



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
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NEWS RELEASE

FOR RELEASE March 10, 2004

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

The County had local tax revenue of \$11,568,198 for the year ended June 30, 2003, which included \$1,264,619 in tax credits from the state. The County forwarded \$8,300,649 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,267,549 of the local tax revenue to finance County operations, an eleven percent increase from the prior year. Other revenues included \$5,240,221 from other governments, including indirect federal funding, and \$38,116 in interest on investments.

Expenditures for County operations totaled \$7,075,762, a four percent increase from the prior year. Expenditures included \$2,458,484 for roads and transportation, \$1,427,258 for public safety and legal services and \$978,318 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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APPANOOSE COUNTY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

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Appanoose County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2003)		
Dean Kaster	Board of Supervisors	Jan 2003
Robert Pontious	Board of Supervisors	Jan 2005
Larry Golic	Board of Supervisors	Jan 2005
Linda Demry	County Auditor	Jan 2005
Mary Kay Williams	County Treasurer	Jan 2003
Cheryl Piatt	County Recorder	Jan 2003
Gary Anderson	County Sheriff	Jan 2005
Robert F. Bozwell	County Attorney	Jan 2003
Marcella Thompson	County Assessor	Jan 2004
(After January 2003)		
Robert Pontious	Board of Supervisors	Jan 2005
Larry Golic	Board of Supervisors	Jan 2005
Dean Kaster	Board of Supervisors	Jan 2007
Linda Demry	County Auditor	Jan 2005
Mary Kay Williams	County Treasurer	Jan 2007
Cheryl Piatt	County Recorder	Jan 2007
Gary Anderson	County Sheriff	Jan 2005
Robert F. Bozwell	County Attorney	Jan 2007
Marcella Thompson	County Assessor	Jan 2004

Appanoose County



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Independent Auditor's Report

To the Officials of Appanoose County:

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

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

The general purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with U.S. generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known. Also, the County has not included materials and supplies inventory, pertaining primarily to the Special Revenue Funds, although required by U.S. generally accepted accounting principles. The amount of such inventory is not determinable.

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

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

In accordance with Government Auditing Standards, we have also issued our reports dated January 14, 2004 on our consideration of Appanoose County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed qualified opinions on those financial statements due to the omission of the general fixed assets account group and materials and supplies inventory, pertaining primarily to the Special Revenue Funds. The supplemental information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, except for the effects of the omission of the materials and supplies inventory, pertaining primarily to the Special Revenue Funds, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 14, 2004

Financial Statements

Appanoose County
 Combined Balance Sheet
 All Fund Types and Account Group
 June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Assets and Other Debits			
Cash and pooled investments:			
County Treasurer	\$ 705,303	3,957,002	6,440
Other County officials	-	-	-
Conservation Foundation	-	49,082	-
South Iowa Area Detention Service Agency (note 5)	-	-	-
Receivables:			
Property tax:			
Delinquent	27,711	11,362	-
Succeeding year	1,693,000	1,010,000	-
Interest and penalty on property tax Accounts	50,041	-	-
Accrued interest	8,062	-	-
Special assessments	1,115	-	-
-	-	-	-
Due from other funds (note 3)	16,821	739	-
Due from other governments	93,479	345,595	-
Prepaid insurance	65,901	-	-
Amount available in Debt Service Fund	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
	-	-	-
Total assets and other debits	\$ 2,661,433	5,373,780	6,440

<u>Capital Projects</u>	<u>Proprietary Fund Type</u> Internal Service	<u>Fiduciary Fund Type</u> Trust and Agency	<u>Account Group</u> General Long-Term Debt	Total (Memorandum Only)
-	41,363	658,959	-	5,369,067
-	-	56,007	-	56,007
-	-	-	-	49,082
15,000	-	-	-	15,000
-	-	143,368	-	182,441
-	-	6,596,000	-	9,299,000
-	-	-	-	50,041
-	-	21,614	-	29,676
-	-	-	-	1,115
-	-	121,867	-	121,867
-	-	-	-	17,560
-	-	38,636	-	477,710
-	-	1,612	-	67,513
-	-	-	21,440	21,440
-	-	-	269,055	269,055
15,000	41,363	7,638,063	290,495	16,026,574

Appanoose County
 Combined Balance Sheet
 All Fund Types and Account Group
 June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Liabilities and Fund Equity			
Liabilities:			
Excess of outstanding warrants over cash balances	\$ -	-	-
Accounts payable	30,150	325,630	-
Salaries and benefits payable	4,057	24,655	-
Due to other funds (note 3)	365	-	-
Due to other governments (note 4)	6,830	50,528	-
Trusts payable	-	-	-
Deferred revenue:			
Succeeding year property tax	1,693,000	1,010,000	-
Other	76,807	11,150	-
Bank loan (note 5)	-	-	-
South Iowa Area Detention Service Agency capital loan notes (note 5)	-	-	-
Sewer revenue notes (note 5)	-	-	-
Compensated absences	15,578	17,131	-
Total liabilities	1,826,787	1,439,094	-
Fund equity:			
Unreserved retained earnings	-	-	-
Fund balances:			
Reserved for:			
Prepaid insurance	65,901	-	-
Supplemental levy purposes	289,314	-	-
Debt service	-	-	6,440
Unreserved	479,431	3,934,686	-
Total fund equity	834,646	3,934,686	6,440
Total liabilities and fund equity	\$ 2,661,433	5,373,780	6,440

See notes to financial statements.

<u>Capital Projects</u>	<u>Proprietary Fund Type Internal Service</u>	<u>Fiduciary Fund Type Trust and Agency</u>	<u>Account Group General Long-Term Debt</u>	<u>Total (Memorandum Only)</u>
-	-	21,521	-	21,521
-	37,216	37,619	-	430,615
-	-	-	-	28,712
-	-	17,195	-	17,560
-	-	7,486,199	-	7,543,557
-	-	75,446	-	75,446
-	-	-	-	2,703,000
-	-	-	-	87,957
-	-	-	16,426	16,426
-	-	-	68,000	68,000
-	-	-	114,989	114,989
-	-	-	91,080	123,789
-	37,216	7,637,980	290,495	11,231,572
-	4,147	-	-	4,147
-	-	-	-	65,901
-	-	-	-	289,314
15,000	-	-	-	21,440
-	-	83	-	4,414,200
15,000	4,147	83	-	4,795,002
15,000	41,363	7,638,063	290,495	16,026,574

Appanoose County

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

Year ended June 30, 2003

	Governmental Fund	
	General	Special Revenue
Revenues:		
Property and other County tax	\$ 1,769,411	1,147,644
Interest and penalty on property tax	56,392	-
Intergovernmental	771,222	4,813,053
Licenses and permits	2,161	785
Charges for service	304,455	8,392
Use of money and property	37,453	431
Miscellaneous	33,683	60,840
Total revenues	<u>2,974,777</u>	<u>6,031,145</u>
Expenditures:		
Operating:		
Public safety and legal services	1,380,010	47,248
Physical health and social services	584,009	-
Mental health	-	978,318
County environment and education	184,129	52,883
Roads and transportation	-	2,458,484
Governmental services to residents	259,480	3,000
Administration	740,411	-
Debt service	-	-
Capital projects	-	381,350
Total expenditures	<u>3,148,039</u>	<u>3,921,283</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(173,262)</u>	<u>2,109,862</u>
Other financing sources (uses):		
Sale of general fixed assets	336	100
Operating transfers in	-	482,360
Operating transfers out	-	(482,360)
Total other financing sources (uses)	<u>336</u>	<u>100</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(172,926)</u>	<u>2,109,962</u>
Fund balances beginning of year, as restated (note 10)	1,005,116	1,824,724
Increase in reserve for prepaid insurance	2,456	-
Fund balances end of year	<u>\$ 834,646</u>	<u>3,934,686</u>

See notes to financial statements.

Types		Fiduciary	Total
Debt	Capital	Fund Type	(Memorandum
Service	Projects	Expendable	Only)
		Trust	
-	-	-	2,917,055
-	-	-	56,392
6,440	-	-	5,590,715
-	-	-	2,946
-	-	-	312,847
-	-	-	37,884
-	-	-	94,523
6,440	-	-	9,012,362
-	-	-	1,427,258
-	-	-	584,009
-	-	-	978,318
-	-	-	237,012
-	-	-	2,458,484
-	-	-	262,480
-	-	-	740,411
6,440	-	-	6,440
-	-	-	381,350
6,440	-	-	7,075,762
-	-	-	1,936,600
-	-	-	436
-	-	-	482,360
-	-	-	(482,360)
-	-	-	436
-	-	-	1,937,036
6,440	15,000	83	2,851,363
-	-	-	2,456
6,440	15,000	83	4,790,855

Appanoose County

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

Year ended June 30, 2003

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other County tax	\$ 2,917,382	-	2,917,382
Interest and penalty on property tax	56,847	-	56,847
Intergovernmental	5,174,520	5,400	5,169,120
Licenses and permits	1,435	-	1,435
Charges for service	313,363	-	313,363
Use of money and property	36,650	285	36,365
Miscellaneous	354,828	36,733	318,095
Total receipts	<u>8,855,025</u>	<u>42,418</u>	<u>8,812,607</u>
Disbursements:			
Public safety and legal services	1,437,507	-	1,437,507
Physical health and social services	582,012	-	582,012
Mental health	1,180,015	-	1,180,015
County environment and education	235,259	20,413	214,846
Roads and transportation	2,413,094	-	2,413,094
Governmental services to residents	262,621	-	262,621
Administration	742,403	-	742,403
Debt service	6,440	-	6,440
Capital projects	271,588	-	271,588
Total disbursements	<u>7,130,939</u>	<u>20,413</u>	<u>7,110,526</u>
Excess (deficiency) of receipts over (under) disbursements	1,724,086	22,005	1,702,081
Other financing sources, net	436	-	436
Excess of receipts and other financing sources over disbursements and other financing uses	1,724,522	22,005	1,702,517
Balance beginning of year, as restated (note 10)	<u>3,008,388</u>	<u>27,077</u>	<u>2,981,311</u>
Balance end of year	<u>\$ 4,732,910</u>	<u>49,082</u>	<u>4,683,828</u>

See notes to financial statements.

Amended Budget	Variance - Favorable (Unfavorable)	Net as % of Amended Budget
2,926,796	(9,414)	100%
23,100	33,747	246%
3,898,557	1,270,563	133%
58,623	(57,188)	2%
237,181	76,182	132%
100,330	(63,965)	36%
104,750	213,345	304%
<u>7,349,337</u>	<u>1,463,270</u>	<u>120%</u>
1,506,564	69,057	95%
931,252	349,240	62%
1,332,401	152,386	89%
236,183	21,337	91%
2,673,000	259,906	90%
266,069	3,448	99%
789,136	46,733	94%
33,440	27,000	19%
495,000	223,412	55%
<u>8,263,045</u>	<u>1,152,519</u>	<u>86%</u>
(913,708)		
-		
(913,708)		
<u>2,480,464</u>		
<u>1,566,756</u>		

Exhibit D

Appanoose County
Statement of Revenues, Expenses and
Changes in Retained Earnings
Proprietary Fund Type
Year ended June 30, 2003

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Contributions and reimbursements from operating funds and other governmental units		\$ 226,330
Health fees from employees		97,506
Refunds		<u>26,406</u>
Total operating revenues		<u>350,242</u>
Operating expenses:		
Medical and health services	\$ 247,793	
Accounting, auditing and clerical	13,998	
Supplemental insurance	98,344	
Miscellaneous	<u>10,079</u>	<u>370,214</u>
Operating loss		(19,972)
Non-operating revenues:		
Interest on investments		<u>277</u>
Net loss		(19,695)
Retained earnings beginning of year		<u>23,842</u>
Retained earnings end of year		<u><u>\$ 4,147</u></u>

See notes to financial statements.

Appanoose County
Statement of Cash Flows
Proprietary Fund Type
Year ended June 30, 2003

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating funds and other governmental units	\$ 226,330
Cash received from employee health fees	97,506
Cash received from refunds	26,406
Cash payments to suppliers for services	(362,725)
Net cash used for operating activities	(12,483)
Cash flows from investing activities:	
Interest on investments	277
Net decrease in cash and cash equivalents	(12,206)
Cash and cash equivalents beginning of year	53,569
Cash and cash equivalents end of year	\$ 41,363
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (19,972)
Adjustment to reconcile operating loss to net cash used for operating activities:	
Increase in accounts payable	7,489
Net cash used for operating activities	\$ (12,483)

See notes to financial statements.

Appanoose County

Notes to Financial Statements

June 30, 2003

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

For financial reporting purposes, Appanoose County has included all funds, organizations, account group, agencies, boards, commissions and authorities, except for the general fixed assets account group. 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 Appanoose County (the primary government) and its component unit. The component unit discussed below is included in the County's reporting entity because of the significance of its operational or financial relationship with the County.

Blended Component Unit – The following component unit is legally separate from the County, but is so intertwined with the County that it is, in substance, the same as the County. It is reported as part of the County and blended into the appropriate fund.

The Conservation Foundation has been incorporated under Chapter 504A of the Code of Iowa to solicit and accept gifts from persons or organizations for the development and enhancement of environmental education and conservation projects. These donations would be used to purchase items which are not included in the County's budget. The Conservation Foundation is reported as a Special Revenue Fund. Financial information of the foundation can be obtained from the Appanoose County Conservation Office.

Jointly Governed Organizations - The County also 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: Appanoose County Assessor's Conference Board and Appanoose 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: Area XV Regional Planning Commission, Appanoose County Service Agency, South Iowa Area Detention Service Agency, Rathbun Area Solid Waste Management Commission, ADLM Environmental Public Health, ADLM Emergency Management, and South Iowa Area Crime Commission Service Agency.

B. Fund Accounting

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

Governmental Funds

General Fund - The General Fund is the general operating fund of the County. All general tax revenues and other revenues that are 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 that are not paid from other funds.

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

Debt Service Fund - The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term-debt.

Capital Projects Fund - The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities.

Proprietary Fund

Internal Service Fund - The Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost-reimbursement basis.

Fiduciary Funds

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

Agency Funds – The Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

Account Group

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

C. Measurement Focus

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

Proprietary Funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means all assets and liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported fund equity, net total assets, is reported as retained earnings. Proprietary Fund operating statements present increases (revenue) and decreases (expenses) in net total assets.

In reporting the financial activity of its Proprietary Fund, the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

D. Basis of Accounting

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

All Governmental Funds and the Expendable Trust Fund are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

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

The Internal Service Fund is accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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

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

E. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – 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 and the Institutional Liquid Assets (ILA) Money Market Mutual Fund which are valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

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 tax certified by the Board of Supervisors to be

collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2001 assessed property valuations; is for the tax accrual period July 1, 2002 through June 30, 2003 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2002.

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

Special Assessments Receivable – Special assessments receivable represent amounts assessed to individuals for work done that 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. Special assessments receivable represent assessments which are due and payable but have not been collected.

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is generally paid upon retirement, but not prior to retirement age of 62.

Such payment shall not exceed 90 days or a total dollar amount of \$2,000. For the Agency Funds, these accumulations are recorded as liabilities in the year earned. In the Governmental Funds, the cost of vacation and sick leave payments expected to be liquidated currently are recorded as liabilities of the Governmental Fund. A liability has been recorded in the General Long-Term Debt Account Group representing the County's commitment to fund non-current compensated absences. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2003.

Unreserved Retained Earnings – The unreserved retained earnings of the Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

F. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, Internal Service, 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 or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and the Expendable Trust Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department.

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

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

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$2,999,938	(25,161)	2,974,777	5,848,647	182,498	6,031,145
Expenditures	3,158,745	(10,706)	3,148,039	3,965,754	(44,471)	3,921,283
Net	(158,807)	(14,455)	(173,262)	1,882,893	226,969	2,109,862
Other financing sources (uses), net	336	-	336	100	-	100
Beginning fund balances, as restated (note 10)	863,774	141,342	1,005,116	2,123,091	(298,367)	1,824,724
Increase in reserve for prepaid insurance	-	2,456	2,456	-	-	-
Ending fund balances	\$ 705,303	129,343	834,646	4,006,084	(71,398)	3,934,686

	Governmental Fund Types					
	Debt Service			Capital Projects		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 6,440	-	6,440	-	-	-
Expenditures	6,440	-	6,440	-	-	-
Net	-	-	-	-	-	-
Other financing sources (uses), net	-	-	-	-	-	-
Beginning fund balances, as restated (note 10)	6,440	-	6,440	15,000	-	15,000
Increase in reserve for prepaid insurance	-	-	-	-	-	-
Ending fund balances	\$ 6,440	-	6,440	15,000	-	15,000

	Fiduciary Fund Type					
	Expendable Trust			Total		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ -	-	-	8,855,025	157,337	9,012,362
Expenditures	-	-	-	7,130,939	(55,177)	7,075,762
Net	-	-	-	1,724,086	212,514	1,936,600
Other financing sources (uses), net	-	-	-	436	-	436
Beginning fund balances, as restated (note 10)	83	-	83	3,008,388	(157,025)	2,851,363
Increase in reserve for prepaid insurance	-	-	-	-	2,456	2,456
Ending fund balances	\$ 83	-	83	4,732,910	57,945	4,790,855

G. Total (Memorandum Only)

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

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2003 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust (IPAIT), an IPAIT certificate of deposit and the Institutional Liquid Assets (ILA) Money Market Mutual Fund, which are valued at an amortized cost of \$1,981,652, \$1,653,736 and \$573,236, respectively, pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
General	Trust and Agency: County Offices:	
	Auditor	\$ 435
	Recorder	7,874
	Sheriff	250
	Auto License and Use Tax	8,262
Special Revenue:		
Secondary Roads	General	365
County Recorder's Records Management	Trust and Agency: County Recorder	<u>374</u>
Total		<u>\$ 17,560</u>

(4) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 6,830
Special Revenue:		
Secondary Roads	Services	361
Mental Health		50,167
		<u>50,528</u>
Trust and Agency:		
Agricultural Extension Education		79,497
County Assessor	Collections	182,080
Schools		4,483,231
Community Colleges		220,737
Corporations		1,886,122
Townships		127,677
Auto License and Use Tax		191,889
City Special Assessment		124,516
E911 Surcharge		86,741
ADLM Empowerment		41,814
ADLM Emergency Management		55,277
All other		6,618
		<u>7,486,199</u>
Total		\$ <u>7,543,557</u>

(5) Changes in Long-Term Debt

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

	South Iowa Area				Total
	Bank Loan	South Iowa Area Detention Service Agency Capital Loan Notes	Sewer Revenue Notes	Compensated Absences	
Balance beginning of year, as restated *	\$ 24,031	87,500	116,200	97,240	324,971
Additions	-	-	-	-	-
Reductions	7,605	19,500	1,211	6,160	34,476
Balance end of year	\$ 16,426	68,000	114,989	91,080	290,495

* The beginning balance of capital lease purchase agreements was restated from \$20,206 to \$0 at July 1, 2002 since the outstanding balance was paid off in the prior year.

Bank Loan

On May 8, 2002, the County entered into a loan agreement to purchase a sheriff's vehicle for \$24,031. The loan is to be repaid in three annual payments of \$8,867, including interest at 5.25 percent per annum. The unpaid principal balance on the loan at June 30, 2003 is \$16,426.

South Iowa Area Detention Service Agency Capital Loan Notes

Appanoose County is one of ten participating member counties in the South Iowa Area Detention Service Agency (SIADSA) Capital Loan Note Certificate agreement. Each member County issued \$230,000 of General Obligation Capital Loan Notes on May 1, 1991 to the SIADSA which secured \$2,300,000 of Capital Loan Note Certificates issued by SIADSA. SIADSA is holding cash of \$15,000, which represents the unspent note proceeds, in escrow for Appanoose County at June 30, 2003. The notes issued by the County are payable from the General Fund as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2004	6.90%	\$ 21,000	4,740	25,740
2005	7.00	22,500	3,290	25,790
2006	7.00	24,500	1,716	26,216
Total		\$ 68,000	9,746	77,746

During the year ended June 30, 2003, \$25,566 of note principal and interest were paid.

Sewer Revenue Notes

On January 13, 2000, the County entered into a loan agreement with the United States Department of Agriculture providing for the issuance of \$116,200 of sewer revenue notes. The note proceeds were used for the purpose of defraying a portion of the cost of constructing sanitary sewer mains to private septic systems maintained outside the City of Centerville and to connect these mains to the City's wastewater treatment facilities.

Pursuant to an agreement between the County and the City of Centerville, the County shall have ownership of the sanitary sewer mains. However, the constructed mains are considered part of the City's sanitary sewer system for purposes of operation and maintenance and the City has agreed to establish and maintain user fees for the consumers whose residences and businesses are served by the new sanitary mains. At the time that all payments have been made on the sewer revenue notes, the County will transfer ownership of the sanitary sewer mains to the City.

The resolution providing for the issuance of the sewer revenue notes includes the following provisions:

- (a) The notes are payable solely from the net revenues of the project area and shall not be a general obligation of the County, nor payable in any manner by taxation.
- (b) The City shall establish and provide for the collection of rates to be charged to consumers in the project area to produce gross revenues sufficient to pay the expenses and operation of the new sanitary sewer mains, including the principal of and interest on the outstanding sewer revenue notes.
- (c) Sufficient monthly transfers from the City to the County shall be made to a separate sewer revenue sinking account for the purpose of making note principal and interest payments when due.
- (d) Additional monthly transfers from the City to the County shall be made to a separate sewer revenue reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying note principal and interest payments when insufficient money is available in the sinking account.

With USDA approval, the County has established sewer debt service sinking and reserve accounts within the Debt Service Fund to demonstrate compliance with provisions (c) and (d) above.

Annual debt service requirements to maturity for the sewer revenue notes are as follows:

Year Ending June 30,	<u>\$110,000 Sewer Revenue Notes</u>			<u>\$6,200 Sewer Revenue Notes</u>			<u>Total</u>		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2004	4.50%	\$ 1,198	4,898	4.50%	\$ 68	276	\$ 1,266	5,174	6,440
2005	4.50	1,251	4,845	4.50	71	273	1,322	5,118	6,440
2006	4.50	1,308	4,788	4.50	74	270	1,382	5,058	6,440
2007	4.50	1,367	4,729	4.50	78	266	1,445	4,995	6,440
2008	4.50	1,428	4,668	4.50	81	263	1,509	4,931	6,440
2009-2040	4.50	102,302	92,597	4.50	5,763	5,199	108,065	97,796	205,861
Total		<u>\$108,854</u>	<u>116,525</u>		<u>\$ 6,135</u>	<u>6,547</u>	<u>\$114,989</u>	<u>123,072</u>	<u>238,061</u>

(6) 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 are 5.37% and 8.05%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$144,709, \$135,862, and \$128,523, respectively, equal to the required contributions for each year.

(7) Risk Management

The County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. 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.

(8) Employee Group Health Insurance Plan

The Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Employee Group Services, Ltd. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$20,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Employee Group Services, Ltd. from the Employee Group Health Fund. The County records the plan assets and related liabilities of the Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2003 was \$226,330.

Amounts payable from the Employee Group Health Fund at June 30, 2003 total \$37,216 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$4,147 at June 30, 2003 and is reported as a designation of the Employee Group Health Fund retained earnings. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2002	\$ 29,727
Incurred claims (including claims incurred but not reported at June 30, 2003)	247,793
Payments on claims during the fiscal year	<u>(240,304)</u>
Unpaid claims at June 30, 2003	<u>\$ 37,216</u>

(9) Jointly Governed Organizations

Appanoose County participates in Appanoose, Davis, Lucas and Monroe (ADLM) Environmental Public Health, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as an Agency Fund because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2003:

Additions:	
Contributions from governmental units	\$ 90,990
State grants	66,221
Licenses and permits	<u>64,940</u>
Total additions	\$ 222,151
Deductions:	
Salaries and benefits	139,953
Office supplies	18,164
Travel	13,314
Telephone	5,839
Training	1,060
Well testing	11,869
Well abandonment	14,775
Lead abatement	6,625
On-site sewer system	6,557
Radon testing	3,095
Miscellaneous	<u>900</u>
	<u>222,151</u>
Net	-
Balance beginning of year	<u>-</u>
Balance end of year	<u><u>\$ -</u></u>

Appanoose County also participates in Appanoose, Davis, Lucas and Monroe (ADLM) Emergency Management, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as an Agency Fund because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2003:

Additions:			
Contributions from governmental units	\$	90,597	
Miscellaneous		4,605	
Total additions		<u> </u>	\$ 95,202
Deductions:			
Salaries and benefits		19,192	
Office supplies		3,149	
Telephone		6,085	
Training		5,023	
Construction and maintenance		5,228	
		<u> </u>	<u>38,677</u>
Net			56,525
Balance beginning of year			<u>2,224</u>
Balance end of year			<u><u>\$ 58,749</u></u>

(10) Restatement

The beginning balance of the General Fund was increased by \$34,246 to include a receivable due from other governments for ADLM Environmental Public Health that was previously excluded. Since ADLM Environmental Public Health is a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa, it has been reclassified to an Agency Fund.

(11) Prospective Accounting Change

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

Supplemental Information

Appanoose County

Appanoose County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

Revenues:

Property and other County tax:		
Property tax	\$ 1,582,139	
Utility tax replacement excise tax	184,832	
Other	<u>2,440</u>	\$ 1,769,411
Interest and penalty on property tax		56,392
Intergovernmental:		
State shared revenues:		
Franchise tax	11,606	
Other	<u>4,492</u>	
	<u>16,098</u>	
State tax replacements:		
State tax credits	220,346	
State allocation	<u>98,796</u>	
	<u>319,142</u>	
State and federal pass-thru revenues:		
Human services administrative reimbursement	<u>39,975</u>	
Contributions from other governmental units:		
Contract law enforcement	57,451	
Other	<u>37,732</u>	
	<u>95,183</u>	
State grants and entitlements:		
Home care aide grant	48,222	
Public health nurse grants	44,190	
Other	<u>43,508</u>	
	<u>135,920</u>	
Federal grants and entitlements:		
Medicare	126,714	
Other	<u>34,966</u>	
	<u>161,680</u>	
Payments in lieu of taxes	<u>3,224</u>	771,222
Licenses and permits		2,161
Charges for service:		
Office fees and collections	111,788	
Auto registration, use tax, drivers license and mailing	98,053	
Nursing service fees	35,860	
Other	<u>58,754</u>	304,455

Schedule 1

Appanoose County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

Revenues (continued):		
Use of money and property:		
Interest on investments	37,448	
Other	<u>5</u>	37,453
Miscellaneous		<u>33,683</u>
Total revenues		<u>2,974,777</u>
Expenditures:		
Operating:		
Public safety and legal services		1,380,010
Physical health and social services		584,009
County environment and education		184,129
Governmental services to residents		259,480
Administration		<u>740,411</u>
Total expenditures		<u>3,148,039</u>
Deficiency of revenues under expenditures		(173,262)
Other financing sources:		
Sale of general fixed assets		<u>336</u>
Deficiency of revenues and other financing sources under expenditures		(172,926)
Fund balance beginning of year, as restated (note 10)		1,005,116
Increase in reserve for prepaid insurance		<u>2,456</u>
Fund balance end of year		<u>\$ 834,646</u>

See accompanying independent auditor's report.

Appanoose County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Public safety and legal services:			
Law enforcement:			
Uniformed patrol services	\$	380,193	
Unified law enforcement		24,792	
Contract law enforcement		26,681	
Law enforcement communication		107,114	
Adult correctional services		267,204	
Administration		102,553	
		<u>908,537</u>	
Legal services:			
Criminal prosecution		126,810	
Medical examinations		12,255	
		<u>139,065</u>	
Emergency services:			
Emergency management		64,616	
		<u>64,616</u>	
Assistance to district court system:			
Research and other assistance		12,943	
		<u>12,943</u>	
Court proceedings:			
Detention services		2,866	
Court costs		3,285	
		<u>6,151</u>	
Juvenile justice administration:			
Juvenile victim restitution		36,188	
Juvenile representation services		205,997	
Court-appointed attorneys and court costs for juveniles		6,513	
		<u>248,698</u>	\$ 1,380,010
Physical health and social services:			
Physical health services:			
Sanitation		4,184	
Health administration		386,582	
		<u>390,766</u>	
Services to the poor:			
Administration		66,019	
General welfare services		21,162	
		<u>87,181</u>	

Schedule 2

Appanoose County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Physical health and social services (continued):

Services to military veterans:

Administration	17,236	
General services to veterans	9,842	
	<u>27,078</u>	

Services to other adults:

Services to the elderly	<u>72,624</u>	
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Chemical dependency:

Treatment services	<u>6,360</u>	584,009
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County environment and education:

Conservation and recreation services:

Administration	93,581	
Maintenance and operations	53,060	
	<u>146,641</u>	

Animal control:

Animal shelter	<u>12,275</u>	
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County development:

Land use and building controls	3,063	
Economic development	1,000	
	<u>4,063</u>	

Educational services:

Historic preservation	1,150	
Fair and 4-H clubs	10,000	
Fairgrounds	10,000	
	<u>21,150</u>	184,129

Governmental services to residents:

Representation services:

Elections administration	49,750	
Local elections	3,635	
Township officials	1,470	
	<u>54,855</u>	

State administrative services:

Motor vehicle registrations and licensing	108,784	
Recording of public documents	95,841	
	<u>204,625</u>	259,480

Appanoose County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Administration:

Policy and administration:

General county management	80,905	
Administration management services	92,699	
Treasury management services	121,792	
Other policy and administration	28,325	
	<u>323,721</u>	

Central services:

General services	230,419	
Data processing services	50,061	
	<u>280,480</u>	

Risk management services:

Tort liability	34,135	
Fidelity of public officers	102,075	
	<u>136,210</u>	

740,411

Total

\$ 3,148,039

See accompanying independent auditor's report.

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

	Rural Services	Secondary Roads	County Recorder's Records Management
Assets			
Cash and pooled investments:			
County Treasurer	\$ 203,986	2,953,506	4,447
Conservation Foundation	-	-	-
Receivables:			
Property tax:			
Delinquent	3,077	-	-
Succeeding year	504,000	-	-
Due from other funds	-	365	374
Due from other governments	-	345,595	-
	\$ 711,063	3,299,466	4,821
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ -	287,050	-
Salaries and benefits payable	-	24,655	-
Due to other governments	-	361	-
Deferred revenue:			
Succeeding year property tax	504,000	-	-
Other	3,032	-	-
Compensated absences	-	17,131	-
Total liabilities	507,032	329,197	-
Fund equity:			
Unreserved fund balances	204,031	2,970,269	4,821
	\$ 711,063	3,299,466	4,821

See accompanying independent auditor's report.

Resource Enhance- ment and Protection	Mental Health	Law Enforcement Forfeiture	Prisoner Room and Board	Conservation Foundation	Total
10,965	772,115	4,741	7,242	-	3,957,002
-	-	-	-	49,082	49,082
-	8,285	-	-	-	11,362
-	506,000	-	-	-	1,010,000
-	-	-	-	-	739
-	-	-	-	-	345,595
10,965	1,286,400	4,741	7,242	49,082	5,373,780
-	38,580	-	-	-	325,630
-	-	-	-	-	24,655
-	50,167	-	-	-	50,528
-	506,000	-	-	-	1,010,000
-	8,118	-	-	-	11,150
-	-	-	-	-	17,131
-	602,865	-	-	-	1,439,094
10,965	683,535	4,741	7,242	49,082	3,934,686
10,965	1,286,400	4,741	7,242	49,082	5,373,780

Appanoose County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	County Recorder's Records Management	Resource Enhance- ment and Protection
Revenues:				
Property and other County tax:				
Property tax	\$ 498,707	-	-	-
Local option emergency medical services tax	-	-	-	-
Utility tax replacement excise tax	44,479	-	-	-
Other	272	-	-	-
	<u>543,458</u>	<u>-</u>	<u>-</u>	<u>-</u>
Intergovernmental:				
State shared revenues:				
Road use tax	-	1,907,944	-	-
State tax replacements:				
State tax credits	60,729	-	-	-
Mental health property tax relief	-	-	-	-
	<u>60,729</u>	<u>-</u>	<u>-</u>	<u>-</u>
State and federal pass-thru revenues:				
Social services block grant	-	-	-	-
Bridge replacement	-	324,893	-	-
Miscellaneous state grants and reimbursements	-	-	-	-
	<u>-</u>	<u>324,893</u>	<u>-</u>	<u>-</u>
Contributions from other governmental units:				
Road jurisdiction transfer	-	1,921,524	-	-
Other	-	35,576	-	-
	<u>-</u>	<u>1,957,100</u>	<u>-</u>	<u>-</u>
Federal grants and entitlements:				
Other	-	3,412	-	-
Payments in lieu of taxes	-	-	-	-
	<u>60,729</u>	<u>4,193,349</u>	<u>-</u>	<u>-</u>
Licenses and permits	-	785	-	-
Charges for service:				
Document management fees	-	-	3,296	-
Other	-	69	-	-
	<u>-</u>	<u>69</u>	<u>3,296</u>	<u>-</u>
Use of money and property:				
Interest on investments	-	-	105	-
Miscellaneous:				
Donations	-	-	-	-
Other	-	23,595	-	-
	<u>-</u>	<u>23,595</u>	<u>-</u>	<u>-</u>
Total revenues	<u>604,187</u>	<u>4,217,798</u>	<u>3,401</u>	<u>-</u>

Flood and Erosion	Emergency Medical Services	Mental Health	Law Enforcement Forfeiture	Prisoner Room and Board	Conservation Foundation	Total
-	-	498,388	-	-	-	997,095
-	46,854	-	-	-	-	46,854
-	-	58,231	-	-	-	102,710
-	-	713	-	-	-	985
-	46,854	557,332	-	-	-	1,147,644
-	-	-	-	-	-	1,907,944
-	-	69,419	-	-	-	130,148
-	-	380,536	-	-	-	380,536
-	-	449,955	-	-	-	510,684
-	-	103,045	-	-	-	103,045
-	-	-	-	-	-	324,893
-	-	-	-	-	5,400	5,400
-	-	103,045	-	-	5,400	433,338
-	-	-	-	-	-	1,921,524
-	-	-	-	-	-	35,576
-	-	-	-	-	-	1,957,100
-	-	-	-	-	-	3,412
-	-	575	-	-	-	575
-	-	553,575	-	-	5,400	4,813,053
-	-	-	-	-	-	785
-	-	-	-	-	-	3,296
-	-	2,885	-	2,142	-	5,096
-	-	2,885	-	2,142	-	8,392
-	-	-	41	-	285	431
-	-	-	-	-	36,733	36,733
-	-	126	386	-	-	24,107
-	-	126	386	-	36,733	60,840
-	46,854	1,113,918	427	2,142	42,418	6,031,145

Appanoose County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	County Recorder's Records Management	Resource Enhance- ment and Protection
Expenditures:				
Operating:				
Public safety and legal services:				
Law enforcement:				
Law enforcement communication	-	-	-	-
Administration	-	-	-	-
	-	-	-	-
Emergency services:				
Ambulance services	-	-	-	-
	-	-	-	-
Mental health:				
Persons with mental health problems - mental illness:				
Treatment services	-	-	-	-
Vocational and day services	-	-	-	-
Institutional, hospital, and commitment services	-	-	-	-
	-	-	-	-
Persons with chronic mental illness:				
Coordination services	-	-	-	-
Personal and environmental support	-	-	-	-
Treatment services	-	-	-	-
Vocational and day services	-	-	-	-
Licensed or certified living arrangements	-	-	-	-
Institutional, hospital, and commitment services	-	-	-	-
	-	-	-	-
Persons with mental retardation:				
General administration	-	-	-	-
Coordination services	-	-	-	-
Personal and environmental support	-	-	-	-
Vocational and day services	-	-	-	-
Licensed or certified living arrangements	-	-	-	-
Institutional, hospital, and commitment services	-	-	-	-
	-	-	-	-

Flood and Erosion	Emergency Medical Services	Mental Health	Law Enforcement Forfeiture	Prisoner Room and Board	Conservation Foundation	Total
-	-	-	92	-	-	92
-	-	-	302	-	-	302
-	-	-	394	-	-	394
-	46,854	-	-	-	-	46,854
-	46,854	-	394	-	-	47,248
-	-	30,072	-	-	-	30,072
-	-	3,735	-	-	-	3,735
-	-	15,640	-	-	-	15,640
-	-	49,447	-	-	-	49,447
-	-	648	-	-	-	648
-	-	22,937	-	-	-	22,937
-	-	29,708	-	-	-	29,708
-	-	10,497	-	-	-	10,497
-	-	32,441	-	-	-	32,441
-	-	27,298	-	-	-	27,298
-	-	123,529	-	-	-	123,529
-	-	49,696	-	-	-	49,696
-	-	14,443	-	-	-	14,443
-	-	19,979	-	-	-	19,979
-	-	184,419	-	-	-	184,419
-	-	321,948	-	-	-	321,948
-	-	194,718	-	-	-	194,718
-	-	785,203	-	-	-	785,203

Appanoose County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	County Recorder's Records Management	Resource Enhance- ment and Protection
Expenditures (continued):				
Operating:				
Mental health:				
Persons with other developmental disabilities:				
Coordination services	-	-	-	-
Vocational and day services	-	-	-	-
Licensed or certified living arrangements	-	-	-	-
	-	-	-	-
	-	-	-	-
County environment and education:				
Environmental quality:				
Natural resources conservation	-	-	-	-
Conservation and recreation services:				
Maintenance and operations	-	-	-	7,588
County development:				
Economic development	5,000	-	-	-
Educational services:				
Libraries	17,500	-	-	-
	22,500	-	-	7,588
Roads and transportation:				
Secondary roads administration and engineering:				
Administration	-	216,221	-	-
Engineering	-	202,051	-	-
	-	418,272	-	-
Roadway maintenance:				
Bridges and culverts	-	188,529	-	-
Roads	-	826,513	-	-
Snow and ice control	-	43,146	-	-
Traffic controls	-	71,545	-	-
Road clearing	-	81,610	-	-
	-	1,211,343	-	-
General roadway:				
Equipment	-	313,771	-	-
Equipment operation	-	486,177	-	-
Tools, materials, and supplies	-	16,146	-	-
Real estate and buildings	-	12,775	-	-
	-	828,869	-	-
	-	2,458,484	-	-

Flood and Erosion	Emergency Medical Services	Mental Health	Law Enforcement Forfeiture	Prisoner Room and Board	Conservation Foundation	Total
-	-	945	-	-	-	945
-	-	8,906	-	-	-	8,906
-	-	10,288	-	-	-	10,288
-	-	20,139	-	-	-	20,139
-	-	978,318	-	-	-	978,318
2,382	-	-	-	-	-	2,382
-	-	-	-	-	20,413	28,001
-	-	-	-	-	-	5,000
-	-	-	-	-	-	17,500
2,382	-	-	-	-	20,413	52,883
-	-	-	-	-	-	216,221
-	-	-	-	-	-	202,051
-	-	-	-	-	-	418,272
-	-	-	-	-	-	188,529
-	-	-	-	-	-	826,513
-	-	-	-	-	-	43,146
-	-	-	-	-	-	71,545
-	-	-	-	-	-	81,610
-	-	-	-	-	-	1,211,343
-	-	-	-	-	-	313,771
-	-	-	-	-	-	486,177
-	-	-	-	-	-	16,146
-	-	-	-	-	-	12,775
-	-	-	-	-	-	828,869
-	-	-	-	-	-	2,458,484

Appanoose County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	County Recorder's Records Management	Resource Enhance- ment and Protection
Expenditures (continued):				
Operating:				
Governmental services to residents:				
State administrative services:				
Recording of public documents	-	-	3,000	-
Capital projects:				
Roadway construction	-	381,350	-	-
Total expenditures	22,500	2,839,834	3,000	7,588
Excess (deficiency) of revenues over (under) expenditures	581,687	1,377,964	401	(7,588)
Other financing sources (uses):				
Sale of general fixed assets	-	100	-	-
Operating transfers in (out):				
Special Revenue:				
Rural Services	-	482,360	-	-
Secondary Roads	(482,360)	-	-	-
	(482,360)	482,460	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	99,327	1,860,424	401	(7,588)
Fund balances beginning of year	104,704	1,109,845	4,420	18,553
Fund balances end of year	\$ 204,031	2,970,269	4,821	10,965

See accompanying independent auditor's report.

Flood and Erosion	Emergency Medical Services	Mental Health	Law Enforcement Forfeiture	Prisoner Room and Board	Conservation Foundation	Total
-	-	-	-	-	-	3,000
-	-	-	-	-	-	381,350
2,382	46,854	978,318	394	-	20,413	3,921,283
(2,382)	-	135,600	33	2,142	22,005	2,109,862
-	-	-	-	-	-	100
-	-	-	-	-	-	482,360
-	-	-	-	-	-	(482,360)
-	-	-	-	-	-	100
(2,382)	-	135,600	33	2,142	22,005	2,109,962
2,382	-	547,935	4,708	5,100	27,077	1,824,724
-	-	683,535	4,741	7,242	49,082	3,934,686

Schedule 5

Appanoose County

Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

		<u>USDA</u> <u>Sinking</u> <u>and Reserve</u>
Revenues:		
Intergovernmental:		
Contributions from other governmental units		\$ 6,440
Expenditures:		
Debt service:		
Principal	\$ 1,211	
Interest	<u>5,229</u>	<u>6,440</u>
Excess of revenues over expenditures		-
Fund balance beginning of year		<u>6,440</u>
Fund balance end of year		<u><u>\$ 6,440</u></u>

See accompanying independent auditor's report.

Appanoose County

Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

Revenues:	\$	-
None		
Expenditures:		-
None		<u> </u>
Excess of revenues over expenditures		-
Fund balance beginning of year		<u>15,000</u>
Fund balance end of year	\$	<u><u>15,000</u></u>

See accompanying independent auditor's report.

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

	Expendable Trust Fund	County Offices		
	Conservation Land Acquisition Trust	County Auditor	County Recorder	County Sheriff
Assets				
Cash and pooled investments:				
County Treasurer	\$ 83	-	-	-
Other County officials	-	37,977	12,643	5,387
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	1,037	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Prepaid insurance	-	-	-	-
Total assets	\$ 83	37,977	13,680	5,387
Liabilities and Fund Equity				
Liabilities:				
Excess of outstanding warrants over cash balances	\$ -	-	-	-
Accounts payable	-	-	-	-
Due to other funds	-	435	8,248	250
Due to other governments	-	-	5,432	-
Trusts payable	-	37,542	-	5,137
Total liabilities	-	37,977	13,680	5,387
Fund equity:				
Unreserved fund balance	83	-	-	-
Total liabilities and fund equity	\$ 83	37,977	13,680	5,387

Agency Funds					
Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships
2,258	61,745	125,502	6,102	42,037	3,966
-	-	-	-	-	-
1,239	1,952	71,729	3,635	64,085	711
76,000	119,000	4,286,000	211,000	1,780,000	123,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
79,497	182,697	4,483,231	220,737	1,886,122	127,677
-	-	-	-	-	-
-	617	-	-	-	-
-	-	-	-	-	-
79,497	182,080	4,483,231	220,737	1,886,122	127,677
-	-	-	-	-	-
79,497	182,697	4,483,231	220,737	1,886,122	127,677
-	-	-	-	-	-
79,497	182,697	4,483,231	220,737	1,886,122	127,677

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

	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication	City Special Assessment	E911 Surcharge
Assets				
Cash and pooled investments:				
County Treasurer	200,151	32	2,649	67,265
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	17	-	-
Succeeding year	-	1,000	-	-
Accounts	-	-	-	20,577
Special assessments	-	-	121,867	-
Due from other governments	-	-	-	-
Prepaid insurance	-	-	-	1,612
Total assets	200,151	1,049	124,516	89,454
Liabilities and Fund Equity				
Liabilities:				
Excess of outstanding warrants over cash balances	-	-	-	-
Accounts payable	-	-	-	2,713
Due to other funds	8,262	-	-	-
Due to other governments	191,889	1,049	124,516	86,741
Trusts payable	-	-	-	-
Total liabilities	200,151	1,049	124,516	89,454
Fund equity:				
Unreserved fund balance	-	-	-	-
Total liabilities and fund equity	200,151	1,049	124,516	89,454

See accompanying independent auditor's report.

Agency Funds						
Monies and Credits - Credit Union	Tax Sale Redemption	ADLM Empowerment	ADLM Environmental Public Health	ADLM Emergency Management		Total
137	32,767	72,631	-	41,634		658,959
-	-	-	-	-		56,007
-	-	-	-	-		143,368
-	-	-	-	-		6,596,000
-	-	-	-	-		21,614
-	-	-	-	-		121,867
-	-	-	21,521	17,115		38,636
-	-	-	-	-		1,612
137	32,767	72,631	21,521	58,749		7,638,063
-	-	-	21,521	-		21,521
-	-	30,817	-	3,472		37,619
-	-	-	-	-		17,195
137	-	41,814	-	55,277		7,486,199
-	32,767	-	-	-		75,446
137	32,767	72,631	21,521	58,749		7,637,980
-	-	-	-	-		83
137	32,767	72,631	21,521	58,749		7,638,063

Appanoose County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	County Offices		
	County Auditor	County Recorder	County Sheriff
Assets and Liabilities			
Balances beginning of year	\$ 37,810	5,868	9,088
Additions:			
Property and other County tax	-	-	-
E911 surcharge	-	-	-
State tax credits	-	-	-
Office fees and collections	1,612	173,462	26,037
Auto licenses, use tax and postage	-	-	-
Drivers license fees	-	-	-
Assessments	-	-	-
Trusts	-	-	83,268
Miscellaneous	-	-	-
Total additions	1,612	173,462	109,305
Deductions:			
Agency remittances:			
To other funds	1,445	78,278	30,655
To other governments	-	87,372	175
Trusts paid out	-	-	82,176
Total deductions	1,445	165,650	113,006
Balances end of year	\$ 37,977	13,680	5,387

Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpor- ations	Townships	Auto License and Use Tax
77,484	183,522	4,356,694	209,891	1,832,836	120,472	169,349
84,307	132,990	4,781,137	233,908	2,018,889	134,151	-
-	-	-	-	-	-	-
10,326	17,477	594,345	27,843	249,195	14,453	-
-	-	-	-	-	-	-
-	-	-	-	-	-	2,461,386
-	-	-	-	-	-	62,973
-	-	-	-	-	-	-
-	-	-	-	-	-	-
85	5,656	13,088	230	4,291	-	-
94,718	156,123	5,388,570	261,981	2,272,375	148,604	2,524,359
-	-	-	-	-	-	93,333
92,705	156,948	5,262,033	251,135	2,219,089	141,399	2,400,224
-	-	-	-	-	-	-
92,705	156,948	5,262,033	251,135	2,219,089	141,399	2,493,557
79,497	182,697	4,483,231	220,737	1,886,122	127,677	200,151

Appanoose County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	<u>Brucellosis and Tuberculosis Eradication</u>	<u>City Special Assessment</u>	<u>E911 Surcharge</u>
Assets and Liabilities			
Balances beginning of year	<u>1,046</u>	<u>159,738</u>	<u>95,142</u>
Additions:			
Property and other County tax	1,142	-	-
E911 surcharge	-	-	82,828
State tax credits	144	-	-
Office fees and collections	-	-	-
Auto licenses, use tax and postage	-	-	-
Drivers license fees	-	-	-
Assessments	-	14,780	-
Trusts	-	-	-
Miscellaneous	1	-	748
Total additions	<u>1,287</u>	<u>14,780</u>	<u>83,576</u>
Deductions:			
Agency remittances:			
To other funds	-	-	-
To other governments	1,284	50,002	89,264
Trusts paid out	-	-	-
Total deductions	<u>1,284</u>	<u>50,002</u>	<u>89,264</u>
Balances end of year	<u><u>1,049</u></u>	<u><u>124,516</u></u>	<u><u>89,454</u></u>

See accompanying independent auditor's report.

Monies and Credits - Credit Union	Credit Card Fees	Tax Sale Redemption	ADLM Empowerment	ADLM Environmental Public Health	ADLM Emergency Management	Total
-	29	18,707	80,594	-	2,224	7,360,494
-	-	-	-	-	-	7,386,524
-	-	-	-	-	-	82,828
342	-	-	-	-	-	914,125
-	-	-	-	-	-	201,111
-	-	-	-	-	-	2,461,386
-	-	-	-	-	-	62,973
-	-	-	-	-	-	14,780
-	-	142,882	-	-	-	226,150
-	-	-	269,282	222,151	95,202	610,734
342	-	142,882	269,282	222,151	95,202	11,960,611
-	-	-	-	-	-	203,711
205	29	-	277,245	222,151	38,677	11,289,937
-	-	128,822	-	-	-	210,998
205	29	128,822	277,245	222,151	38,677	11,704,646
137	-	32,767	72,631	-	58,749	7,616,459

Schedule 9

Appanoose County

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2003	2002	2001	2000
Taxes:				
Property tax	\$ 2,579,234	2,334,765	2,287,530	2,484,005
Local option emergency medical services tax	46,854	-	-	-
Utility tax replacement excise tax	287,542	267,025	264,216	-
Other	3,425	3,268	3,342	3,357
	<u>2,917,055</u>	<u>2,605,058</u>	<u>2,555,088</u>	<u>2,487,362</u>
Intergovernmental:				
State shared revenues:				
Road use tax	1,907,944	1,922,734	1,843,776	1,870,587
Franchise tax	11,606	14,322	18,419	12,006
Other	4,492	4,144	5,846	4,377
State tax replacements:				
State tax credits	350,494	345,258	355,343	310,583
State allocation	98,796	104,095	109,848	110,165
Mental health property tax relief	380,536	380,536	380,536	380,536
MH-DD allowed growth factor adjustment	-	-	135,758	88,655
State and federal pass-thru revenues:				
State highway planning and construction	-	-	-	209,064
State bridge replacement	324,893	-	-	289,534
Community development block grant	-	-	20,994	167,489
Social services block grant	103,045	109,738	112,284	113,537
MH-DD community services fund allocation	-	-	129,285	119,828
Other	45,375	207,321	240,552	326,122
Contributions from other governmental units:				
Road jurisdiction transfer	1,921,524	-	-	-
Other	137,199	220,527	190,293	219,606
State grants and entitlements:				
Home care aide grant	48,222	55,093	66,770	65,877
Well testing and abandonment	-	54,286	32,371	82,273
Other	87,698	-	-	-
Federal grants and entitlements:				
Waste and waste water disposal systems for rural communities	-	-	-	309,000
Grants for public works and economic development	-	-	-	277,143
Medicare	126,714	134,682	186,644	131,205
Other	38,378	35,209	38,379	46,663
Payments in lieu of taxes	3,799	123	107	769
	<u>5,590,715</u>	<u>3,588,068</u>	<u>3,867,205</u>	<u>5,135,019</u>
Total	<u>\$ 8,507,770</u>	<u>6,193,126</u>	<u>6,422,293</u>	<u>7,622,381</u>

See accompanying independent auditor's report.

Appanoose County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		\$ 6,810
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO04(52)-8J-02	303,401
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		10,101
Refugee and Entrant Assistance-State Administered Programs	93.566		27
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		1,940
Foster Care - Title IV-E	93.658		3,444
Adoption Assistance	93.659		1,139
Medical Assistance Program	93.778		9,866
Social Services Block Grant	93.667		6,648
Social Services Block Grant	93.667		103,045
			<u>109,693</u>
Iowa Department of Public Health:			
Clarke County Department of Public Health:			
Immunization Grants	93.268	588 3 I4 23	1,873
Centers for Disease Control and Prevention:			
Investigations and Technical Assistance	93.283	588 3 WW 18	2,415
Centers for Disease Control and Prevention:			
Investigations and Technical Assistance	93.283	588 3 WW 03	3,700
Centers for Disease Control and Prevention:			
Investigations and Technical Assistance	93.283	588 3 BTU 06	4,452
			<u>10,567</u>

Schedule 10

Appanoose County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	588 3 NB 01	25,496
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	588 2 NB 01	<u>8,880</u>
			<u>34,376</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
State and Local All Hazards Emergency Operations Planning	97.051		<u>5,450</u>
Total			<u>\$ 498,687</u>

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

See accompanying independent auditor's report.



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

To the Officials of Appanoose County:

We have audited the general purpose financial statements of Appanoose County, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated January 14, 2004. Our audit expressed a qualified opinion on the financial statements due to the omission of the general fixed assets account group and materials and supplies inventory, pertaining primarily to the Special Revenue Funds, which should be included in order to conform to U.S. generally accepted accounting principles. 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 Appanoose County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for item IV-J-03.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Appanoose 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 Appanoose 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 Part II of the accompanying Schedule of Findings and Questioned Costs.

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 items II-A-03 and II-B-03 are material weaknesses. Prior year reportable conditions have been resolved except for items II-A-03, II-B-03, II-F-03 and II-G-03.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Appanoose County and other parties to whom Appanoose 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 Appanoose County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 14, 2004

**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance**

Appanoose County



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STATE OF IOWA**

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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance

To the Officials of Appanoose County:

Compliance

We have audited the compliance of Appanoose County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2003. Appanoose County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Appanoose County's management. Our responsibility is to express an opinion on Appanoose County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Appanoose County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Appanoose County's compliance with those requirements.

In our opinion, Appanoose County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Appanoose County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Appanoose County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Appanoose County and other parties to whom Appanoose County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 14, 2004

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

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

- (a) A qualified opinion was issued on the financial statements due to the omission of the general fixed assets account group and materials and supplies inventory, pertaining primarily to the Special Revenue Funds, which should be included in order to conform to U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to its major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Appanoose County did not qualify as a low-risk auditee.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-03 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Collection, deposit preparation and reconciliation functions.	Auditor, Recorder
(2) Bank account reconciliations.	Auditor, Recorder
(3) Warrant/check signing.	Auditor, Recorder

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. 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. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Responses:

Auditor – We will try to segregate duties to the extent possible based on our small number of employees.

Recorder – In response to segregation of duties, it is very hard when there are only two people in your office. When documents come in, one takes them in and the other one enters them into the computer and checks the money or if it is charges. On writing checks, one writes the check and the other one signs. The only check that we would write and sign would be a check for a passport. Which the money comes in and goes right back out. We are complying the best we can.

Conclusion:

Auditor – Response accepted.

Recorder – Response acknowledged. With only two employees, we realize segregation of duties is difficult. However, control procedures should be reviewed to obtain the maximum internal control possible under the circumstances, which could include obtaining the assistance of another office to provide an independent review of financial transactions, reconciliations and reports.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

- II-B-03 County Treasurer – A current tax summary and reconciliation was not completed.
- Recommendation – A current tax summary and reconciliation should be prepared as soon after year end as possible to ensure that the property tax billing, collection, posting and recording system is working properly. Also, this would ensure that any problems or errors would be identified and resolved timely.
- Response – This is already in progress for next audit.
- Conclusion – Response accepted.
- II-C-03 County Sheriff – The June 30, 2003 trust balance did not agree with the detailed listing of trusts on hand. This matter was resolved for audit purposes.
- Recommendation – The month end trust balance should be reconciled with the detailed listing of trusts on hand each month.
- Response – The variances will be investigated and the differences will be resolved for the next audit.
- Conclusion – Response acknowledged. The reconciliation should be prepared each month.
- II-D-03 Public Health Nurse Receivables – Accounts receivable listings were not retained at the end of each month. Also, amounts billed for medicare, medicaid and other reimbursements were not reconciled to collections and accounts receivable.
- 55 medicare claims for the federal fiscal year ended September 30, 2001 due on December 31, 2002 were not submitted timely for reimbursement.
- Recommendation – Accounts receivable listings should be retained and a reconciliation of billings, collections and accounts receivable should be prepared monthly.
- Medicare claims should be submitted timely.
- Response – Appanoose County Public Health will retain an accounts receivable listing. A reconciliation of billings, collections, and accounts receivable will be prepared monthly.
- 55 claims that missed the submission date of December 31, 2002 were an approximate loss of \$51,810. This loss is being reviewed by the County's insurance carrier to determine if any compensation is due.
- We are now using Cahaba (Medicare) software and claims are being submitted on a timely basis and are current.
- Conclusion – Response accepted.
- II-E-03 Payroll – The Board of Supervisors approve an annual salary for employees, and the annual salary is then divided by 26 payrolls to calculate an employee's biweekly salary. 26 payrolls times 10 working days in a biweekly period calculates to 260 working days in a fiscal year. However, the actual number of working days in a fiscal year varies from 260 to 262 working days. There were 261 working days in the year ended June 30, 2003.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Also, depending on an elected official's starting date of employment in relation to the pay period starting date, elected officials may be paid for days prior to working those days.

Recommendation – The approved salary should be divided by the actual number of working days in the fiscal year times 10 working days to calculate a biweekly salary for employees. Also, elected officials should not be paid in advance of days worked.

Response – Beginning July 1, 2004 we will use the daily salary figures for the calculation of biweekly payroll. Also, elected officials will be paid on a daily rate effective January 1, 2005.

Conclusion – Response accepted.

II-F-03 Capital Assets and Inventory Records – A complete record of capital assets is not maintained. Also, inventory balances are not maintained and reported as required by U.S. generally accepted accounting principles.

Recommendation – A complete record of capital assets should be maintained and kept current to facilitate the proper insurance, maintenance and safeguarding of these assets. An inventory of all property and equipment should be taken at least once each year and compared to the capital assets records. Also, identifying information should be promptly placed on the assets when received.

Inventory balances at the end of the fiscal year should be available based on either a perpetual or periodic inventory system and reported in the financial statements.

Response – We are in the process of implementing an asset and inventory record.

Conclusion – Response accepted.

II-G-03 Information Systems –The following weaknesses in the County's computer based systems were noted:

- The County does not have a written policy for usage of the internet.
- The County does not have a written disaster recovery plan.

Recommendation – The County should develop a written policy for usage of the internet and a written disaster recovery plan in order to improve the County's control over computer based systems.

Response – We will begin to work on these policies.

Conclusion – Response accepted.

Appanoose County
Schedule of Findings and Questioned Costs
Year ended June 30, 2003

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-03 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.

IV-B-03 Certified Budget – Disbursements during the year ended June 30, 2003 did not exceed the amounts budgeted.

IV-C-03 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-03 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-E-03 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-F-03 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-G-03 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-H-03 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-I-03 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-J-03 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2003 for the County Extension Office did not exceed the amount budgeted.

Certain minutes of the County Agricultural Extension Council were not signed as required by Chapter 176A.14(3) of the Code of Iowa.

Also, the independent review of the bank reconciliations was not evidenced by the reviewer's signature or initials and date of review.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Recommendation – The minutes should be signed to authenticate the record as required. Bank reconciliation reviews should be evidenced by initials or signature of the independent reviewer and the date of the review.

Response – Will make an effort to get the chair and secretary to sign minutes after every meeting. An independent reviewer will review, initial and date the bank reconciliation.

Conclusion – Response accepted.

Appanoose County

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Tammy L. Mason, CPA, Senior Auditor
Natalie J. Storm, CPA, Staff Auditor
Jason R. Matter, Staff Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State