



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ March 29, 2005

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

The County has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Also included is Management's Discussion and Analysis of the County's financial statements.

The County had local tax revenue of \$10,304,077 for the year ended June 30, 2004, which included \$760,750 in tax credits from the state. The County forwarded \$7,119,265 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,184,812 of the local tax revenue to finance County operations. Other revenues included charges for service of \$715,898, operating grants, contributions and restricted interest of \$2,824,327, capital grants, contributions and restricted interest of \$1,936,083, tax increment financing of \$193,882, local option sales tax of \$309,600, unrestricted investment earnings of \$120,405 and other general revenues of \$124,483.

Expenses for County operations totaled \$7,129,013, and included expenses of \$2,696,424 for roads and transportation, \$1,477,127 for public safety and legal services and \$986,739 for mental health.

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

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FREMONT COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

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Fremont County

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-----------------------------|----------------------|---------------------|
| Keith D. Hickey | Board of Supervisors | Jan 2005 |
| Chuck Larson | Board of Supervisors | Jan 2007 |
| David Aistrope | Board of Supervisors | Jan 2007 |
| Lucille Hunt | County Auditor | Resigned |
| Clara Jean Gude (Appointed) | County Auditor | Nov 2004 |
| Judith M. Crain | County Treasurer | Jan 2007 |
| Margaret Henkle | County Recorder | Jan 2007 |
| Steven H. MacDonald | County Sheriff | Jan 2005 |
| Vicki R. Danley | County Attorney | Jan 2007 |
| Karen L. Berry | County Assessor | Jan 2010 |

Fremont County



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Independent Auditor's Report

To the Officials of Fremont County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Fremont County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Fremont County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

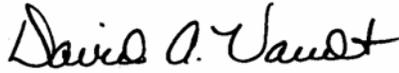
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Fremont County at June 30, 2004, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 12 to the financial statements, during the year ended June 30, 2004, Fremont County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated February 4, 2005 on our consideration of Fremont County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 38 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Fremont County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 4, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fremont County provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Because this is the first year that requires activities to be reported on a full accrual basis, a comprehensive comparison to the prior year is not possible. Efforts have been made to provide comparison to prior year data when such data is available. In subsequent years, comparison to prior year data will be provided for all key financial information.

2004 FINANCIAL HIGHLIGHTS

- Fremont County governmental funds revenue increased \$422,789 over fiscal year 2003 (FY03). The increase in governmental funds received in FY04 is primarily because FY04 is the first of three years for Fremont County to host the child support recovery department. Property tax, which includes local option tax and the tax increment financing (TIF) rebate for FY04, increased approximately \$290,900 over FY03 primarily because the development is growing in the I/29-Highway 2 urban renewal development area and the TIF tax revenue rebate increased.
- Fremont County governmental fund expenditures for FY04 increased \$900,561 over FY03. The increase in expenditure is primarily the result of the secondary road shop building project and expenditures to host the child support recovery department. The secondary road building shop project is being financed by funds reserved for the project.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

The Statement of Net Assets and the Statement of Activities

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

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

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

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

The Fund Financial Statements

The fund financial statements provide detailed information about individual, significant funds; not the County as a whole. Some funds are required to be established by Iowa law or by bond covenants. The County establishes other funds to help it control and manage money for particular purposes.

The County has two kinds of funds:

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

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

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

The financial statement required for fiduciary funds is a statement of fiduciary assets and liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Fremont County's total net assets at June 30, 2004 are shown below.

| Net Assets of Governmental Activities | |
|---|------------------|
| (Expressed in Thousands) | |
| Current and other assets | \$ 9,336 |
| Capital assets | 5,742 |
| Total assets | <u>15,078</u> |
| Long-term liabilities | 326 |
| Other liabilities | 3,697 |
| Total liabilities | <u>4,023</u> |
| Net assets: | |
| Invested in capital assets, net of related debt | 5,672 |
| Restricted | 3,800 |
| Unrestricted | <u>1,583</u> |
| Total net assets | <u>\$ 11,055</u> |

The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment) less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is \$1,582,783.

| Changes in Net Assets of Governmental Activities | |
|---|------------------|
| (Expressed in Thousands) | |
| Revenues: | |
| Program revenues: | |
| Charges for service | \$ 716 |
| Operating grants, contributions and restricted interest | 2,824 |
| Capital grants, contributions and restricted interest | 1,936 |
| General revenues: | |
| Property and other county tax | 2,922 |
| Tax increment financing | 194 |
| Penalty and interest on property tax | 17 |
| State tax credits | 263 |
| Local option sales tax | 310 |
| Grants and contributions not restricted to specific purposes | 22 |
| Unrestricted investment earnings | 121 |
| Gain on disposal of capital assets | 69 |
| Other general revenues | 16 |
| Total revenues | <u>9,410</u> |
| Program expenses: | |
| Public safety and legal services | 1,477 |
| Physical health and social services | 143 |
| Mental health | 987 |
| County environment and education | 494 |
| Roads and transportation | 2,969 |
| Governmental services to residents | 277 |
| Administration | 782 |
| Total expenses | <u>7,129</u> |
| Increase in net assets | 2,281 |
| Net assets beginning of year, as restated | <u>8,774</u> |
| Net assets end of year | <u>\$ 11,055</u> |

Fremont County's property tax rates for FY04 decreased by \$.17 per \$1,000 of valuation in the rural levy and increased \$.45 per \$1,000 of valuation in the countywide levy. The rural assessed property taxable valuation decreased by \$510,803. The countywide assessed property taxable valuation decreased by \$3,361,505.

INDIVIDUAL MAJOR FUND ANALYSIS

As Fremont County completed the year, its governmental funds reported a total fund balance of \$5,580,702, compared to \$6,278,140 at June 30, 2003.

The General Fund, the operating fund for Fremont County, ended FY04 with a balance of \$1,148,901, an increase of \$117,376 from FY03's ending balance of \$1,031,525. The primary reason for the increase in fund balance is because this is the first of three years for Fremont County to host the child support recovery department. The taxable property valuation decreased from \$400,727,986 in FY03 to \$397,366,481 in FY04. The General Fund levy rate increased from \$4.18126 per \$1,000 of taxable valuation in FY03 to \$4.62354 per \$1,000 of taxable valuation in FY04. Public safety and legal services expenditures increased \$103,816 because of the child support recovery department.

Fremont County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund. FY04 ended with a \$591,500 fund balance, whereas FY03 ended with a fund balance of \$571,381, an increase of 4%. FY04 expenditures increased \$30,281. FY04 non-property tax revenues increased \$22,874 from FY03. An increase in the FY04 mental health levy rate to \$1.16314 per \$1,000 of taxable valuation from a FY03 levy rate of \$1.15338 per \$1,000 of taxable valuation, along with the increase in non-property tax revenues and delinquent tax revenues, resulted in the fund balance increase.

The Rural Services Fund ended with a fund balance of \$703,082 compared to the prior year ending fund balance of \$678,464. Property tax revenue for the Rural Services Fund decreased approximately \$49,000 from \$839,742 in FY03 to \$790,671 in FY04. Local option sales tax revenue increased by approximately \$91,770 in FY04 from FY03. Other revenues within the Rural Services Fund remained virtually unchanged. Fremont County reduced the Rural Services Fund levy by one third of the money collected from local option tax to provide property tax relief in the Rural Services Fund.

The Secondary Roads Fund ended FY04 with a \$2,983,393 balance, a decrease of approximately \$869,000 compared to the prior year ending fund balance of \$3,852,196. Secondary Roads Fund expenditures in FY04 increased by \$993,115 from FY03. Expenditures for the secondary road shop project in FY04 resulted in the increase in expenditures and the fund balance decrease. Fremont County maintained 1,500 miles of gravel, dirt, and paved roads with the resources of this fund.

BUDGETARY HIGHLIGHTS

Fremont County amended the budget once over the course of the year, in April 2004, for a County Sheriff vehicle replacement.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, Fremont County had approximately \$5.7 million invested in a broad range of capital assets, including public safety equipment, buildings, golf facilities, roads and bridges.

| Capital Assets of Governmental Activities at Year End (Expressed in Thousands) | |
|---|-----------------|
| Land | \$ 1,542 |
| Construction in progress | 1,084 |
| Buildings | 645 |
| Improvements other than buildings | 41 |
| Equipment and vehicles | 1,671 |
| Infrastructure, road network | 620 |
| Infrastructure, other | 139 |
| Total | <u>\$ 5,742</u> |

Fremont County had depreciation expense of \$501,126 in FY04 and total accumulated depreciation of \$4.017 million at June 30, 2004. More detailed information about the County's capital assets is included in Note 4 to the financial statements.

Long-term Debt

Fremont County's long term debt totals \$69,559 for capital lease purchases agreements.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Fremont County's constitutional debt limit is \$19 million. Fremont County does not have any outstanding general obligation debt. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTS AND NEXT YEAR'S BUDGETS AND RATES

Fremont County's elected and appointed officials and citizens consider many factors when setting the county budget, tax rates and fees that apply for the various county services.

Fremont County is continuing to grow in the I/29 – Highway 2 urban renewal development area. The TIF rebate tax revenue paid to the developers was \$54,396 in FY03 and \$192,913 for FY04, an increase of \$138,517.

The Fremont County Board of Supervisors dedicates one third of the local option tax dollars for property tax relief to reduce the levy in the Rural Services Fund.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Fremont County's finances, and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joan Kirk at the Fremont County Auditor's Office by mail at P.O. Box 610, Sidney, Iowa 51652, or by telephone at (712) 374-2031.

Basic Financial Statements

Fremont County
Statement of Net Assets
June 30, 2004

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Cash and pooled investments | \$ 5,127,919 |
| Receivables: | |
| Property tax: | |
| Delinquent | 19,785 |
| Succeeding year | 3,215,000 |
| Interest and penalty on property tax | 41,793 |
| Accounts | 708 |
| Accrued interest | 18,012 |
| Drainage assessments | 666 |
| Due from other governments | 359,862 |
| Inventories | 347,557 |
| Prepaid items | 204,704 |
| Capital assets (net of accumulated depreciation) | 5,741,502 |
| | <u>15,077,508</u> |
| Total assets | <u>15,077,508</u> |
| Liabilities | |
| Accounts payable | 278,734 |
| Accrued interest payable | 3,592 |
| Salaries and benefits payable | 37,365 |
| Due to other governments | 161,943 |
| Deferred revenue: | |
| Succeeding year property tax | 3,215,000 |
| Long-term liabilities: | |
| Portion due or payable within one year: | |
| Capital lease purchase agreements | 22,353 |
| Compensated absences | 95,786 |
| Portion due or payable after one year: | |
| Capital lease purchase agreements | 47,206 |
| Compensated absences | 160,683 |
| | <u>4,022,662</u> |
| Total liabilities | <u>4,022,662</u> |
| Net Assets | |
| Invested in capital assets, net of related debt | 5,671,943 |
| Restricted for: | |
| Supplemental levy purposes | 218,153 |
| Mental health purposes | 587,961 |
| Secondary roads purposes | 2,839,514 |
| Other purposes | 154,492 |
| Unrestricted | 1,582,783 |
| | <u>\$ 11,054,846</u> |
| Total net assets | <u>\$ 11,054,846</u> |

See notes to financial statements.

Fremont County
Statement of Activities
Year ended June 30, 2004

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets |
|---|---------------------|------------------------|--|--|---|
| | Expenses | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest | |
| Functions / Programs: | | | | | |
| Governmental activities: | | | | | |
| Public safety and legal services | \$ 1,477,127 | 134,467 | 216,399 | - | (1,126,261) |
| Physical health and social services | 142,665 | 16,949 | 61,762 | - | (63,954) |
| Mental health | 986,739 | 181,488 | 365,157 | - | (440,094) |
| County environment and education | 494,259 | 108,341 | 9,080 | - | (376,838) |
| Roads and transportation | 2,969,424 | 69,398 | 2,171,732 | 1,936,083 | 1,207,789 |
| Governmental services to residents | 276,461 | 169,233 | 197 | - | (107,031) |
| Administration | 782,123 | 35,356 | - | - | (746,767) |
| Non-program | 215 | 666 | - | - | 451 |
| Total | \$ 7,129,013 | 715,898 | 2,824,327 | 1,936,083 | (1,652,705) |
| General Revenues: | | | | | |
| Property and other county tax levied for general purposes | | | | | 2,921,434 |
| Tax increment financing | | | | | 193,882 |
| Penalty and interest on property tax | | | | | 16,957 |
| State tax credits | | | | | 263,378 |
| Local option sales tax | | | | | 309,600 |
| Grants and contributions not restricted to specific purpose | | | | | 21,653 |
| Unrestricted investment earnings | | | | | 120,405 |
| Gain on disposal of capital assets | | | | | 69,385 |
| Miscellaneous | | | | | 16,488 |
| Total general revenues | | | | | 3,933,182 |
| Change in net assets | | | | | 2,280,477 |
| Net assets beginning of year, as restated | | | | | 8,774,369 |
| Net assets end of year | | | | | \$ 11,054,846 |

See notes to financial statements.

Fremont County
Balance Sheet
Governmental Funds

June 30, 2004

| Assets | Special Revenue | | | |
|--|---------------------|------------------|-------------------|--------------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Cash and pooled investments | \$ 1,016,227 | 726,747 | 662,616 | 2,567,536 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 13,299 | 3,067 | 3,419 | - |
| Succeeding year | 1,878,000 | 433,000 | 660,000 | - |
| Interest and penalty on property tax | 41,793 | - | - | - |
| Accounts | 638 | - | - | 70 |
| Accrued interest | 18,012 | - | - | - |
| Drainage assessments | - | - | - | - |
| Due from other governments | 52,669 | 20,068 | 43,066 | 244,059 |
| Inventories | - | - | - | 347,557 |
| Prepaid items | 135,364 | 658 | - | 68,682 |
| Total assets | \$ 3,156,002 | 1,183,540 | 1,369,101 | 3,227,904 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 38,026 | 24,744 | 2,600 | 212,397 |
| Salaries and benefits payable | 5,410 | 213 | - | 31,742 |
| Due to other governments | 30,445 | 131,126 | - | 372 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 1,878,000 | 433,000 | 660,000 | - |
| Other | 55,220 | 2,957 | 3,419 | - |
| Total liabilities | 2,007,101 | 592,040 | 666,019 | 244,511 |
| Fund balances: | | | | |
| Reserved for supplemental levy purposes | 222,550 | - | - | - |
| Unreserved, reported in: | | | | |
| General fund | 926,351 | - | - | - |
| Special revenue funds | - | 591,500 | 703,082 | 2,983,393 |
| Total fund balances | 1,148,901 | 591,500 | 703,082 | 2,983,393 |
| Total liabilities and fund balances | \$ 3,156,002 | 1,183,540 | 1,369,101 | 3,227,904 |

See notes to financial statements.

| Nonmajor Special Revenue | Total |
|--------------------------------|------------------|
| 154,793 | 5,127,919 |
| - | 19,785 |
| 244,000 | 3,215,000 |
| - | 41,793 |
| - | 708 |
| - | 18,012 |
| 666 | 666 |
| - | 359,862 |
| - | 347,557 |
| - | 204,704 |
| <u>399,459</u> | <u>9,336,006</u> |

| | |
|----------------|------------------|
| 967 | 278,734 |
| - | 37,365 |
| - | 161,943 |
| 244,000 | 3,215,000 |
| 666 | 62,262 |
| <u>245,633</u> | <u>3,755,304</u> |

| | |
|----------------|------------------|
| - | 222,550 |
| - | 926,351 |
| 153,826 | 4,431,801 |
| <u>153,826</u> | <u>5,580,702</u> |
| <u>399,459</u> | <u>9,336,006</u> |

Fremont County

Fremont County

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

June 30, 2004

| | |
|---|--------------|
| Total governmental fund balances (page 17) | \$ 5,580,702 |
|---|--------------|

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

| | |
|--|-----------|
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$9,758,191 and the accumulated depreciation is \$4,016,689. | 5,741,502 |
|--|-----------|

| | |
|--|--------|
| Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. | 62,262 |
|--|--------|

| | |
|---|-----------|
| Long-term liabilities, including capital lease purchase agreements payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. | (329,620) |
|---|-----------|

| | |
|--|-----------------------------|
| Net assets of governmental activities (page 14) | <u><u>\$ 11,054,846</u></u> |
|--|-----------------------------|

See notes to financial statements.

Fremont County

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

Year ended June 30, 2004

| | Special Revenue | | | |
|---|-----------------|---------------|----------------|-----------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Revenues: | | | | |
| Property and other county tax | \$ 1,891,021 | 435,738 | 941,401 | - |
| Interest and penalty on property tax | 29,109 | - | - | - |
| Intergovernmental | 492,352 | 579,328 | 59,654 | 2,335,769 |
| Licenses and permits | 16,259 | - | - | 2,165 |
| Charges for service | 271,192 | - | - | - |
| Use of money and property | 140,644 | - | - | 6,508 |
| Miscellaneous | 66,736 | 265 | - | 49,431 |
| Total revenues | 2,907,313 | 1,015,331 | 1,001,055 | 2,393,873 |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | 1,407,526 | - | - | - |
| Physical health and social services | 128,605 | - | 3,468 | - |
| Mental health | - | 995,212 | - | - |
| County environment and education | 207,974 | - | 58,574 | - |
| Roads and transportation | - | - | - | 3,974,302 |
| Governmental services to residents | 277,935 | - | 1,959 | - |
| Administration | 746,481 | - | - | - |
| Non-program | 215 | - | - | - |
| Capital projects | 25,401 | - | - | 200,810 |
| Total expenditures | 2,794,137 | 995,212 | 64,001 | 4,175,112 |
| Excess (deficiency) of revenues over (under) expenditures | 113,176 | 20,119 | 937,054 | (1,781,239) |
| Other financing sources (uses): | | | | |
| Sale of capital assets | 4,200 | - | - | - |
| Operating transfers in | - | - | - | 912,436 |
| Operating transfers out | - | - | (912,436) | - |
| Total other financing sources (uses) | 4,200 | - | (912,436) | 912,436 |
| Net change in fund balances | 117,376 | 20,119 | 24,618 | (868,803) |
| Fund balances beginning of year, as restated | 1,031,525 | 571,381 | 678,464 | 3,852,196 |
| Fund balances end of year | \$ 1,148,901 | 591,500 | 703,082 | 2,983,393 |

See notes to financial statements.

| Nonmajor Special Revenue | Total |
|--------------------------------|-----------|
| 193,882 | 3,462,042 |
| - | 29,109 |
| 8,680 | 3,475,783 |
| - | 18,424 |
| 24,915 | 296,107 |
| 597 | 147,749 |
| 8,923 | 125,355 |
| 236,997 | 7,554,569 |
| 22,148 | 1,429,674 |
| - | 132,073 |
| - | 995,212 |
| 211,782 | 478,330 |
| - | 3,974,302 |
| - | 279,894 |
| - | 746,481 |
| - | 215 |
| - | 226,211 |
| 233,930 | 8,262,392 |
| 3,067 | (707,823) |
| 6,185 | 10,385 |
| 968 | 913,404 |
| (968) | (913,404) |
| 6,185 | 10,385 |
| 9,252 | (697,438) |
| 144,574 | 6,278,140 |
| 153,826 | 5,580,702 |

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, 2004

Net change in fund balances - Total governmental funds (page 21) \$ (697,438)

**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 | \$ 1,551,023 | |
| Capital assets contributed by the Iowa Department of Transportation | 1,825,867 | |
| Depreciation expense | <u>(501,126)</u> | 2,875,764 |

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (4,000)

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

| | | |
|--------------|-----------------|----------|
| Property tax | 3,998 | |
| Other | <u>(44,329)</u> | (40,331) |

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 23,542

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 governmental funds, as follows:

| | | |
|----------------------------|--------------|----------------|
| Compensated absences | 121,881 | |
| Interest on long-term debt | <u>1,059</u> | <u>122,940</u> |

Change in net assets of governmental activities (page 15) \$ 2,280,477

See notes to financial statements.

Fremont County
 Statement of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2004

Assets

| | |
|------------------------------|------------------|
| Cash and pooled investments: | |
| County Treasurer | \$ 1,131,847 |
| Other County officials | 9,981 |
| Receivables: | |
| Property tax: | |
| Delinquent | 52,667 |
| Succeeding year | 6,619,000 |
| Accounts | 12,683 |
| Accrued interest | 213 |
| Drainage assessments | 3,688 |
| Prepaid insurance | 205 |
| Total assets | 7,830,284 |

Liabilities

| | |
|----------------------------------|------------------|
| Accounts payable | 47,513 |
| Stamped drainage warrant payable | 1,915 |
| Salaries and benefits payable | 214 |
| Due to other governments | 7,691,828 |
| Trusts payable | 57,548 |
| Compensated absences | 31,266 |
| Total liabilities | 7,830,284 |

| | |
|-------------------|------|
| Net assets | \$ - |
|-------------------|------|

See notes to financial statements.

Fremont County

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions 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 designated to be used to fund mental health, mental retardation and developmental disabilities services.

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred 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, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

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

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

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

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

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

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health and Secondary Roads Funds.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,666 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

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

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------------------------|------------------------------------|-------------------|
| Special Revenue: Secondary Roads | Special Revenue: Rural Services | \$ 912,436 |
| Low to Moderate Income Assistance | Tax Increment Financing Rebate | 968 |
| Total | | <u>\$ 913,404</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, 2004 was as follows:

| | Balance Beginning of Year (as restated, note 12) | Increases | Decreases | Balance End of Year |
|---|---|------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 158,404 | 1,384,069 | - | 1,542,473 |
| Construction in progress | - | 1,640,640 | (556,329) | 1,084,311 |
| Total capital assets not being depreciated | <u>158,404</u> | <u>3,024,709</u> | <u>(556,329)</u> | <u>2,626,784</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 1,271,933 | - | - | 1,271,933 |
| Improvements other than buildings | 47,084 | - | - | 47,084 |
| Equipment and vehicles | 4,959,440 | 286,895 | (209,609) | 5,036,726 |
| Infrastructure, road network | - | 621,615 | - | 621,615 |
| Infrastructure, other | 154,049 | - | - | 154,049 |
| Total capital assets being depreciated | <u>6,432,506</u> | <u>908,510</u> | <u>(209,609)</u> | <u>7,131,407</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 602,205 | 25,110 | - | 627,315 |
| Improvements other than buildings | 4,708 | 1,569 | - | 6,277 |
| Equipment and vehicles | 3,103,989 | 467,732 | (205,609) | 3,366,112 |
| Infrastructure, road network | - | 1,580 | - | 1,580 |
| Infrastructure, other | 10,270 | 5,135 | - | 15,405 |
| Total accumulated depreciation | <u>3,721,172</u> | <u>501,126</u> | <u>(205,609)</u> | <u>4,016,689</u> |
| Total capital assets being depreciated, net | <u>2,711,334</u> | <u>407,384</u> | <u>(4,000)</u> | <u>3,114,718</u> |
| Governmental activities capital assets, net | <u>\$ 2,869,738</u> | <u>3,432,093</u> | <u>(560,329)</u> | <u>5,741,502</u> |

Depreciation expense was charged to the following functions:

| | |
|--|-------------------|
| Governmental activities: | |
| Public safety and legal services | \$ 78,385 |
| Physical health and social services | 15,738 |
| Mental health | 6,520 |
| County environment and education | 12,256 |
| Roads and transportation | 359,337 |
| Governmental services to residents | 693 |
| Administration | 28,197 |
| Total depreciation expense - governmental activities | <u>\$ 501,126</u> |

(5) Due to Other Governments

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

| Fund | Description | Amount |
|------------------------------|-------------|---------------------|
| General | Services | \$ 30,445 |
| Special Revenue: | | |
| Mental Health | Services | 131,126 |
| Secondary Roads | Services | 372 |
| | | <u>131,498</u> |
| Total for governmental funds | | <u>\$ 161,943</u> |
| Agency: | | |
| County Assessor | Collections | \$ 336,934 |
| Schools | | 4,938,507 |
| Community Colleges | | 247,030 |
| Corporations | | 1,292,094 |
| Auto License and Use Tax | | 149,088 |
| All other | | 728,175 |
| Total for agency funds | | <u>\$ 7,691,828</u> |

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

| | Capital Lease Purchase Agreements | Compensated Absences | Total |
|--|-----------------------------------|----------------------|-------------------|
| Balance beginning of year, as restated | \$ 93,101 | 378,350 | 471,451 |
| Increase | - | 604,286 | 604,286 |
| Decreases | 23,542 | 726,167 | 749,709 |
| Balance end of year | <u>\$ 69,559</u> | <u>256,469</u> | <u>326,028</u> |
| Due within one year | <u>\$ 22,353</u> | <u>95,786</u> | <u>118,139</u> |
| Balance June 30, 2003, as previously reported | | | \$ 436,897 |
| Compensated absences were increased due to the implementation of Governmental Accounting Standards Board Interpretation No. 6, <u>Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.</u> | | | <u>34,554</u> |
| Balance July 1, 2003, as restated | | | <u>\$ 471,451</u> |

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease a copy machine and a golf course irrigation system with historical costs of \$8,124 and \$154,048, respectively. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 6.27% to 8% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2004:

| Year ending June 30, | County Mental Health CPC Copier | Conservation Golf Course Irrigation System | Total |
|--|---------------------------------------|---|---------|
| 2005 | \$ 835 | 25,845 | 26,680 |
| 2006 | - | 25,845 | 25,845 |
| 2007 | - | 25,846 | 25,846 |
| Total minimum lease payments | 835 | 77,536 | 78,371 |
| Less amount representing interest | (16) | (8,796) | (8,812) |
| Present value of net minimum lease payments | \$ 819 | 68,740 | 69,559 |

Payments under capital lease purchase agreements totaled \$28,870 for the year ended June 30, 2004.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$144,819, \$135,828 and \$135,498, respectively, equal to the required contributions for each year.

(8) Risk Management

Fremont County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2004 were \$147,680.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks are also reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

(9) Development Agreements

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

The County agreed to rebate 100% of the incremental tax paid by the developer in exchange for the costs of certain improvements. The incremental tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated in twenty semi-annual payments beginning on December 1, 2001. During the year ended June 30, 2004, \$22,522 was rebated to the developer, K&M Lyons, Inc.

The County agreed to rebate 100% of the incremental tax paid by developers and a company organized as an Iowa limited liability company in exchange for the construction and maintenance of certain improvements. The incremental tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developers and company will be rebated in thirty semi-annual payments beginning on December 1, 2002. The total to be paid by the County under this agreement is not to exceed \$5,923,031. During the year ended June 30, 2004, \$168,794 was rebated to the company on behalf of the developers.

The County agreed to rebate 62.26% of the incremental tax paid by the developer in exchange for the construction of certain road, water and sanitary sewer improvements. The incremental tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated in twenty semi-annual payments beginning on December 1, 2003. The total to be paid by the County under this agreement is not to exceed \$300,000. During the year ended June 2004, \$1,598 was rebated to the developer.

(10) Construction Commitment

The County has entered into a contract totaling \$2,298,000 for a secondary roads building. At June 30, 2004, costs of \$1,084,311 had been incurred against the contract. The balance of \$1,213,689 remaining at June 30, 2004 will be paid as work on the project progresses.

(11) Financial Assurance

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

The County has provided a local government guarantee for a portion of the closure and postclosure care costs of the Commission in accordance with Chapter 111.6(8) of the Iowa Administrative Code. Total estimated costs for closure and postclosure care of the Commission as of June 30, 2004 are \$799,521 and the County's financial assurance obligation amount is \$795,931.

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.

(12) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the County’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor special revenue funds are presented in total in one column.

The government-wide financial statements report the County’s governmental activities. Beginning net assets for governmental activities has been restated to include capital assets and the changes in assets and liabilities at July 1, 2003 resulting from the conversion to the accrual basis of accounting.

The effects of the accounting change in the governmental activities are summarized as follows:

| | <u>Amount</u> |
|--|---------------------|
| Net assets June 30, 2003, as previously reported | \$ 6,243,586 |
| GASB Interpretation 6 adjustments | <u>34,554</u> |
| Net assets July 1, 2003, as restated for governmental funds | 6,278,140 |
| GASB 34 adjustments: | |
| Capital assets, net of accumulated depreciation of \$3,721,172 | 2,869,738 |
| Accrued interest payable | (4,651) |
| Long-term liabilities | (471,451) |
| Deferral of long-term assets | <u>102,593</u> |
| Net assets July 1, 2003, as restated | <u>\$ 8,774,369</u> |

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, 2004

| | Actual | Less Funds not Required to be Budgeted | Net |
|---|---------------------|---|------------------|
| Receipts: | | | |
| Property and other county tax | \$ 3,452,879 | - | 3,452,879 |
| Interest and penalty on property tax | 29,041 | - | 29,041 |
| Intergovernmental | 3,337,517 | - | 3,337,517 |
| Licenses and permits | 17,919 | - | 17,919 |
| Charges for service | 309,699 | - | 309,699 |
| Use of money and property | 152,734 | - | 152,734 |
| Miscellaneous | 93,280 | 9,618 | 83,662 |
| Total receipts | <u>7,393,069</u> | <u>9,618</u> | <u>7,383,451</u> |
| Disbursements: | | | |
| Public safety and legal services | 1,452,617 | - | 1,452,617 |
| Physical health and social services | 142,031 | - | 142,031 |
| Mental health | 953,780 | - | 953,780 |
| County environment and education | 488,130 | 7,956 | 480,174 |
| Roads and transportation | 3,829,291 | - | 3,829,291 |
| Governmental services to residents | 278,093 | - | 278,093 |
| Administration | 770,260 | - | 770,260 |
| Non-program | 215 | - | 215 |
| Capital projects | 234,168 | - | 234,168 |
| Total disbursements | <u>8,148,585</u> | <u>7,956</u> | <u>8,140,629</u> |
| Excess (deficiency) of receipts (over) under disbursements | (755,516) | 1,662 | (757,178) |
| Other financing sources, net | 46,384 | - | 46,384 |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | (709,132) | 1,662 | (710,794) |
| Balance beginning of year | 5,837,051 | 44,675 | 5,792,376 |
| Balance end of year | <u>\$ 5,127,919</u> | <u>46,337</u> | <u>5,081,582</u> |

See accompanying independent auditor's report.

| Budgeted Amounts | | Final to Net Variance |
|------------------|-------------------|-----------------------------|
| Original | Final | |
| 3,416,861 | 3,416,861 | 36,018 |
| 21,025 | 21,025 | 8,016 |
| 3,128,123 | 3,135,808 | 201,709 |
| 11,155 | 11,155 | 6,764 |
| 271,655 | 271,655 | 38,044 |
| 269,675 | 269,675 | (116,941) |
| 56,952 | 56,952 | 26,710 |
| <u>7,175,446</u> | <u>7,183,131</u> | <u>200,320</u> |
| 1,560,133 | 1,583,318 | 130,701 |
| 304,717 | 304,717 | 162,686 |
| 1,289,399 | 1,289,399 | 335,619 |
| 520,809 | 520,809 | 40,635 |
| 4,640,000 | 4,640,000 | 810,709 |
| 307,425 | 307,425 | 29,332 |
| 880,613 | 880,613 | 110,353 |
| 11,300 | 11,300 | 11,085 |
| 477,000 | 477,000 | 242,832 |
| <u>9,991,396</u> | <u>10,014,581</u> | <u>1,873,952</u> |
| (2,815,950) | (2,831,450) | 2,074,272 |
| <u>27,000</u> | <u>27,000</u> | <u>19,384</u> |
| (2,788,950) | (2,804,450) | 2,093,656 |
| <u>5,233,859</u> | <u>5,791,043</u> | <u>1,333</u> |
| <u>2,444,909</u> | <u>2,986,593</u> | <u>2,094,989</u> |

Fremont County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2004

| | Governmental Funds | | |
|------------------------------|--------------------|-----------------------------|------------------------------|
| | Cash Basis | Accrual Adjust- ments | Modified Accrual Basis |
| Revenues | \$ 7,393,069 | 161,500 | 7,554,569 |
| Expenditures | 8,148,585 | 113,807 | 8,262,392 |
| Net | (755,516) | 47,693 | (707,823) |
| Other financing sources, net | 46,384 | (35,999) | 10,385 |
| Beginning fund balances | 5,837,051 | 441,089 | 6,278,140 |
| Ending fund balances | \$ 5,127,919 | 452,783 | 5,580,702 |

See accompanying independent auditor's report.

Fremont County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$23,185. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted by function and departmental disbursements did not exceed the amounts appropriated.

Fremont County

Other Supplementary Information

Fremont County
 Combining Balance Sheet
 Nonmajor Special Revenue Funds

June 30, 2004

| | | County Recorder's Records Management | County Recorder's Electronic Transfer Fees | Drainage Districts |
|--|-----------|---|---|-----------------------|
| Assets | | | | |
| Cash and pooled investments | \$ | 18,175 | 22,759 | 46,337 |
| Receivables: | | | | |
| Succeeding year property tax | | - | - | - |
| Drainage assessments | | - | - | 666 |
| | | | | |
| Total assets | \$ | 18,175 | 22,759 | 47,003 |
| Liabilities and Fund Equity | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ | - | - | - |
| Deferred revenue: | | | | |
| Succeeding year property tax | | - | - | - |
| Other | | - | - | 666 |
| Total liabilities | | - | - | 666 |
| Fund equity: | | | | |
| Unreserved fund balances | | 18,175 | 22,759 | 46,337 |
| | | | | |
| Total liabilities and fund equity | \$ | 18,175 | 22,759 | 47,003 |

See accompanying independent auditor's report.

| Conservation Land Acquisition | Tax Increment Financing Rebate | Low to Moderate Income Assistance | Resource Enhancement and Protection | County Attorney Special Law Enforcement | Sheriff Special Law Enforcement | Total |
|-------------------------------------|---|--|--|--|--|---------|
| 1,573 | - | 968 | 51,455 | 919 | 12,607 | 154,793 |
| - | 244,000 | - | - | - | - | 244,000 |
| - | - | - | - | - | - | 666 |
| 1,573 | 244,000 | 968 | 51,455 | 919 | 12,607 | 399,459 |
| - | - | - | - | - | 967 | 967 |
| - | 244,000 | - | - | - | - | 244,000 |
| - | - | - | - | - | - | 666 |
| - | 244,000 | - | - | - | 967 | 245,633 |
| 1,573 | - | 968 | 51,455 | 919 | 11,640 | 153,826 |
| 1,573 | 244,000 | 968 | 51,455 | 919 | 12,607 | 399,459 |

Fremont County

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

Year ended June 30, 2004

| | County Recorder's Records Management | County Recorder's Electronic Transaction Fee | Drainage Districts |
|---|--|--|-----------------------|
| Revenues: | | | |
| Property and other county tax | \$ - | - | - |
| Intergovernmental | - | - | - |
| Charges for service | 2,226 | 22,689 | - |
| Use of money and property | 127 | 70 | - |
| Miscellaneous | - | - | 8,315 |
| Total revenues | <u>2,353</u> | <u>22,759</u> | <u>8,315</u> |
| Expenditures: | | | |
| Operating: | | | |
| Public safety and legal services | - | - | - |
| County environment and education | - | - | 6,368 |
| Total expenditures | <u>-</u> | <u>-</u> | <u>6,368</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>2,353</u> | <u>22,759</u> | <u>1,947</u> |
| Other financing sources (uses): | | | |
| Sale of capital assets | - | - | - |
| Operating transfers in | - | - | - |
| Operating transfers out | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | <u>2,353</u> | <u>22,759</u> | <u>1,947</u> |
| Fund balances beginning of year | <u>15,822</u> | <u>-</u> | <u>44,390</u> |
| Fund balances end of year | <u>\$ 18,175</u> | <u>22,759</u> | <u>46,337</u> |

See accompanying independent auditor's report.

| Conservation Land Acquisition | Tax Increment Financing Rebate | Low to Moderate Income Assistance | Resource Enhancement and Protection | County Attorney Special Law Enforcement | Sheriff Special Law Enforcement | Total |
|-------------------------------------|---|--|--|--|--|---------|
| - | 193,882 | - | - | - | - | 193,882 |
| - | - | - | 8,680 | - | - | 8,680 |
| - | - | - | - | - | - | 24,915 |
| - | - | - | 400 | - | - | 597 |
| - | - | - | - | - | 608 | 8,923 |
| - | 193,882 | - | 9,080 | - | 608 | 236,997 |
| - | - | - | - | - | 22,148 | 22,148 |
| - | 192,914 | - | 12,500 | - | - | 211,782 |
| - | 192,914 | - | 12,500 | - | 22,148 | 233,930 |
| - | 968 | - | (3,420) | - | (21,540) | 3,067 |
| - | - | - | - | - | 6,185 | 6,185 |
| - | - | 968 | - | - | - | 968 |
| - | (968) | - | - | - | - | (968) |
| - | (968) | 968 | - | - | 6,185 | 6,185 |
| - | - | 968 | (3,420) | - | (15,355) | 9,252 |
| 1,573 | - | - | 54,875 | 919 | 26,995 | 144,574 |
| 1,573 | - | 968 | 51,455 | 919 | 11,640 | 153,826 |

Fremont County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2004

| | County Offices | Agricultural Extension Education | County Assessor |
|-----------------------------------|-------------------|--|--------------------|
| Assets | | | |
| Cash and pooled investments: | | | |
| County Treasurer | \$ - | 1,392 | 242,315 |
| Other County officials | 9,981 | - | - |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | - | 468 | 894 |
| Succeeding year | - | 66,000 | 125,000 |
| Accounts | 32 | - | - |
| Accrued interest | - | - | - |
| Drainage assessments | - | - | - |
| Prepaid insurance | - | - | 205 |
| Total assets | \$ 10,013 | 67,860 | 368,414 |
| Liabilities | | | |
| Accounts payable | \$ - | - | - |
| Stamped drainage warrants payable | - | - | - |
| Salaries and benefits payable | - | - | 214 |
| Due to other governments | 3,773 | 67,860 | 336,934 |
| Trusts payable | 6,240 | - | - |
| Compensated absences | - | - | 31,266 |
| Total liabilities | \$ 10,013 | 67,860 | 368,414 |

See accompanying independent auditor's report.

| Schools | Community Colleges | Corporations | Townships | Auto License and Use Tax | Drainage Districts | Other | Total |
|------------------|--------------------|------------------|----------------|--------------------------|--------------------|----------------|------------------|
| 98,185 | 5,343 | 32,461 | 2,337 | 149,088 | 466,798 | 133,928 | 1,131,847 |
| - | - | - | - | - | - | - | 9,981 |
| 35,322 | 1,687 | 13,633 | 654 | - | - | 9 | 52,667 |
| 4,805,000 | 240,000 | 1,246,000 | 136,000 | - | - | 1,000 | 6,619,000 |
| - | - | - | - | - | - | 12,651 | 12,683 |
| - | - | - | - | - | 213 | - | 213 |
| - | - | - | - | - | 3,688 | - | 3,688 |
| - | - | - | - | - | - | - | 205 |
| 4,938,507 | 247,030 | 1,292,094 | 138,991 | 149,088 | 470,699 | 147,588 | 7,830,284 |
| - | - | - | - | - | - | 47,513 | 47,513 |
| - | - | - | - | - | 1,915 | - | 1,915 |
| - | - | - | - | - | - | - | 214 |
| 4,938,507 | 247,030 | 1,292,094 | 138,991 | 149,088 | 468,784 | 48,767 | 7,691,828 |
| - | - | - | - | - | - | 51,308 | 57,548 |
| - | - | - | - | - | - | - | 31,266 |
| 4,938,507 | 247,030 | 1,292,094 | 138,991 | 149,088 | 470,699 | 147,588 | 7,830,284 |

Fremont County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2004

| | County Offices | Agricultural Extension Education | County Assessor |
|------------------------------------|-------------------|--|--------------------|
| Assets and Liabilities | | | |
| Balances beginning of year | \$ 15,300 | 71,628 | 451,072 |
| Additions: | | | |
| Property and other county tax | - | 66,733 | 113,570 |
| E911 surcharge | - | - | - |
| State tax credits | - | 5,303 | 15,733 |
| Drivers license fees | - | - | - |
| Office fees and collections | 162,931 | - | - |
| Electronic transaction fee | - | - | - |
| Auto licenses, use tax and postage | - | - | - |
| Assessments | - | - | - |
| Trusts | 99,317 | - | - |
| Miscellaneous | - | - | 2,544 |
| Total additions | 262,248 | 72,036 | 131,847 |
| Deductions: | | | |
| Agency remittances: | | | |
| To other funds | 112,924 | - | - |
| To other governments | 58,676 | 75,804 | 214,505 |
| Trusts paid out | 95,935 | - | - |
| Total deductions | 267,535 | 75,804 | 214,505 |
| Balances end of year | \$ 10,013 | 67,860 | 368,414 |

See accompanying independent auditor's report.

| Schools | Community Colleges | Corpora- tions | Townships | Auto License and Use Tax | Drainage Districts | Other | Total |
|-----------|-----------------------|-------------------|-----------|-----------------------------------|-----------------------|---------|------------|
| 5,020,194 | 277,553 | 1,206,419 | 153,679 | 132,387 | 562,704 | 151,041 | 8,041,977 |
| 4,834,702 | 241,330 | 1,225,622 | 138,442 | - | - | 1,494 | 6,621,893 |
| - | - | - | - | - | - | 52,205 | 52,205 |
| 376,333 | 20,362 | 68,909 | 10,620 | - | - | 112 | 497,372 |
| - | - | - | - | 49,797 | - | - | 49,797 |
| - | - | - | - | - | - | - | 162,931 |
| - | - | - | - | - | - | 11,076 | 11,076 |
| - | - | - | - | 1,914,793 | - | 210 | 1,915,003 |
| - | - | - | - | - | 87,514 | - | 87,514 |
| - | - | - | - | - | - | 288,423 | 387,740 |
| - | - | 2,388 | 1,300 | - | 60,170 | 21,944 | 88,346 |
| 5,211,035 | 261,692 | 1,296,919 | 150,362 | 1,964,590 | 147,684 | 375,464 | 9,873,877 |
| - | - | - | - | 88,963 | - | - | 201,887 |
| 5,292,722 | 292,215 | 1,211,244 | 165,050 | 1,858,926 | 241,604 | 107,484 | 9,518,230 |
| - | - | - | - | - | - | 271,433 | 367,368 |
| 5,292,722 | 292,215 | 1,211,244 | 165,050 | 1,947,889 | 241,604 | 378,917 | 10,087,485 |
| 4,938,507 | 247,030 | 1,292,094 | 138,991 | 149,088 | 468,784 | 147,588 | 7,828,369 |

Schedule 5

Fremont County

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

For the Last Four Years

| | Modified Accrual Basis | | | |
|--------------------------------------|------------------------|-----------|-----------|-----------|
| | 2004 | 2003 | 2002 | 2001 |
| Revenues: | | | | |
| Property and other county tax | \$ 3,462,042 | 3,171,161 | 3,115,168 | 2,766,032 |
| Interest and penalty on property tax | 29,109 | 30,180 | 42,073 | 27,753 |
| Intergovernmental | 3,475,783 | 3,389,112 | 3,385,309 | 3,459,046 |
| Licenses and permits | 18,424 | 12,918 | 16,480 | 4,607 |
| Charges for service | 296,107 | 262,914 | 251,277 | 224,674 |
| Use of money and property | 147,749 | 194,678 | 293,588 | 439,191 |
| Fines, forfeitures and defaults | - | - | 10,279 | 5,749 |
| Miscellaneous | 125,355 | 70,817 | 101,458 | 88,977 |
| Total | \$ 7,554,569 | 7,131,780 | 7,215,632 | 7,016,029 |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | \$ 1,429,674 | 1,325,858 | 1,310,069 | 1,189,527 |
| Physical health and social services | 132,073 | 191,449 | 258,101 | 316,704 |
| Mental health | 995,212 | 964,931 | 1,028,632 | 1,026,871 |
| County environment and education | 478,330 | 350,949 | 229,525 | 309,947 |
| Roads and transportation | 3,974,302 | 2,851,143 | 2,731,905 | 2,828,920 |
| Governmental services to residents | 279,894 | 269,407 | 274,750 | 249,047 |
| Administration | 746,481 | 834,924 | 785,010 | 721,205 |
| Non-program | 215 | 7,660 | 16,999 | 11,168 |
| Capital projects | 226,211 | 565,510 | 394,194 | 492,280 |
| Total | \$ 8,262,392 | 7,361,831 | 7,029,185 | 7,145,669 |

See accompanying independent auditor's report.

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

Fremont County



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

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Officials of Fremont County:

We have audited the financial statements of Fremont County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated February 4, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 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. Prior year statutory comments have been resolved except for item (11).

Internal Control Over Financial Reporting

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

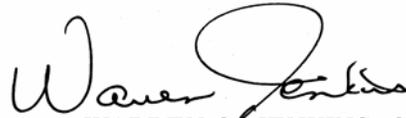
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected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

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 4, 2005

Fremont County
Schedule of Findings
Year ended June 30, 2004

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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

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

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

Response –

- (1) The Conservation Director will try to have another county employee help with those tasks.
- (2) One deputy collects the mail from the post office. The Treasurer opens the mail, prepares the mail receipt listing and distributes the mail. The deputies record and post the receipts. The tax deputies alternate the daily reconciliation. A spreadsheet is prepared for the check listing for the deposit and a copy of the spreadsheet is made to check against the mail receipt listing. The deposit date is recorded on the mail listing.

Fremont County

Schedule of Findings

Year ended June 30, 2004

- (3) The Treasurer's office has two tax deputies who rotate emailing the banks for interest rate quotes. They compile the quotes on a spreadsheet and the Treasurer approves the highest rate and directs them to either move the investment or renew. The deputies enter the investment information into the appropriate spreadsheet record. The Treasurer does the moving of investments and reconciles the investments periodically.

Conclusion –

- (1) Response accepted.
- (2) and (3) Response acknowledged. We will review the above procedures during the subsequent audit.

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

The County does not have written policies for:

- ensuring only software licensed to the County is installed on computers.
- password resetting and privacy and confidentiality.
- ownership of in-house developed software and data.
- offsite storage of backup tapes.
- an alternative power source if power is interrupted.
- information systems security.
- the acceptance of software purchased from the vendor.

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

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

Response – Fremont County is continuing to develop a policy and procedure manual addressing the above items. Written policies regarding internet usage have been written and have been approved by the Board of Supervisors. These policies will be updated and integrated into the information technology policies. Although Fremont County has procedures set in place for computer usage and disaster

Fremont County

Schedule of Findings

Year ended June 30, 2004

recovery, there is no written documentation at this time. The policy and procedure manual is expected to be completed and in place April 21, 2005 in conjunction with the HIPAA security policy that must be in place at that time.

Conclusion – Response accepted.

- (C) Conservation – Golf Course Receipts – A cash register for receipting purposes was not always used during the fiscal year.

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

Response – We will attempt to use the register all year and maintain the receipts.

Conclusion – Response accepted.

- (D) Credit/Charge Cards – Various County employees use County issued credit cards and charge cards for County business. The County has not adopted a formal policy to regulate the use of these cards and to establish procedures for the proper accounting of card charges.

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

Response – We have hired an individual who is preparing a policy for us which will address your recommendations. We hope to have the policy to adopt in the near future.

Conclusion – Response accepted.

- (E) Personal Telephone Calls – A written policy governing the use of telephones has not been adopted.

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

Response – Again, we have an individual hired to address your recommendation. We hope to either have a separate policy or it will be included in the updated personnel policy.

Conclusion – Response accepted.

Fremont County
Schedule of Findings
Year ended June 30, 2004

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- (2) Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed amounts budgeted.
- (3) Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- (4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Ryan Funk, employee of the County Conservation Board, operated a golf pro shop, sold food and liquor and rented golf carts at the County-owned golf course. Such operations were conducted as a private business rather than a County activity.

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

- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments – 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.
- (9) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3). However, the County’s REAP financial report was not completed and filed by October 1, 2004.

Recommendation – The County’s REAP financial report should be completed and filed as required by Chapter 33 of the Iowa Administrative Rules.

Response – We will fill out the proper paperwork and submit it timely.

Conclusion – Response accepted.

Fremont County

Schedule of Findings

Year ended June 30, 2004

- (10) County Conservation Board Minutes – Minutes of the County Conservation Board were not signed.

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

Response – The Chairman will sign a copy every meeting.

Conclusion – Response accepted.

- (11) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.

The County Extension Office received \$16,755 for a 4-H trip to Washington D.C. These receipts were recorded in the Agency Fund and were not included in the annual budget or monthly financial reports for the operating fund.

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

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

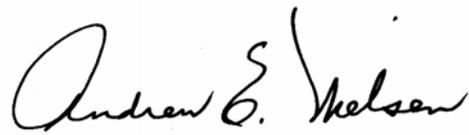
Conclusion – Response acknowledged. As required by guidelines established by Iowa State University Extension, all operating receipts should be recorded in the operating fund. Sub-accounts should be used to account for tax and donation dollars separately within the operating fund.

Fremont County

Staff

This audit was performed by:

Suzanne R. Hanft, CPA, Manager
Nancy F. Curtis, CPA, Senior Auditor II
Kathleen S. Caggiano, CPA, Staff Auditor
Brad T. Holtan, CPA, Staff Auditor
Sheila M. Jensen, CPA, Staff Auditor
Janet M. Tiefenthaler, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State