



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

March 23, 2012

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$13,772,379 for the year ended June 30, 2011, which included \$651,377 in tax credits from the state. The County forwarded \$9,830,488 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,941,891 of the local tax revenue to finance County operations, a decrease of less than 1% from the prior year. Other revenues included charges for service of \$779,279, operating grants, contributions and restricted interest of \$4,899,218, capital grants, contributions and restricted interest of \$277,170, local option sales and services tax of \$534,891, hotel/motel tax of \$214,298, unrestricted investment earnings of \$31,636 and other general revenues of \$210,788.

Expenses for County operations totaled \$9,641,020, an 8.2% increase over the prior year. Expenses included \$3,890,390 for roads and transportation, \$1,726,620 for public safety and legal services and \$914,428 for mental health.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1110-0004-B00F.pdf>.

###



**APPANOOSE COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2011**

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	25
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	26
Statement of Cash Flows	I	27
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	28
Notes to Financial Statements		29-41
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		44-45
Budget to GAAP Reconciliation		46
Notes to Required Supplementary Information – Budgetary Reporting		47
Schedule of Funding Progress for the Retiree Health Plan		48
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	50-51
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	52-53
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	54-55
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	56-57
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	58-59
Schedule of Expenditures of Federal Awards	6	60-61
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		63-64
Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		67-68
Schedule of Findings and Questioned Costs		69-75
Staff		76

**Appanoose County**

**Officials**

**(Before January 2011)**

Dean Kaster	Board of Supervisors	Jan 2011
Jody McDanel	Board of Supervisors	Jan 2013
Linda Rouse	Board of Supervisors	Jan 2013
Linda Demry	County Auditor	Jan 2013
Mary Kay Williams	County Treasurer	Jan 2011
Teddy Walker	County Recorder	Jan 2011
Gary Anderson	County Sheriff	Jan 2013
Richard Scott	County Attorney	Jan 2011
Michael Barth	County Assessor	Jan 2016

**(After January 2011)**

Jody McDanel	Board of Supervisors	Jan 2013
Linda Rouse	Board of Supervisors	Jan 2013
Dean Kaster	Board of Supervisors	Jan 2015
Linda Demry	County Auditor	Jan 2013
Mary Kay Williams	County Treasurer	Jan 2015
Teddy Walker	County Recorder	Jan 2015
Gary Anderson	County Sheriff	Jan 2013
Richard Scott	County Attorney	Jan 2015
Michael Barth	County Assessor	Jan 2016

**Appanoose County**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

State Capitol Building  
Des Moines, Iowa 50319-0004

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

David A. Vaudt, CPA  
Auditor of State

Independent Auditor's Report

To the Officials of Appanoose County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Appanoose County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Appanoose County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Appanoose County at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 6, 2012 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 44 through 48 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Appanoose County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2003 (which are not presented herein) and expressed qualified opinions on those financial statements due to the effects of the omission of general fixed assets or capital assets and supplies inventory for the Secondary Roads Fund. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 6, 2012

---

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

---

Appanoose County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- The County's governmental activities revenues decreased 12.16%, or approximately \$1,507,000, from fiscal year 2010 to fiscal year 2011. Operating grants, contributions and restricted interest increased approximately \$754,000 and capital grants, contributions and restricted interest decreased approximately \$2,248,000.
- The County's governmental activities expenses increased 8.22%, or approximately \$733,000, from fiscal year 2010 to fiscal year 2011. County environment and education and roads and transportation expenses increased approximately \$134,000 and \$695,000, respectively.
- The County's net assets increased 5.61%, or approximately \$1,248,000, from June 30, 2010 to June 30, 2011.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

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

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has three kinds of funds:

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

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

2) Proprietary funds account for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Appanoose County's net assets increased from \$22,232,618 at the end of fiscal year 2010 to \$23,480,769 at the end of fiscal year 2011. The analysis that follows focuses on the changes in the net assets of governmental activities.

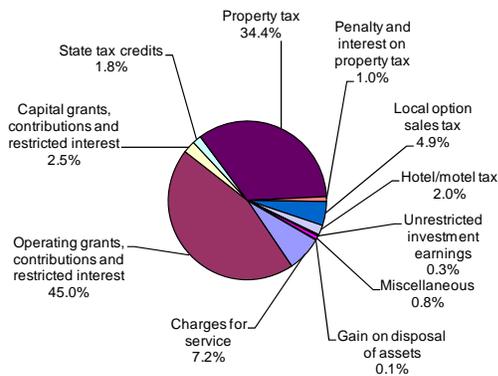
Net Assets of Governmental Activities		
	June 30,	
	2011	2010
Current and other assets	\$ 15,246,000	13,803,751
Capital assets	15,802,557	15,229,577
Total assets	<u>31,048,557</u>	<u>29,033,328</u>
Long-term liabilities	1,914,114	2,028,890
Other liabilities	5,653,674	4,771,820
Total liabilities	<u>7,567,788</u>	<u>6,800,710</u>
Net assets:		
Invested in capital assets, net of related debt	15,722,557	15,139,577
Restricted	5,631,424	4,158,109
Unrestricted	2,126,788	2,934,932
Total net assets	<u>\$ 23,480,769</u>	<u>22,232,618</u>

Net assets of Appanoose County's governmental activities increased approximately \$1,248,000 over fiscal year 2010. The County's net assets consists of invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased from approximately \$2,935,000 at June 30, 2010 to approximately \$2,127,000 at June 30, 2011, a decrease of 27.5%.

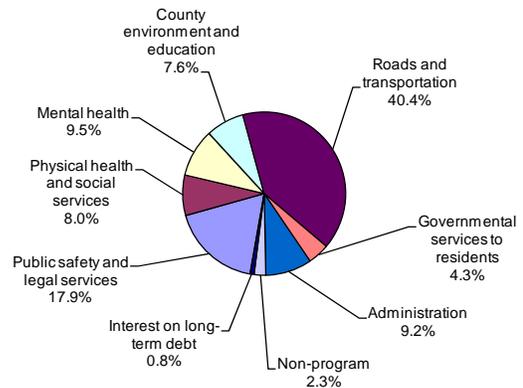
**Changes in Net Assets of Governmental Activities**

	Year ended June 30,	
	2011	2010
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 779,279	830,730
Operating grants, contributions and restricted interest	4,899,218	4,145,107
Capital grants, contributions and restricted interest	277,170	2,525,660
<b>General revenues:</b>		
Property tax	3,749,728	3,751,961
Penalty and interest on property tax	111,536	87,468
State tax credits	192,163	207,682
Local option sales tax	534,891	497,722
Hotel/motel tax	214,298	208,582
Grants and contributions not restricted to specific purposes	-	66,045
Unrestricted investment earnings	31,636	40,919
Gain on disposal of assets	16,233	20,813
Miscellaneous	83,019	13,360
<b>Total revenues</b>	<b>10,889,171</b>	<b>12,396,049</b>
<b>Program expenses:</b>		
Public safety and legal services	1,726,620	1,662,660
Physical health and social services	774,654	700,270
Mental health	914,428	1,003,300
County environment and education	731,061	597,127
Roads and transportation	3,890,390	3,195,540
Governmental services to residents	413,693	404,607
Administration	889,855	948,032
Non-program	224,432	310,275
Interest on long-term debt	75,887	86,312
<b>Total expenses</b>	<b>9,641,020</b>	<b>8,908,123</b>
<b>Increase in net assets</b>	<b>1,248,151</b>	<b>3,487,926</b>
<b>Net assets beginning of year</b>	<b>22,232,618</b>	<b>18,744,692</b>
<b>Net assets end of year</b>	<b>\$ 23,480,769</b>	<b>22,232,618</b>

**Revenues by Source**



**Expenses by Program**



For fiscal year 2011, taxable property valuation increased approximately \$9,046,000, the but the tax levy decreased \$0.25426 per \$1,000 of taxable valuation. Therefore, property tax revenue decreased approximately \$2,000. The total Appanoose County assessed taxable property valuation for property tax payable in fiscal year 2012 increased approximately \$23,637,000. However the tax levy is set to decrease \$0.10314 per \$1,000 of taxable valuation. Property tax revenue is budgeted to increase approximately \$292,000 next year.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Appanoose County completed the year, its governmental funds reported a combined fund balance of approximately \$8.56 million, an increase of approximately \$113,000 over last year's total of approximately \$8.45 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures both decreased. The ending fund balance increased \$80,922 over the prior year to approximately \$5,431,000. Total revenues decreased 4.40% from the prior year and included decreases in intergovernmental and property and other county tax. Total expenditures decreased 1.92% from the prior year and included decreases in county environment and education, primarily due to the construction of a trail and bridge by the Conservation Department in fiscal year 2010.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$914,000, a decrease of 9.2% from the prior year. The Special Revenue, Mental Health Fund balance at year end increased \$157,427 from the prior year to \$1,126,534.
- The Special Revenue, Rural Services Fund revenues increased \$23,594, primarily due to local option sales and services tax, and expenditures increased \$38,627. The fund balance increased approximately \$135,000 over the prior year to \$1,055,802.
- The Special Revenue, Secondary Roads Fund balance decreased approximately \$173,000 from the prior year. Expenditures increased approximately \$712,000 over the prior year, due primarily to an increase in road and bridge projects. Revenues increased approximately \$676,000 over the prior year, due primarily to a greater amount of federal assistance revenue than was received in the prior year.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Appanoose County amended its budget one time. The amendment resulted in increases in budgeted receipts and disbursements for secondary roads and conservation grants received during the fiscal year.

The County's total receipts were \$1,849,751 less than the final budgeted amount. Actual receipts for intergovernmental were approximately \$1,972,000 less than budgeted. This was primarily due to the County not receiving reimbursements for FEMA related expenditures until the next fiscal year and there were federally funded projects which did not get completed in the current fiscal year.

Total disbursements were \$ 4,149,542 less than the final budget. Actual disbursements for the mental health, county environment and education and roads and transportation functions were approximately \$ 691,000, \$530,000 and \$2,064,000, respectively, less than budgeted. Mental health disbursements were less than budgeted based on less payments during the fiscal year. Roads and transportation disbursements were less than budgeted based on projects being pushed back to the next fiscal year rather than being completed in fiscal year 2011. The capital projects disbursements were greater than budgeted by \$170,033 due to the timing of projects.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, Appanoose County had approximately \$15.8 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2011	2010
Land	\$ 637,132	637,132
Buildings and improvements	648,494	665,082
Equipment and vehicles	2,157,337	2,016,118
Infrastructure	11,624,701	11,639,947
Construction in progress	734,893	271,298
Total	\$ 15,802,557	15,229,577

The County had depreciation expense of \$899,907 in fiscal year 2011 and total accumulated depreciation of \$5,440,171 at June 30, 2011. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### Long-Term Debt

At June 30, 2011, Appanoose County had \$1,709,648 in long-term debt outstanding, compared to \$1,828,742 at June 30, 2010, as shown below.

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2011	2010
Conservation Foundation loan	\$ 80,000	90,000
Honey Creek loan	324,648	353,742
Solid waste revenue bonds	1,305,000	1,385,000
Total	\$ 1,709,648	1,828,742

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Appanoose County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$18 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

From fiscal year 2010 to fiscal year 2011, the countywide and the rural services property taxable valuations increased approximately \$9 million and \$3.4 million, respectively. From fiscal year 2011 to fiscal year 2012, the countywide and the rural services property taxable valuations increased approximately \$23.6 million and \$15.3 million, respectively.

Amounts budgeted for disbursements in the fiscal year 2012 operating budget are approximately \$10.4 million, an increase of 9.47% over the fiscal year 2011 actual disbursements of approximately \$9.4 million. The County's total governmental funds are projected to end fiscal year 2012 with a decrease in fund balances of approximately \$441,000 from fiscal year 2011.

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

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Appanoose County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Appanoose County Auditor's Office, 201 N. 12th, Centerville, Iowa 52544.

**Appanoose County**

## **Basic Financial Statements**

**Exhibit A**

Appanoose County  
Statement of Net Assets  
June 30, 2011

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments:	
County Treasurer	\$ 8,033,350
Conservation Foundation	24,107
Receivables:	
Property tax:	
Delinquent	46,708
Succeeding year	3,904,000
Interest and penalty on property tax	36,455
Accounts	11,041
Loan	1,305,000
Accrued interest	744
Due from other governments	1,422,182
Land held for resale	87,800
Inventories	258,861
Prepaid expenses	115,752
Capital assets (net of accumulated depreciation)	15,802,557
<b>Total assets</b>	<u>31,048,557</u>
<b>Liabilities</b>	
Accounts payable	724,788
Salaries and benefits payable	26,047
Accrued interest payable	9,931
Due to other governments	856,070
Deferred revenue:	
Succeeding year property tax	3,904,000
Other	132,838
Long-term liabilities:	
Portion due or payable within one year:	
Conservation Foundation loan	80,000
Honey Creek loan	40,282
Solid waste revenue bonds	85,000
Compensated absences	166,044
Portion due or payable after one year:	
Honey Creek loan	284,366
Solid waste revenue bonds	1,220,000
Compensated absences	12,272
Net OPEB liability	26,150
<b>Total liabilities</b>	<u>7,567,788</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	15,722,557
Restricted for:	
Supplemental levy purposes	1,893,733
Mental health purposes	1,132,208
Rural services purposes	1,047,615
Secondary roads purposes	1,157,703
Other purposes	400,165
Unrestricted	2,126,788
<b>Total net assets</b>	<u>\$ 23,480,769</u>

See notes to financial statements.

Appanoose County

Statement of Activities

Year ended June 30, 2011

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,726,620	158,748	85,395	-	(1,482,477)
Physical health and social services	774,654	113,220	473,891	-	(187,543)
Mental health	914,428	-	472,664	-	(441,764)
County environment and education	731,061	11,596	69,397	277,170	(372,898)
Roads and transportation	3,890,390	41,526	3,747,429	-	(101,435)
Governmental services to residents	413,693	210,280	6,518	-	(196,895)
Administration	889,855	11,507	3,084	-	(875,264)
Non-program	224,432	232,402	-	-	7,970
Interest on long-term debt	75,887	-	40,840	-	(35,047)
Total	<u>\$ 9,641,020</u>	<u>779,279</u>	<u>4,899,218</u>	<u>277,170</u>	<u>(3,685,353)</u>
<b>General Revenues:</b>					
Property and other county tax					3,779,394
levied for general purposes					81,870
Penalty and interest on property tax					192,163
State tax credits					534,891
Local option sales and services tax					214,298
Hotel/motel tax					31,636
Unrestricted investment earnings					16,233
Gain on disposal of assets					83,019
Miscellaneous					
Total general revenues					<u>4,933,504</u>
Change in net assets					1,248,151
Net assets beginning of year					<u>22,232,618</u>
Net assets end of year					<u>\$ 23,480,769</u>

See notes to financial statements.

Appanoose County  
Balance Sheet  
Governmental Funds

June 30, 2011

	Special Revenue		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash and pooled investments:			
County Treasurer	\$ 3,963,303	2,008,401	996,632
Conservation Foundation	-	-	-
Receivables:			
Property tax:			
Delinquent	35,470	7,564	3,674
Succeeding year	2,647,000	565,000	692,000
Interest and penalty on property tax	36,455	-	-
Accounts	336	-	-
Loan	1,305,000	-	-
Accrued interest	743	-	-
Due from other governments	183,144	-	63,894
Land held for resale	-	-	-
Inventories	-	-	-
Prepaid expenditures	115,752	-	-
<b>Total assets</b>	<b>\$ 8,287,203</b>	<b>2,580,965</b>	<b>1,756,200</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 65,090	26,617	3,423
Salaries and benefits payable	14,815	-	1,635
Due to other governments	-	856,070	-
Deferred revenue:			
Succeeding year property tax	2,647,000	565,000	692,000
Other	129,148	6,744	3,340
<b>Total liabilities</b>	<b>2,856,053</b>	<b>1,454,431</b>	<b>700,398</b>
Fund balances:			
Nonspendable:			
Land held for resale	-	-	-
Inventories	-	-	-
Prepaid expenditures	115,752	-	-
Restricted for:			
Supplemental levy purposes	1,796,558	-	-
Mental health purposes	-	1,126,534	-
Rural services purposes	-	-	1,055,802
Secondary roads purposes	-	-	-
Debt service	1,305,000	-	-
Other purposes	-	-	-
Unassigned	2,213,840	-	-
<b>Total fund balances</b>	<b>5,431,150</b>	<b>1,126,534</b>	<b>1,055,802</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,287,203</b>	<b>2,580,965</b>	<b>1,756,200</b>

See notes to financial statements.

Secondary Roads	Nonmajor	Total
602,494	262,507	7,833,337
-	24,107	24,107
-	-	46,708
-	-	3,904,000
-	-	36,455
10,705	-	11,041
-	-	1,305,000
-	1	744
1,142,586	32,558	1,422,182
-	87,800	87,800
258,861	-	258,861
-	-	115,752
<u>2,014,646</u>	<u>406,973</u>	<u>15,045,987</u>
599,745	-	694,875
8,660	937	26,047
-	-	856,070
-	-	3,904,000
854,772	11,260	1,005,264
<u>1,463,177</u>	<u>12,197</u>	<u>6,486,256</u>
-	87,800	87,800
258,861	-	258,861
-	-	115,752
-	-	1,796,558
-	-	1,126,534
-	-	1,055,802
292,608	-	292,608
-	-	1,305,000
-	306,976	306,976
-	-	2,213,840
<u>551,469</u>	<u>394,776</u>	<u>8,559,731</u>
<u>2,014,646</u>	<u>406,973</u>	<u>15,045,987</u>

**Appanoose County**

Appanoose County

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

June 30, 2011

**Total governmental fund balances (page 19)** \$ 8,559,731

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$21,242,728 and the accumulated depreciation is \$5,440,171. 15,802,557

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 872,426

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 170,100

Long-term liabilities, including loans, bonds, compensated absences, other postemployment employee benefits and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (1,924,045)

**Net assets of governmental activities (page 16)** \$ 23,480,769

See notes to financial statements.

Appanoose County

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

Year ended June 30, 2011

	General	Special Revenue	
		Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 2,634,846	569,109	643,446
Local option sales and services tax	-	-	320,935
Interest and penalty on property tax	78,355	-	-
Intergovernmental	798,669	502,401	88,603
Licenses and permits	262	-	-
Charges for service	324,152	-	5,185
Use of money and property	30,705	-	-
Miscellaneous	88,950	15	-
Total revenues	<u>3,955,939</u>	<u>1,071,525</u>	<u>1,058,169</u>
<b>Expenditures:</b>			
Operating:			
Public safety and legal services	1,325,776	-	344,484
Physical health and social services	743,923	-	29,500
Mental health	-	914,098	-
County environment and education	380,701	-	53,232
Roads and transportation	-	-	-
Governmental services to residents	411,367	-	-
Administration	869,444	-	-
Debt service	140,325	-	-
Capital projects	-	-	-
Total expenditures	<u>3,871,536</u>	<u>914,098</u>	<u>427,216</u>
Excess (deficiency) of revenues over (under) expenditures	<u>84,403</u>	<u>157,427</u>	<u>630,953</u>
<b>Other financing sources (uses):</b>			
Operating transfers in	-	-	-
Operating transfers out	(3,481)	-	(495,940)
Total other financing sources (uses)	<u>(3,481)</u>	<u>-</u>	<u>(495,940)</u>
Net change in fund balances	80,922	157,427	135,013
Fund balances beginning of year	5,350,228	969,107	920,789
Fund balances end of year	<u>\$ 5,431,150</u>	<u>1,126,534</u>	<u>1,055,802</u>

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	96,591	3,943,992
106,978	106,978	534,891
-	-	78,355
3,676,641	27,661	5,093,975
1,775	-	2,037
57	2,575	331,969
-	28	30,733
111,875	73,571	274,411
3,897,326	307,404	10,290,363
-	73,358	1,743,618
-	-	773,423
-	-	914,098
-	262,000	695,933
3,634,672	-	3,634,672
-	3,000	414,367
-	3,908	873,352
-	56,241	196,566
931,650	-	931,650
4,566,322	398,507	10,177,679
(668,996)	(91,103)	112,684
495,940	3,481	499,421
-	-	(499,421)
495,940	3,481	-
(173,056)	(87,622)	112,684
724,525	482,398	8,447,047
551,469	394,776	8,559,731

Appanoose County

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

Year ended June 30, 2011

**Net change in fund balances - Total governmental funds (page 23)** \$ 112,684

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

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

Expenditures for capital assets	\$ 1,523,804	
Depreciation expense	<u>(899,907)</u>	623,897

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report proceeds from the disposition as an increase in financial resources. (50,917)

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

Property tax	49,700	
Other	<u>366,692</u>	416,392

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 119,094

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

Compensated absences	9,834	
Other postemployment benefits	(14,152)	
Interest on long-term debt	<u>1,585</u>	(2,733)

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 29,734

**Change in net assets of governmental activities (page 17)** \$ 1,248,151

See notes to financial statements.

Appanoose County  
Statement of Net Assets  
Proprietary Fund

June 30, 2011

	<u>Internal Service - Employee Group Health</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 200,013
<b>Liabilities</b>	
Accounts payable	<u>29,913</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ 170,100</u></u>

See notes to financial statements.

Appanoose County  
Statement of Revenues, Expenses and  
Changes in Fund Net Assets  
Proprietary Fund

Year ended June 30, 2011

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Contributions and reimbursements from operating funds		\$ 559,808
Reimbursements from employees and others		124,794
Refunds		67,460
Total operating revenues		<u>752,062</u>
Operating expenses:		
Medical and health services	\$ 507,701	
Supplemental insurance	215,432	
Miscellaneous	<u>126</u>	<u>723,259</u>
Operating income		28,803
Non-operating revenues:		
Interest income		<u>931</u>
Net income		29,734
Net assets beginning of year		<u>140,366</u>
Net assets end of year		<u>\$ 170,100</u>

See notes to financial statements.

Appanoose County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2011

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 559,808
Cash received from employees and others	124,794
Cash received from refunds	67,460
Cash paid to suppliers for services	(781,824)
Net cash used by operating activities	(29,762)
Cash flows from investing activities:	
Interest on investments	931
Net decrease in cash and cash equivalents	(28,831)
Cash and cash equivalents beginning of year	228,844
Cash and cash equivalents end of year	\$ 200,013
<b>Reconciliation of operating income to net cash used by operating activities:</b>	
Operating income	\$ 28,803
Adjustment to reconcile operating income to net cash used by operating activities:	
Decrease in accounts payable	(58,565)
Net cash used by operating activities	\$ (29,762)

See notes to financial statements.

Appanoose County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2011

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 746,147
Other County officials	62,933
Receivables:	
Property tax:	
Delinquent	156,043
Succeeding year	9,338,000
Accrued interest	10
Accounts	9,925
<b>Total assets</b>	<u>10,313,058</u>

**Liabilities**

Accounts payable	21,356
Salaries and benefits payable	252
Due to other governments	10,189,706
Trusts payable	94,742
Compensated absences	7,002
<b>Total liabilities</b>	<u>10,313,058</u>

**Net assets**

\$ -

See notes to financial statements.

Appanoose County

Notes to Financial Statements

June 30, 2011

**(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.

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

A. Reporting Entity

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

These financial statements present 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 Conservation Foundation is legally separate from the County, but it is so intertwined with the County it is, in substance, the same as the County. It is reported as part of the County and blended into the Special Revenue Funds.

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 are to be used to purchase items which are not included in the County's budget. Financial information of the Foundation can be obtained from the Appanoose County Conservation Office.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: 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: Appanoose County Service Agency, South Iowa Area Detention Service Agency, Rathbun Area Solid Waste Management Commission, ADLM Emergency Management, ADLM Counties Environmental Public Health Agency, ADLM Facilities Management Systems Commission and South Iowa Area Crime Commission Service Agency.

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

The proprietary fund of 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

#### D. Assets, Liabilities and Fund Equity

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

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.

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

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

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

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

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

Asset Class	Estimated Useful lives (In Years)
Buildings	40-50
Building improvements	20-50
Infrastructure	10-65
Intangibles	5-20
Equipment	2-20
Vehicles	3-10

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is generally paid upon retirement. Such payment shall not exceed 90 days or a total dollar amount of \$2,000 for noncontract employees at least age 62 and \$2,700 for Secondary Roads contract employees. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

Net Assets – The net assets of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the capital projects function.

#### (2) **Cash and Pooled Investments**

The County's deposits in banks at June 30, 2011 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.

At June 30, 2011, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$6,363,548 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Agency Investment Trust is unrated for credit risk purposes.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$ 495,940
Prisoner Room and Board	General	3,481
Total		<u>\$ 499,421</u>

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

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 637,132	-	-	637,132
Construction in progress, road network	271,298	960,356	(496,761)	734,893
Total capital assets not being depreciated	<u>908,430</u>	<u>960,356</u>	<u>(496,761)</u>	<u>1,372,025</u>
Capital assets being depreciated:				
Buildings	1,023,871	-	-	1,023,871
Equipment and vehicles	4,780,707	563,448	(464,543)	4,879,612
Infrastructure, other	1,109,642	-	-	1,109,642
Infrastructure, road network	12,360,817	496,761	-	12,857,578
Total capital assets being depreciated	<u>19,275,037</u>	<u>1,060,209</u>	<u>(464,543)</u>	<u>19,870,703</u>
Less accumulated depreciation for:				
Buildings	358,789	16,588	-	375,377
Equipment and vehicles	2,764,588	371,313	(413,626)	2,722,275
Infrastructure, other	242,747	26,752	-	269,499
Infrastructure, road network	1,587,766	485,254	-	2,073,020
Total accumulated depreciation	<u>4,953,890</u>	<u>899,907</u>	<u>(413,626)</u>	<u>5,440,171</u>
Total capital assets being depreciated, net	<u>14,321,147</u>	<u>160,302</u>	<u>(50,917)</u>	<u>14,430,532</u>
Governmental activities capital assets, net	<u>\$ 15,229,577</u>	<u>1,120,658</u>	<u>(547,678)</u>	<u>15,802,557</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 36,141
Physical health and social services	323
County environment and education	39,365
Roads and transportation	807,851
Administration	16,227
Total depreciation expense - governmental activities	<u>\$ 899,907</u>

**(5) Due to Other Governments**

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

Fund	Description	Amount
Special Revenue:		
Mental Health	Services	\$ 856,070
Agency:		
Agricultural Extension Education	Collections	\$ 117,095
County Assessor		271,884
Schools		6,569,632
Community Colleges		332,284
Corporations		2,253,212
Townships		205,508
Auto License and Use Tax		240,311
ADLM Empowerment		104,237
All other		95,543
Total for agency funds		\$ 10,189,706

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Conservation Foundation Loan	Honey Creek Loan	Solid Waste Revenue Bonds	Compensated Absences	Other Post-employment Benefits	Total
Balance beginning of year	\$ 90,000	353,742	1,385,000	188,150	11,998	2,028,890
Increases	-	-	-	168,908	20,334	189,242
Decreases	10,000	29,094	80,000	178,742	6,182	304,018
Balance end of year	\$ 80,000	324,648	1,305,000	178,316	26,150	1,914,114
Due within one year	\$ 80,000	40,282	85,000	166,044	-	371,326

Conservation Foundation Loan

On August 27, 2008, the Conservation Foundation borrowed \$90,000 to purchase land. The interest rate on the loan is 6.0% per annum with an initial maturity date of August 27, 2009. The maturity date for the loan was extended to August 27, 2012. The principal balance on the loan at June 30, 2011 totaled \$80,000.

### Honey Creek Loan

In March 2008, the County entered into a loan agreement with Iowa Trust and Savings Bank for \$400,000, of which \$357,250 was remitted to the Iowa Department of Natural Resources and \$42,750 was remitted to Rathbun Lake Resort, Inc. to be deposited in a separate account. Principal and interest is payable in 35 equal quarterly installments of \$13,613 beginning on June 1, 2009 and continuing through June 1, 2018, as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	4.25%	\$ 40,282	14,171	54,453
2013	4.25	42,188	12,265	54,453
2014	4.25	44,146	10,307	54,453
2015	4.25	46,195	8,258	54,453
2016	4.25	48,325	6,128	54,453
2017-2018	4.25	103,512	5,395	108,907
Total		\$ 324,648	56,524	381,172

The County plans to use hotel/motel tax revenue to repay this debt.

### Solid Waste Revenue Bonds

On September 18, 2007, the County issued solid waste revenue bonds of \$1,540,000 for the Rathbun Area Solid Waste Management Commission (RASWMC). The County loaned the bond proceeds to RASWMC to be used to pay costs of acquiring works and facilities useful for collection and disposal of solid waste by the RASWMC on behalf of Appanoose County, including the acquisition of vehicles, rolling stock and other related equipment to be used in connection with the collection, transportation and disposal of solid waste in conformity with a resolution of the Board of Supervisors. The bonds will be paid from the General Fund from the loan repayments from RASWMC, as discussed in Note 7 of the Notes to Financial Statements. The principal balance on the bonds at June 30, 2011 totaled \$1,305,000.

#### **(7) Loan Receivable**

The County entered into an agreement with the RASWMC for the loan of bond proceeds detailed in Note 6 of the Notes to Financial Statements. Under the agreement, the RASWMC is to make annual payments to the County equal to the annual bond payments required on the revenue bonds. The annual principal and interest payments from RASWMC are credited to the General Fund. The following is a schedule of the future payments to be received by the County.

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	4.15%	\$ 85,000	57,005	142,005
2013	4.15	90,000	53,477	143,477
2014	4.15	90,000	49,743	139,743
2015	4.15	95,000	46,008	141,008
2016	4.15	60,000	42,065	102,065
2017 - 2021	4.20 - 4.40	350,000	169,385	519,385
2022 - 2026	4.45 - 4.65	435,000	84,960	519,960
2027	4.70	100,000	4,700	104,700
Total		\$ 1,305,000	507,343	1,812,343

**(8) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$216,376, \$196,840 and \$179,622, respectively, equal to the required contributions for each year.

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

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 73 active and no retired members in the plan.

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

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 21,331
Interest on net OPEB obligation	480
Adjustment to annual required contributions	(1,477)
Annual OPEB cost	<u>20,334</u>
Contribution made	(6,182)
Increase in net OPEB obligation	<u>14,152</u>
Net OPEB obligation beginning of year	<u>11,998</u>
Net OPEB obligation end of year	<u><u>\$ 26,150</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the County contributed \$6,182 to the medical plan. Plan members eligible for benefits contributed \$12,363, or 67% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 21,331	43.8%	\$ 11,998
2011	20,334	30.4	26,150

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$185,166, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$185,166. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,024,000 and the ratio of UAAL to covered payroll was 6.1%. As of June 30, 2011, there were no trust fund assets.

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

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

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

Mortality rates are from the RP2000 Combined Mortality Table projected to 2010 using Scale AA, applied on a gender-specific basis.

The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(10) Risk Management**

The County is 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.

**(11) Employee Health Insurance Plan**

The Internal Service, 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 Auxiant. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$35,000. 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 Auxiant from the Employee Group Health Fund. The County records the plan assets and related liabilities of the Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2011 was \$559,808.

Amounts payable from the Employee Group Health Fund at June 30, 2011 total \$29,913, 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 \$170,100 at June 30, 2011 and is reported as a designation of the Employee Group Health Fund net assets. 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 June 30, 2010	\$ 88,478
Incurred claims (including claims incurred but not reported at June 30, 2010)	507,701
Payment on claims during the fiscal year	<u>(566,266)</u>
Unpaid claims at June 30, 2011	<u>\$ 29,913</u>

**(12) Construction Commitments**

The County has entered into contracts totaling \$1,597,729 for bridge construction and roadway paving. As of June 30, 2011, costs of \$722,315 on the projects have been incurred. The balance of \$875,414 remaining on the contracts at June 30, 2011 will be paid as work on the projects progresses.

**Appanoose County**

**Required Supplementary Information**

Appanoose County

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

Required Supplementary Information

Year ended June 30, 2011

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 4,541,634	-	4,541,634
Interest and penalty on property tax	76,423	-	76,423
Intergovernmental	4,947,223	-	4,947,223
Licenses and permits	2,068	-	2,068
Charges for service	331,967	-	331,967
Use of money and property	31,529	1	31,528
Miscellaneous	312,634	29,591	283,043
Total receipts	<u>10,243,478</u>	<u>29,592</u>	<u>10,213,886</u>
<b>Disbursements:</b>			
Public safety and legal services	1,751,404	-	1,751,404
Physical health and social services	761,055	-	761,055
Mental health	576,845	-	576,845
County environment and education	821,946	65,297	756,649
Roads and transportation	3,231,654	-	3,231,654
Governmental services to residents	411,539	-	411,539
Administration	869,057	-	869,057
Nonprogram	-	-	-
Debt service	155,726	15,151	140,575
Capital projects	940,033	-	940,033
Total disbursements	<u>9,519,259</u>	<u>80,448</u>	<u>9,438,811</u>
Excess (deficiency) of receipts over (under) disbursements	724,219	(50,856)	775,075
Other financing sources, net	10	-	10
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	724,229	(50,856)	775,085
Balance beginning of year	<u>7,133,215</u>	<u>74,963</u>	<u>7,058,252</u>
Balance end of year	<u>\$ 7,857,444</u>	<u>24,107</u>	<u>7,833,337</u>

See accompanying independent auditor's report.

---

Budgeted Amounts		Final to Net
Original	Final	Variance
4,794,017	4,794,017	(252,383)
5,500	5,500	70,923
4,456,406	6,919,381	(1,972,158)
500	500	1,568
269,061	269,061	62,906
50,100	50,100	(18,572)
21,450	25,078	257,965
9,597,034	12,063,637	(1,849,751)
1,955,640	1,981,330	229,926
792,907	835,632	74,577
1,268,212	1,268,212	691,367
1,007,980	1,286,768	530,119
2,993,000	5,296,000	2,064,346
470,988	470,988	59,449
980,643	980,643	111,586
-	504,000	504,000
194,780	194,780	54,205
770,000	770,000	(170,033)
10,434,150	13,588,353	4,149,542
(837,116)	(1,524,716)	2,299,791
140,325	140,325	(140,315)
(696,791)	(1,384,391)	2,159,476
5,974,566	5,974,566	1,083,686
5,277,775	4,590,175	3,243,162

Appanoose County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,243,478	46,885	10,290,363
Expenditures	9,519,259	658,420	10,177,679
Net	724,219	(611,535)	112,684
Other financing sources, net	10	(10)	-
Beginning fund balances	7,133,215	1,313,832	8,447,047
Ending fund balances	\$ 7,857,444	702,287	8,559,731

See accompanying independent auditor's report.

Appanoose County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component unit, 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 ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$3,154,203. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the capital projects function.

---

Appanoose County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 185	185	0.00%	\$ 2,950	6.3%
2011	Jul 1, 2009	-	185	185	0.00	3,024	6.1

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

**Other Supplementary Information**

Appanoose County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2011

	County Recorder's Records Management	Resource Enhancement and Protection	Law Enforcement Forfeiture
<b>Assets</b>			
Cash and pooled investments:			
County Treasurer	\$ 7,542	21,786	1,635
Conservation Foundation	-	-	-
Accrued interest receivable	-	1	-
Due from other governments	-	-	-
Land held for resale	-	-	-
<b>Total assets</b>	<b>\$ 7,542</b>	<b>21,787</b>	<b>1,635</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Salaries and benefits payable	\$ -	937	-
Deferred revenue:			
Other	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>937</b>	<b>-</b>
Fund balances:			
Nonspendable:			
Land held for resale	-	-	-
Restricted for:			
Other purposes	7,542	20,850	1,635
Total fund balances	7,542	20,850	1,635
<b>Total liabilities and fund balances</b>	<b>\$ 7,542</b>	<b>21,787</b>	<b>1,635</b>

See accompanying independent auditor's report.

Special Revenue					
Economic Development	Conservation Foundation	HazMat	Prisoner Room and Board	Future Tax Payments	Total
136,365	-	72,972	18,155	4,052	262,507
-	24,107	-	-	-	24,107
-	-	-	-	-	1
32,558	-	-	-	-	32,558
87,800	-	-	-	-	87,800
256,723	24,107	72,972	18,155	4,052	406,973
-	-	-	-	-	937
11,260	-	-	-	-	11,260
11,260	-	-	-	-	12,197
87,800	-	-	-	-	87,800
157,663	24,107	72,972	18,155	4,052	306,976
245,463	24,107	72,972	18,155	4,052	394,776
256,723	24,107	72,972	18,155	4,052	406,973

Appanoose County

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

Year ended June 30, 2011

	County Recorder's Records Management	Resource Enhancement and Protection	Law Enforcement Forfeiture
Revenues:			
Property and other county tax	\$ -	-	-
Local option sales and services tax	-	-	-
Intergovernmental	-	13,592	-
Charges for service	2,575	-	-
Use of money and property	6	18	3
Miscellaneous	-	-	3,140
Total revenues	2,581	13,610	3,143
Expenditures:			
Operating:			
Public safety and legal services	-	-	5,388
County environment and education	-	12,399	-
Governmental services to residents Administration	3,000	-	-
Debt service	-	-	-
Total expenditures	3,000	12,399	5,388
Excess (deficiency) of revenues over (under) expenditures	(419)	1,211	(2,245)
Other financing sources:			
Operating transfers in	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(419)	1,211	(2,245)
Fund balances beginning of year	7,961	19,639	3,880
Fund balances end of year	\$ 7,542	20,850	1,635

See accompanying independent auditor's report.

Special Revenue								
Economic Development	Honey Creek Loan	Conservation Foundation	HazMat	Prisoner Room and Board	Emergency Medical Services	Future Tax Payments	Debt Service	Total
29,671	-	-	-	-	63,171	3,749	-	96,591
106,978	-	-	-	-	-	-	-	106,978
-	-	-	14,069	-	-	-	-	27,661
-	-	-	-	-	-	-	-	2,575
-	-	1	-	-	-	-	-	28
-	40,840	29,591	-	-	-	-	-	73,571
136,649	40,840	29,592	14,069	-	63,171	3,749	-	307,404
-	-	-	4,799	-	63,171	-	-	73,358
184,304	-	65,297	-	-	-	-	-	262,000
-	-	-	-	-	-	-	-	3,000
-	-	-	-	-	-	3,908	-	3,908
-	40,840	15,151	-	-	-	-	250	56,241
184,304	40,840	80,448	4,799	-	63,171	3,908	250	398,507
(47,655)	-	(50,856)	9,270	-	-	(159)	(250)	(91,103)
-	-	-	-	3,481	-	-	-	3,481
(47,655)	-	(50,856)	9,270	3,481	-	(159)	(250)	(87,622)
293,118	-	74,963	63,702	14,674	-	4,211	250	482,398
245,463	-	24,107	72,972	18,155	-	4,052	-	394,776

Appanoose County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	2,584	58,421	144,694	7,997
Other County officials	62,933	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,511	2,956	86,938	4,287
Succeeding year	-	113,000	221,000	6,338,000	320,000
Accrued interest	-	-	-	-	-
Accounts	-	-	-	-	-
<b>Total assets</b>	<b>\$ 62,933</b>	<b>117,095</b>	<b>282,377</b>	<b>6,569,632</b>	<b>332,284</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	6,840	-	-
Salaries payable	-	-	252	-	-
Due to other governments	100	117,095	271,884	6,569,632	332,284
Trusts payable	62,833	-	-	-	-
Compensated absences	-	-	3,401	-	-
<b>Total liabilities</b>	<b>\$ 62,933</b>	<b>117,095</b>	<b>282,377</b>	<b>6,569,632</b>	<b>332,284</b>

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
48,820	4,564	240,311	31,909	112,790	94,057	746,147
-	-	-	-	-	-	62,933
59,392	944	-	-	-	15	156,043
2,145,000	200,000	-	-	-	1,000	9,338,000
-	-	-	-	7	3	10
-	-	-	-	-	9,925	9,925
<b>2,253,212</b>	<b>205,508</b>	<b>240,311</b>	<b>31,909</b>	<b>112,797</b>	<b>105,000</b>	<b>10,313,058</b>
-	-	-	-	8,560	5,956	21,356
-	-	-	-	-	-	252
2,253,212	205,508	240,311	-	104,237	95,443	10,189,706
-	-	-	31,909	-	-	94,742
-	-	-	-	-	3,601	7,002
<b>2,253,212</b>	<b>205,508</b>	<b>240,311</b>	<b>31,909</b>	<b>112,797</b>	<b>105,000</b>	<b>10,313,058</b>

Appanoose County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Balances beginning of year	\$ 56,680	105,706	294,669	5,951,272	328,281
Additions:					
Property and other county tax	-	112,713	219,422	6,335,247	318,325
E911 surcharge	-	-	-	-	-
State tax credits	-	5,306	12,947	298,322	16,419
Drivers license fees	-	-	-	-	-
Office fees and collections	307,235	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	146,524	-	-	-	-
Miscellaneous	-	77	665	4,510	239
Total additions	453,759	118,096	233,034	6,638,079	334,983
Deductions:					
Agency remittances:					
To other funds	211,958	-	-	-	-
To other governments	85,340	106,707	245,326	6,019,719	330,980
Trusts paid out	150,208	-	-	-	-
Total deductions	447,506	106,707	245,326	6,019,719	330,980
Balances end of year	\$ 62,933	117,095	282,377	6,569,632	332,284

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
2,345,655	179,379	247,245	24,891	160,227	135,784	9,829,789
2,187,259	197,172	-	-	-	1,136	9,371,274
-	-	-	-	-	40,756	40,756
117,055	8,574	-	-	-	591	459,214
-	-	56,219	-	-	-	56,219
-	-	-	-	-	-	307,235
-	-	2,922,278	-	-	-	2,922,278
-	-	-	-	-	3,278	3,278
-	-	-	223,914	-	-	370,438
4,321	-	-	-	586,150	154,383	750,345
2,308,635	205,746	2,978,497	223,914	586,150	200,144	14,281,037
-	-	124,529	-	-	-	336,487
2,401,078	179,617	2,860,902	-	633,580	230,928	13,094,177
-	-	-	216,896	-	-	367,104
2,401,078	179,617	2,985,431	216,896	633,580	230,928	13,797,768
2,253,212	205,508	240,311	31,909	112,797	105,000	10,313,058

Appanoose County

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

For the Last Ten Years

	2011	2010	2009	2008
<b>Revenues:</b>				
Property and other county tax	\$ 3,943,992	4,005,725	3,637,673	3,503,441
Local option sales and services tax	534,891	497,722	494,887	528,769
Interest and penalty on property tax	78,355	78,520	75,235	66,110
Intergovernmental	5,093,975	5,051,548	4,725,998	4,519,436
Licenses and permits	2,037	1,307	2,790	3,115
Charges for service	331,969	327,598	303,891	320,864
Use of money and property	30,733	38,151	80,878	261,837
Miscellaneous	274,411	235,341	234,417	238,469
<b>Total</b>	<b>\$ 10,290,363</b>	<b>10,235,912</b>	<b>9,555,769</b>	<b>9,442,041</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 1,743,618	1,702,446	1,837,930	1,463,922
Physical health and social services	773,423	697,652	727,099	672,941
Mental health	914,098	1,006,529	1,075,797	1,166,537
County environment and education	695,933	660,543	532,833	701,906
Roads and transportation	3,634,672	3,023,143	3,377,865	3,350,109
Governmental services to residents	414,367	413,383	401,885	342,162
Administration	873,352	956,428	722,593	689,098
Debt service	196,566	203,974	363,354	92,781
Capital projects	931,650	831,500	417,520	122,777
<b>Total</b>	<b>\$ 10,177,679</b>	<b>9,495,598</b>	<b>9,456,876</b>	<b>8,602,233</b>

See accompanying independent auditor's report.

Modified Accrual Basis					
2007	2006	2005	2004	2003	2002
3,400,281	3,348,920	3,058,156	2,979,791	2,917,055	2,605,058
524,312	539,546	318,080	-	-	-
59,851	125,241	56,042	62,284	56,392	54,162
3,906,383	4,200,496	5,542,511	5,480,691	5,590,715	3,588,068
1,150	1,273	1,095	71,649	2,946	67,019
314,365	305,369	290,879	332,619	312,847	256,193
231,993	229,351	138,687	26,975	37,884	72,694
123,823	164,629	172,245	142,631	94,523	98,626
8,562,158	8,914,825	9,577,695	9,096,640	9,012,362	6,741,820
1,393,793	1,398,772	1,317,975	1,342,719	1,427,258	1,337,345
646,051	672,060	660,911	883,444	584,009	811,548
1,232,827	1,239,386	874,074	1,146,711	978,318	1,181,582
501,580	664,331	381,317	244,308	237,012	348,224
3,136,545	3,420,703	3,326,026	2,664,836	2,458,484	2,263,656
320,105	455,216	307,411	310,280	262,480	250,279
656,539	651,470	630,922	815,365	740,411	580,887
42,513	14,793	23,311	6,440	6,440	5,229
219,196	3,632,037	1,220,545	256,873	381,350	1,015
8,149,149	12,148,768	8,742,492	7,670,976	7,075,762	6,779,765

**Schedule 6**

Appanoose County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

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 the Supplemental Nutrition Assistance Program	10.561		\$ 8,638 *
Iowa Department of Public Health:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	588INU03	22,718
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	588ONU03	4,546
			<u>27,264 *</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C004 (58)--8J-04	296,614
Highway Planning and Construction	20.205	BROS-C004 (71)--8J-04	43,510
			<u>340,124</u>
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-09-01-00	6,188
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5880BT04	13,599
Public Health Emergency Preparedness	93.069	5881BT304	23,973
			<u>37,572</u>
Immunization Cluster:			
Immunization Grants	93.268	5880I404	1,076
Immunization Grants	93.268	5881I404	1,859
			<u>2,935</u>
ARRA - Immunization	93.712	5880I404	1,105
Cluster total			<u>4,040</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5880NB01	40,185

Appanoose County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
Iowa Department of Human Services:			
Child Care and Development Block Grant	93.575		86,858
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State Administered Programs	93.566		5
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		2,089
Foster Care - Title IV-E	93.658		3,422
Adoption Assistance	93.659		825
Children's Health Insurance Program	93.767		38
Medical Assistance Program	93.778		8,246
Social Services Block Grant	93.667		2,933
Social Services Block Grant	93.667		85,216
			<u>88,149</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR1763	45,172
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR1930	808,101
			<u>853,273</u>
Hazard Mitigation Grant	97.039	DR-1705-0004-00	3,673
Total			<u>\$ 1,510,589</u>

\* - Total for CFDA Number 10.561 is \$35,902.

**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 in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**Appanoose County**



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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

To the Officials of Appanoose County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Appanoose County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 6, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 through II-C-11 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-D-11 and II-E-11 to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Appanoose County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in 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, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of 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.

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

March 6, 2012

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

**Appanoose County**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

State Capitol Building  
Des Moines, Iowa 50319-0004

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

David A. Vaudt, CPA  
Auditor of State

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

To the Officials of Appanoose County:

Compliance

We have audited Appanoose County, Iowa's compliance, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Appanoose County's major federal programs for the year ended June 30, 2011. Appanoose County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs 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 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 grant agreements 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Appanoose County's internal control over compliance.

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

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

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, and is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 6, 2012

Appanoose County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
  - CFDA Number 20.205 – Highway Planning and Construction.
  - CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters).
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Appanoose County did not qualify as a low-risk auditee.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-11 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	Applicable Offices
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	Treasurer, Agricultural Extension and Recorder
(2) Bank accounts are not reconciled at the end of each month by an individual who does not sign checks, handle or record cash.	Treasurer and Recorder
(3) Checks are not signed by an individual who does not otherwise participate in the preparation of the checks.	Recorder
(4) Collection, deposit preparation and reconciliation functions are not segregated from the recording and accounting for cash receipts.	Treasurer, Agricultural Extension and Recorder

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel or other County employees 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 -

Recorder – We do the best we can with only the Recorder and the Deputy Recorder working the office. It is very hard to segregate duties. We do the best we can with the limited number of employees we have. We will try to segregate as many duties as we can.

Treasurer – In our small office, segregation of duties is difficult, but being in a small office everyone is cross-trained to collect and balance revenues. Bank account reconciliation, will try to have someone review. Also month end balancing will be reviewed. We balance daily to the penny.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Agricultural Extension – I plan to have the other employee open the incoming mail when she is available and the Agricultural Extension Council has now hired someone to reconcile the monthly bank statements.

Conclusions – Responses acknowledged. The Offices should consider using other County employees to provide additional control.

- II-B-11 Financial Reporting – During the audit, we identified material amounts of revenues, expenditures, receivables, payables and capital asset additions and deletions not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all revenues, expenditures, receivables, payables and capital asset additions and deletions are identified and included in the County's financial statements.

Responses -

Auditor – We will take care of this.

Treasurer – I will monitor the earned date closer and also visit with departments about the necessity of using the earned dates. Each department bring in their revenues and account coding along with date earned. Will do our best to get better control of that problem.

Secondary Roads – I will be careful to double check the hours to make sure salaries payable misstatement is not repeated.

Conclusions - Responses accepted.

- II-C-11 County Mental Health Department – The County receives medicaid billings from the Iowa Department of Human Services (DHS) each month. The County Mental Health Department is responsible for reviewing the billings and entering the data into the CoMIS computer system. The CoMIS computer system generates an amount payable to DHS, which is submitted to the County Auditor's Office for payment. The County Mental Health Department did not enter the medicaid data into the CoMIS system or generate payments to DHS in a timely manner. As a result, the County has not paid DHS for medicaid billings dating back as far as September 1997. The amount owed for the billings at June 30, 2011 totals \$817,712. These billings are included in the Due to Other Governments liability on the governmental funds Balance Sheet and the Statement of Net Assets.

Recommendation – The County's Central Point Coordinator (CPC) should implement procedures to ensure the medicaid billings are entered into the CoMIS computer system in a timely manner. Also, the CPC should ensure payments to DHS are made in a timely manner.

Response – The CPC has started a new program which will correct this.

Conclusion – Response accepted.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

II-D-11 Information Systems – The County does not have a written disaster recovery plan for its computer based operating systems.

Recommendation – The County should develop a written disaster recovery plan in order to improve the County’s control over computer based systems.

Response – We will work on this.

Conclusion – Response accepted.

II-E-11 Timely Deposit – State warrants were not deposited timely with the County Treasurer by the Agricultural Extension, Board of Health and Emergency Management departments.

Recommendation – All receipts should be deposited timely and quarterly fees should be remitted to the County Treasurer timely.

Responses -

Agricultural Extension – I plan to make deposits more often.

Public Health – Appanoose County Public Health will work on having all deposits made within two weeks of receipt.

Emergency Management – Will work to make sure deposits are timely.

Conclusions – Responses accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Appanoose County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2011

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

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

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amount budgeted in the capital projects function.

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

Response – Will pay closer attention to this in the future.

Conclusion – Response accepted.

IV-B-11 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-11 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-11 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-E-11 County Treasurer - Surety bond coverage of County officials and employees is in accordance with statutory provisions, except for the County Treasurer.

Recommendation - Surety bond coverage should be purchased at the correct amount for the County Treasurer in compliance with Chapter 64.10 of the Code of Iowa. The amount of coverage should also be reviewed annually to ensure the coverage is adequate for current operations.

Response – This had been corrected for fiscal year 2012.

Conclusion – Response accepted.

IV-F-11 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-H-11 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).

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

Disbursements during the year ended June 30, 2011 for the County Extension Office did not exceed the amount budgeted.

- IV-J-11 Rent on Conservation Residence – The County Conservation Board’s residence policy provides for a housing allowance to be paid to an employee residing in a County owned residence. The policy states the housing allowance is equal to the amount of rent charged by the County to the employee.

During the year ended June 30, 2011, the County paid \$6,000 in housing allowance to the conservation employee. The allowance was paid through payroll and was subject to federal and state income tax withholdings, as well as FICA and IPERS.

The rent income was credited to the Appanoose Conservation Foundation rather than to the County. Chapter 331.427 of the Code of Iowa requires all county revenues from taxes and other sources for general county services be credited to the General Fund of the County.

Recommendation – All County revenue should be credited to the County’s General Fund as required by Chapter 331.427 of the Code of Iowa.

Response – Donations and Appanoose County Foundation revenues were used to build the house at Sharon Bluffs. The Appanoose County Foundation has maintained the house since it was built in 1995. If the revenue was to be credited to the County, the County should have paid to have it built.

Conclusion – Response acknowledged. The County should consult the County Attorney regarding this matter.

---

Appanoose County

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager  
Michael R. Field, Senior Auditor  
William B. Corley, Assistant Auditor  
James H. Pitcher, Assistant Auditor  
Nicole L. Wilson, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State