |
| Interest and penalty on property tax | 31,829               | 30,307            | 33,765            | 40,599            |
| Intergovernmental                    | 4,007,602            | 4,059,073         | 3,803,013         | 4,466,015         |
| Licenses and permits                 | 14,310               | 16,015            | 14,541            | 15,349            |
| Charges for service                  | 316,451              | 316,795           | 300,019           | 294,478           |
| Use of money and property            | 103,908              | 86,832            | 85,529            | 81,631            |
| Miscellaneous                        | 286,218              | 173,536           | 192,954           | 102,280           |
| Total                                | <u>\$ 10,470,749</u> | <u>10,013,919</u> | <u>9,916,044</u>  | <u>9,773,853</u>  |
| <b>Expenditures:</b>                 |                      |                   |                   |                   |
| <b>Operating:</b>                    |                      |                   |                   |                   |
| Public safety and legal services     | \$ 2,739,758         | 2,539,188         | 1,972,701         | 1,833,658         |
| Physical health and social services  | 178,874              | 158,461           | 163,527           | 171,724           |
| Mental health                        | 276,030              | 353,903           | 1,351,835         | 513,198           |
| County environment and education     | 664,646              | 639,068           | 623,256           | 893,739           |
| Roads and transportation             | 4,217,741            | 4,411,415         | 3,746,205         | 4,076,405         |
| Governmental services to residents   | 392,753              | 403,046           | 367,750           | 335,342           |
| Administration                       | 1,145,031            | 1,176,027         | 1,153,983         | 1,128,976         |
| Nonprogram                           | 19,786               | 15,000            | -                 | -                 |
| Capital projects                     | 704,551              | 609,860           | 4,396,032         | 1,368,797         |
| Debt service                         | 459,111              | 464,679           | 486,975           | 107,948           |
| Total                                | <u>\$ 10,798,281</u> | <u>10,770,647</u> | <u>14,262,264</u> | <u>10,429,787</u> |

See accompanying independent auditor's report.



| Accrual Basis    |                   |                  |                  |                  |                  |
|------------------|-------------------|------------------|------------------|------------------|------------------|
| 2013             | 2012              | 2011             | 2010             | 2009             | 2008             |
| 3,974,230        | 3,667,670         | 3,502,764        | 3,207,927        | 2,891,750        | 2,796,186        |
| 392,161          | 339,736           | 340,242          | 276,560          | 298,869          | 354,818          |
| 125,396          | 80,494            | 109,190          | 104,837          | 136,810          | 125,265          |
| 311,733          | 342,040           | 353,311          | 331,228          | 294,230          | 287,926          |
| 41,216           | 47,182            | 31,395           | 36,418           | 34,779           | 32,132           |
| 4,252,581        | 5,855,574         | 3,954,807        | 3,943,988        | 3,609,589        | 3,441,598        |
| 24,093           | 15,676            | 10,014           | 14,384           | 21,737           | 13,748           |
| 322,460          | 294,534           | 294,739          | 297,077          | 281,712          | 245,832          |
| 86,218           | 80,873            | 109,033          | 143,749          | 200,421          | 273,144          |
| 121,124          | 170,428           | 113,870          | 242,230          | 334,715          | 288,346          |
| <b>9,651,212</b> | <b>10,894,207</b> | <b>8,819,365</b> | <b>8,598,398</b> | <b>8,104,612</b> | <b>7,858,995</b> |
| 1,660,240        | 1,700,924         | 1,678,496        | 1,632,171        | 1,577,670        | 1,589,735        |
| 198,747          | 188,377           | 232,310          | 225,919          | 173,847          | 173,261          |
| 557,711          | 1,147,737         | 986,080          | 1,031,039        | 1,094,904        | 1,131,939        |
| 857,130          | 837,439           | 686,860          | 709,649          | 592,200          | 798,325          |
| 3,876,087        | 4,759,708         | 3,482,456        | 3,303,655        | 3,540,488        | 3,081,546        |
| 294,987          | 291,491           | 304,531          | 305,626          | 311,891          | 308,794          |
| 1,561,724        | 876,102           | 1,072,083        | 966,078          | 931,847          | 949,115          |
| -                | -                 | -                | -                | -                | -                |
| 26,863           | 1,454,366         | 198,276          | 214,622          | 181,268          | 197,167          |
| 142,348          | 146,693           | 145,840          | 144,740          | 143,445          | 133,296          |
| <b>9,175,837</b> | <b>11,402,837</b> | <b>8,786,932</b> | <b>8,533,499</b> | <b>8,547,560</b> | <b>8,363,178</b> |

**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

Mary Mosiman, CPA

Auditor of State

State Capitol Building

Des Moines, Iowa 50319-0004

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

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

To the Officials of Fremont County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Fremont County, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 20, 2018.

Internal Control Over Financial Reporting

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

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

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

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

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


### Fremont County's Responses to the Findings

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

### Purpose of this Report

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

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

  
MARY MOSIMAN, CPA  
Auditor of State

March 20, 2018

Fremont County  
 Schedule of Findings  
 Year ended June 30, 2017

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

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

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

|  | Applicable<br>Offices                                      |
|--|--|
| (1) An initial listing is not compared to receipt records by an independent person and is not initialed to evidence an independent review.   | County Recorder,<br>County Sheriff and<br>County Treasurer |
| (2) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.   | County Treasurer,<br>County Recorder<br>and County Sheriff |
| (3) The person who signs checks is not independent of the person preparing the checks, approving disbursements, and recording cash receipts and disbursements.   | County Recorder  |
| (4) The person responsible for the detailed record keeping of investments is also the custodian of the investments. Investments are not periodically inspected or reconciled to investment records by an independent person and an independent verification of interest earnings is not performed. | County Treasurer   |
| (5) The change fund is shared among employees and is not verified by surprise counts.  | County Treasurer   |
| (6) There is no evidence of review and approval of journal entries made by the County Auditor’s office.  | County Auditor   |

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

Fremont County

Schedule of Findings

Year ended June 30, 2017

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

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

Responses –

County Treasurer – We will segregate duties as best as a small office can. In addition, we have a different person count the drawer each day.

County Sheriff – Mail is opened by two people. One person prepares a listing of the checks received by mail register that is included with the month end report. A second person reviews the listing by comparing it to the receipt register. Beginning with the January 2018 checks, the person preparing the listing of checks received and the person reviewing it with the month end report will initial the listing.

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

County Auditor – We now have two employees reviewing and approving journal entries.

Conclusion – Responses acknowledged. Segregation of duties helps prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. Each official should continue to review control activities of their office to obtain the maximum internal control possible.

(B) Financial Reporting

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

Condition – Material amounts of receivables and were not properly classified and recorded in the County’s financial statements. Additionally, the County was incorrectly recording insurance reimbursements as negative expenditures.

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

Fremont County

Schedule of Findings

Year ended June 30, 2017

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

Recommendation – The County should establish procedures to ensure all receivables and insurance reimbursements are identified and properly reported in the County’s financial statements.

Response – The County will work on establishing procedures to ensure all receivables are identified and properly reported in the County’s financial statements. The County has changed their process of how to record insurance reimbursements. We will make an effort to properly report all receivables and payables.

Conclusion – Responses accepted.

(C) Timesheets

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

Condition – Timesheets are not prepared by salaried personnel.

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

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

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

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

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

Fremont County  
Schedule of Findings  
Year ended June 30, 2017

(D) Compensatory Time

Criteria – County policies to limit the accrual of compensatory time are an effective management tool to ensure the County does not find the need to pay out an excessive amount of compensatory time when an employee retires or voluntary leaves employment. The Fremont County Employee Handbook states an employee may not accrue more than 40 hours of compensatory time or 54 hours for employees covered by the County Sheriff's Department Union contract.

Condition – Eight of 67 employees had compensatory balances greater than 40 hours (54 hours for Sheriff's department Union employees) at June 30, 2017.

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

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

Recommendation – The County should determine the disposition of this matter and apply procedures to prevent any employee from accruing more than 40 hours (54 hours for Sheriff's department Union employees) of compensatory time in the future to be in compliance with the Fremont County Employee Handbook.

Response – The Board of Supervisors reiterated the 40-hour portion of the handbook and the union contract information regarding overtime at a recent department head meeting as a reminder to department heads that comp time should not be greater than policy allows and they are in charge of monitoring this issue for their departments.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



Fremont County

Schedule of Findings

Year ended June 30, 2017

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amount budgeted in the non-program function. In addition, disbursements in the capital projects function exceeded the budget prior to amendment. Also, disbursements in one department exceeded the amount appropriated.

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

Response – The budget will now be amended before the amount appropriated and/or the function is exceeded.

Conclusion – Response accepted.

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

| <u>Name, Title and<br/>Business Connection</u>   | <u>Transaction<br/>Description</u> | <u>Amount</u> |
|--|------------------------------------|---------------|
| Nancy Henneman, Mental Health<br>Department Secretary, co-owner with<br>her husband Dennis of Henneman<br>Auto Parts | Parts, fuel<br>and maintenance     | \$ 5,418      |
| Nancy Henneman, Mental Health<br>Department Secretary, son owns<br>Henneman Lawn Service and<br>Snow removal         | Mowing and snow<br>removal         | 1,525         |

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

Fremont County

Schedule of Findings

Year ended June 30, 2017

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2017 for the County Extension Office did not exceed the amount budgeted.

- (10) County Sheriff – During the fiscal year 2017, the County began utilizing Stellar Tellers Services, LLC (Stellar Tellers) cashier kiosks which are located at the County Law Enforcement Center to manage inmate funds. The County uses the Stellar Tellers for commissary purchases and payments on bonds at the Sheriff's office which are reported in a Stellar account. The Stellar account activity was not reported to the County or recorded in the County's financial records. Also, Commissary account profits were not deposited with the County Treasurer, as required.

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

Response – The Stellar bank account is reconciled each month, printed, and placed in the Stellar file. The Chief Deputy will be reviewing the reconciliation in the same manner as he reviews other month end reporting. The account is under Fremont County and is available for audit. There are no other expenditures other than snack packs, phone time, texting time, and commissary orders. The profit from these funds will be remitted to the County Treasurer by June 30th.

Conclusion – Response acknowledged. The Stellar account should also be presented to the County Treasurer for inclusion in the County's financial records.

Fremont County

Schedule of Findings

Year ended June 30, 2017

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

During fiscal year ended June 30, 2017, clothing and cleaning reimbursement for four deputies exceeded the \$1,000 allowance and clothing and cleaning reimbursement for two non-deputy sheriff office employees exceeded the \$600 allowance.

In addition, the style and type of uniform determined by the County Sheriff was not documented. As a result, we were unable to determine how certain clothing purchases reimbursed under this policy met the definition of a required uniform or were considered necessary for the conduct of County business beyond what is considered clothing adaptable for general use and therefore would be considered a taxable benefit. Some examples of these items include quality brand casual shoes and athletic running shoes. For example, the October 2016 credit card statement lists items purchased and reimbursed as follows: Clarks men’s slip-on black leather shoes for \$87, Skechers Bikers curbed casual men’s sneakers for \$53, Clarks women’s slip-on casual shoes for \$70, B.O.C. casual shoes for \$55, MS Athletic shoes for \$50 and two pairs of ASICS Men’s gel running shoes for \$144 and \$140.

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

Response – The Union contract specifies a minimum, not a maximum, amount the Sheriff’s Office is required to provide each employee for a clothing allowance. For example a new employee cannot be outfitted for the amount listed in the contract. Also if the style of uniform is changed or new vests are needed that amount is going to be exceeded. All items are pre-approved before purchase and are a part of the uniform for the different departments. All items will be returned at the end of employment. All examples given were pre-approved by the Sheriff and are part of the uniform worn by that particular department in performance of their daily duties. The decision of the uniform items for each department and each item purchased is at the discretion of the sheriff.

Conclusion – Response acknowledged. The Union contract states the clothing and cleaning allowance is up to \$1,000 or \$600 each fiscal year dependent on the employee classification. If that is not the intent, the Union contract should be revised to clearly state the intent. In addition, the County should establish and document criteria for standard uniforms and accessories necessary to carry out County business. Any purchases made for items unnecessary to carry out County business should be discontinued.

Fremont County

Schedule of Findings

Year ended June 30, 2017

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

The County Sheriff’s Office maintains three credit cards for use by various County Sheriff employees while on County business. For the year ended June 30, 2017, three credit cards were used for approximately \$38,000 in purchases.

The three credit cards do not appear on the County’s list of authorized credit cards. In addition, advance authorization for the credit card expenditures is not documented. Also, one credit card statement with a closing date of December 23, 2016 included \$11,340 in purchases. Of these total purchases, only \$895 of supporting invoices were maintained and presented to the County for reimbursement with County funds. Per County Sheriff officials, the remaining \$10,446 of credit card purchases were reimbursed in the month in which the charges were incurred, with funds provided by the Fremont County Reserve Deputy Association, Inc., a legally separate entity.

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

Response – No new credit cards have been issued to the Sheriff’s office for several years. When purchasing items, a list of items needed is prepared and authorized by the Sheriff. The practice of the Reserves using the credit card and paying from their account has been done for several years. The Reserves will be looking into getting their own card for Operation Santa purchases. Wal-Mart will not accept a check from the Reserves for such large purchases several times a week. All statements are sent with the claim and the receipts to the County Auditor.

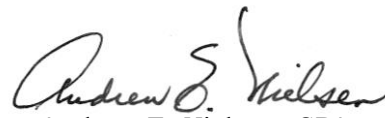
Conclusion – Response acknowledged. The County should ensure all County credit cards and associated limits are approved by the Board of Supervisors in accordance with the County’s credit card policy. In addition, advance authorization of all purchases should be documented. Also, County credit cards should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

Fremont County

Staff

This audit was performed by:

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Karen J. Kibbe, Senior Auditor II  
Mark D. Newhall, Staff Auditor  
Cody J. Pifer, Staff Auditor  
Jacob N. Bennett, Staff Auditor  
Justin M. Gibbons, Assistant Auditor  
Brett S. Gillen, CPA, Assistant Auditor  
Ryan A. Manglos, Auditor Intern

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State