



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 27, 2014

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an audit report on Appanoose County, Iowa.

The County had local tax revenue of \$13,936,342 for the year ended June 30, 2013, which included \$772,606 in tax credits from the state. The County forwarded \$10,106,808 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,829,534 of the local tax revenue to finance County operations, an 8.9% decrease from the prior year. Other revenues included charges for service of \$1,166,284, operating grants, contributions and restricted interest of \$3,440,990, capital grants, contributions and restricted interest of \$532,748, local option sales and services tax of \$605,534, hotel/motel tax of \$230,633, unrestricted investment earnings of \$16,828 and other general revenues of \$418,034.

Expenses for County operations for the year ended June 30, 2013 totaled \$10,065,679, a 1% increase over the prior year. Expenses included \$4,345,852 for roads and transportation, \$1,937,343 for public safety and legal services and \$910,183 for administration.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1310-0004-B00F.pdf>.

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APPANOOSE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

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Appanoose County

Officials

(Before January 2013)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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

(After January 2013)

Dean Kaster	Board of Supervisors	Jan 2015
Jody McDanel	Board of Supervisors	Jan 2017
Neil Smith	Board of Supervisors	Jan 2017
Linda Demry	County Auditor	Jan 2017
Mary Kay Williams	County Treasurer	(Retired March 2013)
Debra Davidson (Appointed)	County Treasurer	Nov 2014
Teddy Walker	County Recorder	Jan 2015
Gary Anderson	County Sheriff	Jan 2017
Richard Scott	County Attorney	Jan 2015
Michael Barth	County Assessor	Jan 2016

Appanoose County



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Independent Auditor's Report

To the Officials of Appanoose County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Appanoose County, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Appanoose County as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 48 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Appanoose County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 6, 2014 on our consideration of Appanoose County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 in considering Appanoose County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 6, 2014

Appanoose County

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, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- The County's governmental activities revenues decreased 22.6%, or approximately \$2,984,000, from fiscal year 2012 to fiscal year 2013. Capital grants, contributions and restricted interest decreased approximately \$2,928,000 and operating grants, contributions and restricted interest decreased approximately \$530,000.
- The County's governmental activities expenses increased 1%, or approximately \$100,000, from fiscal year 2012 to fiscal year 2013. Mental health expenses decreased approximately \$620,000, public safety and legal services expenses increased approximately \$44,000, county environment and education expenses decreased approximately \$33,000 and administration expenses increased approximately \$62,000.
- The County's net position increased less than 1%, or approximately \$175,000, from June 30, 2012 to June 30, 2013.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of 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.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets 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 Position presents all of the County's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

Fund Financial Statements

The County has 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 and 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general 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) A proprietary fund accounts 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 Position, a Statement of Revenues, Expenses and Changes in Fund Net Position 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 governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Appanoose County's net position increased from \$26,740,008 at the end of fiscal year 2012 to \$26,914,914 at the end of fiscal year 2013. The analysis that follows focuses on the changes in the net position of governmental activities.

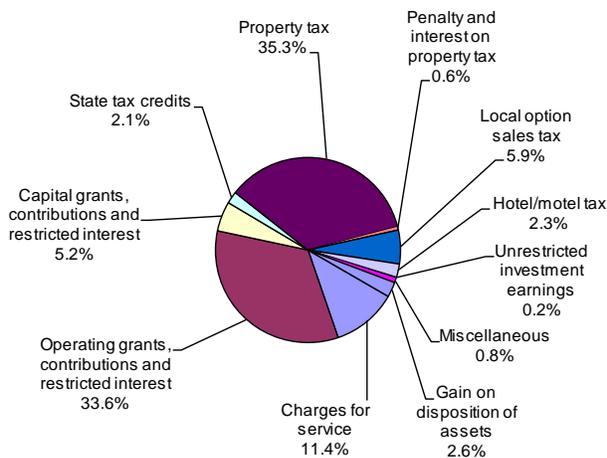
Net Position of Governmental Activities		
	June 30,	
	2013	2012
Current and other assets	\$ 15,942,892	\$ 15,320,500
Capital assets	18,512,695	18,812,990
Total assets	<u>34,455,587</u>	<u>34,133,490</u>
Long-term liabilities	2,718,998	1,854,485
Other liabilities	4,821,675	5,538,997
Total liabilities	<u>7,540,673</u>	<u>7,393,482</u>
Net position:		
Invested in capital assets, net of related debt	18,512,695	18,732,990
Restricted	5,944,315	5,883,025
Unrestricted	<u>2,457,904</u>	<u>2,123,993</u>
Total net position	<u>\$ 26,914,914</u>	<u>\$ 26,740,008</u>

Net position of Appanoose County's governmental activities increased less than 1% (approximately \$26.7 million compared to \$26.9 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from approximately \$2,124,000 at June 30, 2012 to approximately \$2,458,000 at June 30, 2013, an increase of 15.7%.

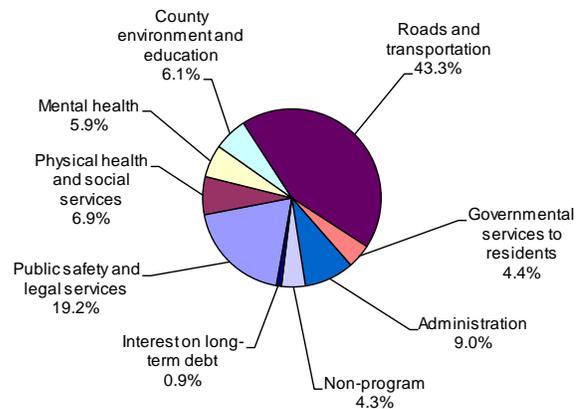
Changes in Net Position of Governmental Activities

	Year ended June 30,	
	2013	2012
Revenues:		
Program revenues:		
Charges for service	\$ 1,166,284	\$ 653,895
Operating grants, contributions and restricted interest	3,440,990	3,970,895
Capital grants, contributions and restricted interest	532,748	3,460,738
General revenues:		
Property tax	3,616,662	4,017,565
Penalty and interest on property tax	66,313	112,731
State tax credits	212,872	185,931
Local option sales tax	605,534	515,706
Hotel/motel tax	230,633	224,732
Unrestricted investment earnings	16,828	21,840
Gain on disposition of assets	267,876	-
Miscellaneous	83,845	60,981
Total revenues	10,240,585	13,225,014
Program expenses:		
Public safety and legal services	1,937,343	1,893,185
Physical health and social services	694,568	740,664
Mental health	597,682	1,217,274
County environment and education	615,606	648,341
Roads and transportation	4,345,852	3,858,504
Governmental services to residents	443,633	432,285
Administration	910,183	848,567
Non-program	430,816	248,991
Interest on long-term debt	89,996	77,964
Total expenses	10,065,679	9,965,775
Increase in net position	174,906	3,259,239
Net position beginning of year	26,740,008	23,480,769
Net position end of year	\$ 26,914,914	26,740,008

Revenues by Source



Expenses by Program



Appanoose County's net position of governmental activities increased approximately \$175,000. Revenues for governmental activities decreased approximately \$2,984,000 from the prior year, with property tax revenue down from the prior year approximately \$401,000, or 10%.

For fiscal year 2013, taxable property valuation decreased approximately \$669,000 and the tax levy rate decreased \$0.97804 per \$1,000 of taxable valuation. Therefore, property tax revenue decreased approximately \$401,000. The total Appanoose County assessed taxable property valuation for property tax payable in fiscal year 2014 increased approximately \$7,307,000. The tax levy rate is set to increase \$0.9634 per \$1,000 of taxable valuation. Property tax revenue is budgeted to increase approximately \$427,000 next year.

The cost of all governmental activities this year was approximately \$10.1 million compared to approximately \$10 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these projects was approximately \$4.9 million because some of the cost was paid by those directly benefited from the programs (approximately \$1,166,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$3,974,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, decreased in fiscal year 2013 from approximately \$8,086,000 to approximately \$5,140,000, principally due to receiving grant proceeds for the completion of several infrastructure projects in fiscal year 2012. The County paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Appanoose County completed the year, its governmental funds reported a combined fund balance of approximately \$10.75 million, an increase of approximately \$1,404,000 over last year's total of approximately \$9.35 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased approximately \$20,000, primarily due to a decrease in property and other county tax. Total expenditures increased approximately \$178,000. The ending fund balance increased \$1,205,225 over the prior year to \$7,002,979. The increase is mainly due to the County issuing \$990,000 of general obligation refunding capital loan notes for a crossover refunding, the proceeds of which are reported as U.S. Treasury securities on deposit with escrow agent until the crossover date of June 1, 2015.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$600,000, a decrease of 50.5% from the prior year. The decrease is primarily due to the County's Central Point Coordinator (CPC) catching up on entering Medicaid data into the COMIS computer system for past billings and the method the State is paying for Medicaid paid services. The Special Revenue, Mental Health Fund balance at year end decreased \$355,951 from the prior year to \$619,982.
- The Special Revenue, Rural Services Fund revenues increased \$45,751, primarily due to an increase of local option sales and services tax. Expenditures increased \$16,347. The fund balance decreased \$52,102 from the prior year to \$856,959.
- The Special Revenue, Secondary Roads Fund balance increased \$214,263 over the prior year to \$1,469,695. Expenditures increased approximately \$25,000 over the prior year, due primarily to an increase in wages to clear ice and snow. Revenues decreased approximately \$464,000 from the prior year, due primarily to less federal assistance received in the current year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Appanoose County amended its budget two times. The first amendment resulted in an increase in budgeted disbursements for the mental health function for additional payments made for community based care and an increase in budgeted disbursements for the roads and transportation function for anticipated construction projects. The second amendment resulted in an increase in intergovernmental receipts and budgeted disbursements for the public safety and legal services function for additional disbursements in certain County departments.

The County’s total receipts were \$248,081 more than budgeted, a variance of 2.8%. The most significant variance resulted from the County receiving more interest and penalty on property tax than anticipated.

Total disbursements were \$1,705,014 less than the amended budget. Actual disbursements for the roads and transportation, mental health and physical health and social services functions were \$664,690, \$503,180 and \$176,127, respectively, less than budgeted. This was primarily due to construction projects not completed as anticipated during the fiscal year. Mental health disbursements were less than budgeted based on the timing of payments made and the method the State is paying for Medicaid paid services. The County anticipated more in physical health grant program disbursements than were actually incurred.

Even with the budget amendments, the County exceeded the budgeted amount in the debt service function. The County did not budget for bond issuance costs related to the general obligation refunding capital loan notes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, Appanoose County had approximately \$18.5 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,	
	2013	2012
Land	\$ 550,293	670,525
Buildings and improvements	809,474	755,386
Equipment and vehicles	2,203,155	2,024,797
Infrastructure	14,864,120	15,347,177
Construction in progress	85,653	15,105
Total	<u>\$ 18,512,695</u>	<u>18,812,990</u>
This year's major additions included:		
Capital assets contributed by the		
Iowa Department of Transportation	<u>\$ 219,732</u>	

The County had depreciation expense of \$1,029,483 in fiscal year 2013 and total accumulated depreciation of \$6,921,740 at June 30, 2013. More detailed information about the County’s capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2013, Appanoose County had \$2,364,762 of long-term debt outstanding, compared to \$1,586,455 at June 30, 2012, as shown below.

	Outstanding Debt of Governmental Activities at Year-End	
	June 30,	
	2013	2012
Conservation Foundation loan	\$ -	80,000
Honey Creek loan	244,762	286,455
Solid waste revenue bonds	1,130,000	1,220,000
General obligation refunding capital loan notes	990,000	-
Total	\$ 2,364,762	1,586,455

Debt increased as a result of issuing \$990,000 of general obligation refunding capital loan notes to pay the cost of refunding \$990,000 of solid waste revenue bonds dated September 18, 2007, with a June 1, 2015 call date.

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 \$19 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 2012 to fiscal year 2013, the countywide and the rural services property taxable valuations decreased approximately \$669,000 and \$115,000, respectively. From fiscal year 2013 to fiscal year 2014, the countywide and the rural services property taxable valuations increased approximately \$7,307,000 and \$3,698,000, respectively.

Amounts budgeted for disbursements in the fiscal year 2014 operating budget are approximately \$6,000 more than fiscal year 2013 actual disbursements of approximately \$10.3 million. The County has added no major new programs or initiatives to the fiscal year 2014 budget. If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$776,000 by the close of fiscal year 2014.

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 Position
June 30, 2013

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 8,015,404
U.S. Treasury securities on deposit with escrow agent	981,820
Conservation Foundation	390,236
Receivables:	
Property tax:	
Delinquent	36,680
Succeeding year	3,970,000
Interest and penalty on property tax	48,127
Accounts	10,947
Loan	1,130,000
Accrued interest	791
Due from other governments	808,687
Land held for resale	87,800
Inventories	323,803
Prepaid expenses	138,597
Capital assets, net of accumulated depreciation	18,512,695
Total assets	<u>34,455,587</u>
Liabilities	
Accounts payable	526,726
Salaries and benefits payable	53,652
Accrued interest payable	6,804
Due to other governments	264,493
Deferred revenue:	
Succeeding year property tax	3,970,000
Long-term liabilities:	
Portion due or payable within one year:	
Honey Creek loan	43,192
Solid waste revenue bonds	90,000
Compensated absences	195,821
Portion due or payable after one year:	
Honey Creek loan	201,570
Solid waste revenue bonds	1,040,000
General obligation refunding capital loan notes	990,000
Compensated absences	89,215
Net OPEB liability	69,200
Total liabilities	<u>7,540,673</u>
Net Position	
Net investment in capital assets	18,512,695
Restricted for:	
Supplemental levy purposes	2,116,130
Mental health purposes	624,829
Rural services purposes	845,027
Secondary roads purposes	1,553,068
Other purposes	805,261
Unrestricted	2,457,904
Total net position	<u>\$ 26,914,914</u>

See notes to financial statements.

Appanoose County
Statement of Activities
Year ended June 30, 2013

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,937,343	169,829	86,020	-	(1,681,494)
Physical health and social services	694,568	192,254	432,791	-	(69,523)
Mental health	597,682	-	15,663	-	(582,019)
County environment and education	615,606	12,386	230,484	-	(372,736)
Roads and transportation	4,345,852	89,927	2,620,535	498,109	(1,137,281)
Governmental services to residents	443,633	236,895	-	-	(206,738)
Administration	910,183	24,558	1,851	34,639	(849,135)
Non-program	430,816	440,435	2,130	-	11,749
Interest on long-term debt	89,996	-	51,516	-	(38,480)
Total	\$ 10,065,679	1,166,284	3,440,990	532,748	(4,925,657)
General Revenues:					
Property and other county tax					
levied for general purposes					3,616,662
Penalty and interest on property tax					66,313
State tax credits					212,872
Local option sales and services tax					605,534
Hotel/motel tax					230,633
Unrestricted investment earnings					16,828
Gain on disposition of capital assets					267,876
Miscellaneous					83,845
Total general revenues					5,100,563
Change in net position					174,906
Net position beginning of year					26,740,008
Net position end of year					<u>\$ 26,914,914</u>
See notes to financial statements.					

Appanoose County
Balance Sheet
Governmental Funds

June 30, 2013

	Special Revenue		
	General	Mental Health	Rural Services
Assets			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 4,733,714	914,940	785,303
U.S. Treasury securities on deposit with escrow agent	981,820	-	-
Conservation Foundation	-	-	-
Receivables:			
Property tax:			
Delinquent	27,835	5,881	2,964
Succeeding year	2,697,000	570,000	703,000
Interest and penalty on property tax	48,127	-	-
Accounts	5,245	-	-
Loan	1,130,000	-	-
Accrued interest	791	-	-
Due from other governments	200,371	-	76,732
Land held for resale	-	-	-
Inventories	-	-	-
Prepaid expenditures	138,597	-	-
Total assets	\$ 9,963,500	1,490,821	1,567,999
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 54,883	67,795	1,454
Salaries and benefits payable	18,051	1,472	3,622
Due to other governments	38,802	225,691	-
Deferred revenue:			
Succeeding year property tax	2,697,000	570,000	703,000
Other	151,785	5,881	2,964
Total liabilities	2,960,521	870,839	711,040
Fund balances:			
Nonspendable:			
Land held for resale	-	-	-
Inventories	-	-	-
Prepaid expenditures	138,597	-	-
Restricted for:			
Supplemental levy purposes	1,983,066	-	-
Mental health purposes	-	619,982	-
Rural services purposes	-	-	856,959
Secondary roads purposes	-	-	-
Debt service	2,111,820	-	-
Other purposes	-	-	-
Unassigned	2,769,496	-	-
Total fund balances	7,002,979	619,982	856,959
Total liabilities and fund balances	\$ 9,963,500	1,490,821	1,567,999

See notes to financial statements.

Secondary Roads	Nonmajor	Total
1,185,144	304,060	7,923,161
-	-	981,820
-	390,236	390,236
-	-	36,680
-	-	3,970,000
-	-	48,127
5,702	-	10,947
-	-	1,130,000
-	-	791
508,419	23,165	808,687
-	87,800	87,800
323,803	-	323,803
-	-	138,597
<u>2,023,068</u>	<u>805,261</u>	<u>15,850,649</u>
244,489	-	368,621
30,507	-	53,652
-	-	264,493
-	-	3,970,000
<u>278,377</u>	<u>4,729</u>	<u>443,736</u>
<u>553,373</u>	<u>4,729</u>	<u>5,100,502</u>
-	87,800	87,800
323,803	-	323,803
-	-	138,597
-	-	1,983,066
-	-	619,982
-	-	856,959
1,145,892	-	1,145,892
-	-	2,111,820
-	712,732	712,732
-	-	2,769,496
<u>1,469,695</u>	<u>800,532</u>	<u>10,750,147</u>
<u>2,023,068</u>	<u>805,261</u>	<u>15,850,649</u>

Appanoose County

Appanoose County

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

June 30, 2013

Total governmental fund balances (page 21) \$ 10,750,147

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$25,434,435 and the accumulated depreciation is \$6,921,740. 18,512,695

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 443,736

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 Position. (65,862)

Long-term liabilities, including loans, bonds, notes, compensated absences, other postemployment benefits and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (2,725,802)

Net position of governmental activities (page 18) \$ 26,914,914

See notes to financial statements.

Appanoose County

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

Year ended June 30, 2013

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,816,423	215,479	684,614
Local option sales and services tax	-	-	363,320
Interest and penalty on property tax	75,668	-	-
Intergovernmental	862,567	27,951	92,598
Licenses and permits	200	-	-
Charges for service	370,991	-	990
Use of money and property	17,028	-	-
Miscellaneous	101,397	755	-
Total revenues	4,244,274	244,185	1,141,522
Expenditures:			
Operating:			
Public safety and legal services	1,458,588	-	410,366
Physical health and social services	657,490	-	33,000
Mental health	-	600,136	-
County environment and education	404,217	-	50,150
Roads and transportation	-	-	-
Governmental services to residents	438,080	-	-
Administration	965,137	-	-
Debt service	171,010	-	-
Capital projects	-	-	-
Total expenditures	4,094,522	600,136	493,516
Excess (deficiency) of revenues over (under) expenditures	149,752	(355,951)	648,006
Other financing sources (uses):			
Sale of capital assets	8,250	-	-
Operating transfers in	38,828	-	-
Operating transfers out	-	-	(700,108)
General obligation refunding capital loan notes issued	990,000	-	-
Premium on general obligation capital loan notes issued	18,395	-	-
Total other financing sources (uses)	1,055,473	-	(700,108)
Change in fund balances	1,205,225	(355,951)	(52,102)
Fund balances beginning of year	5,797,754	975,933	909,061
Fund balances end of year	\$ 7,002,979	619,982	856,959

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	74,279	3,790,795
121,107	121,107	605,534
-	-	75,668
3,105,745	20,454	4,109,315
2,420	-	2,620
120	2,703	374,804
-	3	17,031
35,206	270,945	408,303
3,264,598	489,491	9,384,070
-	81,173	1,950,127
-	-	690,490
-	-	600,136
-	120,460	574,827
3,413,239	-	3,413,239
-	2,836	440,916
-	-	965,137
-	133,968	304,978
337,204	-	337,204
3,750,443	338,437	9,277,054
(485,845)	151,054	107,016
-	280,000	288,250
700,108	-	738,936
-	(38,828)	(738,936)
-	-	990,000
-	-	18,395
700,108	241,172	1,296,645
214,263	392,226	1,403,661
1,255,432	408,306	9,346,486
1,469,695	800,532	10,750,147

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, 2013

Change in fund balances - Total governmental funds (page 25) \$ 1,403,661

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

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

Expenditures for capital assets	\$ 529,830	
Capital assets contributed by the Iowa Department of Transportation	219,732	
Depreciation expense	<u>(1,029,483)</u>	(279,921)

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (20,374)

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	(6,475)	
Other	<u>(83,455)</u>	(89,930)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:

Issued	(990,000)	
Repaid	<u>211,693</u>	(778,307)

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

Compensated absences	(62,300)	
Other postemployment benefits	(23,906)	
Interest on long-term debt	<u>3,289</u>	(82,917)

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 position of the Internal Service Fund is reported with governmental activities. 22,694

Change in net position of governmental activities (page 19) \$ 174,906

See notes to financial statements.

Appanoose County
Statement of Net Position
Proprietary Fund

June 30, 2013

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 92,243
Liabilities	
Accounts payable	<u>158,105</u>
Net Position (Deficit)	
Unrestricted	<u>\$ (65,862)</u>

See notes to financial statements.

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

Year ended June 30, 2013

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Contributions and reimbursements from operating funds		\$ 645,842
Reimbursements from employees and others		311,198
Refunds		<u>81,646</u>
Total operating revenues		1,038,686
Operating expenses:		
Medical and health services	\$ 711,187	
Supplemental insurance	304,607	
Miscellaneous	<u>205</u>	<u>1,015,999</u>
Operating income		22,687
Non-operating revenues:		
Interest income		<u>7</u>
Net income		22,694
Net position (deficit) beginning of year		<u>(88,556)</u>
Net position (deficit) end of year		<u>\$ (65,862)</u>
See notes to financial statements.		

Appanoose County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2013

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 645,842
Cash received from employees and others	311,198
Cash received from refunds	81,646
Cash paid to suppliers for services	(1,005,274)
Net cash provided by operating activities	33,412
Cash flows from investing activities:	
Interest on investments	7
Increase in cash and cash equivalents	33,419
Cash and cash equivalents beginning of year	58,824
Cash and cash equivalents end of year	\$ 92,243
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 22,687
Adjustment to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	10,725
Net cash provided by operating activities	\$ 33,412

See notes to financial statements.

Appanoose County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2013

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 878,802
Other County officials	56,108

Receivables:

Property tax:

Delinquent	121,592
Succeeding year	9,525,000

Accounts	12,641
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Due from other governments	47,832
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Total assets	<u>10,641,975</u>
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Liabilities

Accounts payable	10,978
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Salaries and benefits payable	226
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Due to other governments	10,544,133
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Trusts payable	79,448
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Compensated absences	7,190
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Total liabilities	<u>10,641,975</u>
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Net position	<u>\$ -</u>
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See notes to financial statements.

Appanoose County

Notes to Financial Statements

June 30, 2013

(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 Position (previously referred to as 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 Position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation.

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental funds, 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 to be used to fund mental health, intellectual disabilities and developmental disabilities services.

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

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary 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 position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

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

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

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

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 Position. 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 property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is generally paid upon retirement and shall not exceed 90 days or a total of \$2,000 for noncontract employees at least age 62 and \$3,000 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, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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 Position.

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

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 Position – The net position 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, 2013, disbursements exceeded the amount budgeted in the debt service function.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2013 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, 2013, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$5,825,302 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, 2013 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Economic Development	\$ 38,828
Special Revenue: Secondary Roads	Rural Services	700,108
Total		<u>\$ 738,936</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, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 670,525	-	(120,232)	550,293
Construction in progress, road network	15,105	307,390	(236,842)	85,653
Total capital assets not being depreciated	<u>685,630</u>	<u>307,390</u>	<u>(357,074)</u>	<u>635,946</u>
Capital assets being depreciated:				
Buildings	1,149,871	74,690	-	1,224,561
Equipment and vehicles	4,958,960	476,482	(431,145)	5,004,297
Infrastructure, other	1,109,642	-	-	1,109,642
Infrastructure, road network	17,223,147	236,842	-	17,459,989
Total capital assets being depreciated	<u>24,441,620</u>	<u>788,014</u>	<u>(431,145)</u>	<u>24,798,489</u>
Less accumulated depreciation for:				
Buildings	394,485	20,602	-	415,087
Equipment and vehicles	2,934,163	288,982	(422,003)	2,801,142
Infrastructure, other	296,251	26,752	-	323,003
Infrastructure, road network	2,689,361	693,147	-	3,382,508
Total accumulated depreciation	<u>6,314,260</u>	<u>1,029,483</u>	<u>(422,003)</u>	<u>6,921,740</u>
Total capital assets being depreciated, net	<u>18,127,360</u>	<u>(241,469)</u>	<u>(9,142)</u>	<u>17,876,749</u>
Governmental activities capital assets, net	<u>\$18,812,990</u>	<u>65,921</u>	<u>(366,216)</u>	<u>18,512,695</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 68,019
Physical health and social services	323
County environment and education	38,265
Roads and transportation	902,635
Administration	20,241
Total depreciation expense - governmental activities	<u>\$ 1,029,483</u>

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2013 is as follows:

Fund	Description	Amount
General	Services	\$ 38,802
Special Revenue:		
Mental Health	Services	225,691
Total for governmental funds		<u>\$ 264,493</u>
Agency:		
Agricultural Extension Education	Collections	\$ 113,011
County Assessor		293,106
Schools		6,554,842
Community Colleges		300,508
Corporations		2,480,427
Townships		228,519
Auto License and Use Tax		228,839
ADLM Empowerment		186,931
All other		157,950
Total for agency funds		<u>\$ 10,544,133</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Conservation Foundation Loan	Honey Creek Loan	Solid Waste Revenue Bonds	General Obligation Refunding Capital Loan Notes	Compensated Absences	Other Post-employment Benefits	Total
Balance beginning of year	\$ 80,000	286,455	1,220,000	-	222,736	45,294	1,854,485
Increases	-	-	-	990,000	203,455	24,706	1,218,161
Decreases	80,000	41,693	90,000	-	141,155	800	353,648
Balance end of year	<u>\$ -</u>	<u>244,762</u>	<u>1,130,000</u>	<u>990,000</u>	<u>285,036</u>	<u>69,200</u>	<u>2,718,998</u>
Due within one year	<u>\$ -</u>	<u>43,192</u>	<u>90,000</u>	<u>-</u>	<u>195,821</u>	<u>-</u>	<u>329,013</u>

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. The initial maturity date of the loan was August 27, 2009, which was extended to August 27, 2012. On October 16, 2012, the Conservation Foundation refinanced the loan with an interest rate of 5.625% per annum and a maturity date of April 15, 2013. The loan was paid in full on March 27, 2013.

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. On January 15, 2012, the County refinanced the loan with interest at 3.5% per annum and a maturity date of July 15, 2018.

A summary of the County's June 30, 2013 Honey Creek loan indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	3.50%	\$ 43,192	8,117	51,309
2015	3.50	44,745	6,564	51,309
2016	3.50	46,342	4,967	51,309
2017	3.50	48,021	3,288	51,309
2018	3.50	49,747	1,561	51,308
2019	3.50	12,715	112	12,827
Total		\$ 244,762	24,609	269,371

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, 2013 totaled \$1,130,000.

Refunding Capital Loan Notes

On May 2, 2013, the County issued \$990,000 of general obligation refunding capital loan notes, with interest at rates ranging from .8% to 3.3% per annum, for a crossover refunding of the callable portion of the \$1,540,000 of solid waste revenue bonds dated September 1, 2007. The County entered into an escrow agreement whereby the proceeds from the general obligation refunding capital loan notes were converted to U.S. securities. This escrow account, with a June 30, 2013 balance of \$981,820, will be used to pay the callable portion of the revenue bonds on June 1, 2015. The refunding was undertaken to reduce total debt service payments by \$100,352 and resulted in an economic gain of \$80,836.

A summary of the County's June 30, 2013 refunding capital loan note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	0.8%	\$ -	21,722	21,722
2015	0.8	-	20,102	20,102
2016	0.8	80,000	20,102	100,102
2017	0.8	85,000	19,463	104,463
2018	1.25	80,000	18,782	98,782
2019 - 2023	1.25-2.00	435,000	75,638	510,638
2024 - 2027	3.30	310,000	22,605	332,605
Total		\$ 990,000	198,414	1,188,414

(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
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	4.20	65,000	39,575	104,575
2018	4.25	65,000	36,845	101,845
2019 - 2023	4.30 - 4.50	385,000	138,425	523,425
2024 - 2027	4.55 - 4.70	370,000	44,200	414,200
Total		\$ 1,130,000	396,861	1,526,861

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% 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, 2013, 2012 and 2011 were \$258,275, \$249,032 and \$216,376, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 64 active and 5 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 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, 2013, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 24,700
Interest on net OPEB obligation	1,806
Adjustment to annual required contributions	(1,800)
Annual OPEB cost	<u>24,706</u>
Contribution made	<u>(800)</u>
Increase in net OPEB obligation	23,906
Net OPEB obligation beginning of year	<u>45,294</u>
Net OPEB obligation end of year	<u>\$ 69,200</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, 2013.

For the year ended June 30, 2013, the County contributed \$800 to the medical plan. Plan members eligible for benefits contributed \$1,600, 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 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 20,334	30.4%	\$ 26,150
2012	19,159	0.1	45,294
2013	24,706	3.2	69,200

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$248,682, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$248,682. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,645,000 and the ratio of UAAL to covered payroll was 9.4%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2012 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 fully generational using Scale AA.

Projected claim costs of the medical plan are \$1,133 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The County is 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's contribution to the fund for the year ended June 30, 2013 was \$645,842.

Amounts payable from the Employee Group Health Fund at June 30, 2013 total \$158,105, 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. 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 beginning of year	\$ 147,380
Incurred claims (including claims incurred but not reported at June 30, 2012)	711,187
Payment on claims during the fiscal year	<u>(700,462)</u>
Unpaid claims end of year	<u>\$ 158,105</u>

(12) Early Childhood Iowa Area Board

The County is the fiscal agent for the 4 Counties 4 Kids Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2013 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early Childhood	\$ 96,717	-	96,717
Family support and parent education	-	262,387	262,387
Preschool support for low-income families	-	115,207	115,207
Quality improvement	-	48,661	48,661
Allocation for administration	5,090	14,047	19,137
Other grant programs	-	28,222	28,222
Total state grants	<u>101,807</u>	<u>468,524</u>	<u>570,331</u>
Interest on investments	3	12	15
Total revenues	<u>101,810</u>	<u>468,536</u>	<u>570,346</u>
Expenditures:			
Program services:			
Early childhood	83,271	-	83,271
Family support and parent education	-	261,684	261,684
Preschool support for low income families	-	102,973	102,973
Quality improvement	-	28,637	28,637
Other program services	-	23,881	23,881
Total program services	<u>83,271</u>	<u>417,175</u>	<u>500,446</u>
Administration	4,836	13,612	18,448
Total expenditures	<u>88,107</u>	<u>430,787</u>	<u>518,894</u>
Change in fund balance	13,703	37,749	51,452
Fund balance beginning of year	6,680	42,797	49,477
Fund balance end of year	<u>\$ 20,383</u>	<u>80,546</u>	<u>100,929</u>

Findings related to the operations of the Early Childhood Iowa Area Board are included as items (H), (12) and (13) in the Schedule of Findings.

(13) Deficit Net Position

The Internal Service, Employee Group Health Fund reported an unrestricted net position deficit of \$65,862 at June 30, 2013. The County plans to eliminate the deficit through increased funding levels in fiscal year 2014.

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, 2013

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 4,455,961	-	4,455,961
Interest and penalty on property tax	75,792	-	75,792
Intergovernmental	3,995,068	-	3,995,068
Licenses and permits	2,605	-	2,605
Charges for service	364,816	-	364,816
Use of money and property	17,132	-	17,132
Miscellaneous	415,438	219,636	195,802
Total receipts	<u>9,326,812</u>	<u>219,636</u>	<u>9,107,176</u>
Disbursements:			
Public safety and legal services	1,957,565	-	1,957,565
Physical health and social services	673,572	-	673,572
Mental health	1,876,814	-	1,876,814
County environment and education	573,669	47,853	525,816
Roads and transportation	3,252,266	-	3,252,266
Governmental services to residents	442,160	-	442,160
Administration	961,172	-	961,172
Debt service	304,976	82,657	222,319
Capital projects	388,903	-	388,903
Total disbursements	<u>10,431,097</u>	<u>130,510</u>	<u>10,300,587</u>
Excess (deficiency) of receipts over (under) disbursements	(1,104,285)	89,126	(1,193,411)
Other financing sources, net	1,443,755	280,000	1,163,755
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	339,470	369,126	(29,656)
Balance beginning of year	8,955,747	21,110	8,934,637
Balance end of year	<u>\$ 9,295,217</u>	<u>390,236</u>	<u>8,904,981</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
4,393,089	4,393,089	62,872
10,000	10,000	65,792
3,965,184	3,967,544	27,524
500	500	2,105
319,388	319,388	45,428
30,020	30,020	(12,888)
138,554	138,554	57,248
8,856,735	8,859,095	248,081
2,041,263	2,058,623	101,058
849,699	849,699	176,127
1,177,994	2,379,994	503,180
624,751	624,751	98,935
3,220,000	3,916,956	664,690
504,603	504,603	62,443
1,017,543	1,017,543	56,371
198,432	198,432	(23,887)
455,000	455,000	66,097
10,089,285	12,005,601	1,705,014
(1,232,550)	(3,146,506)	1,953,095
143,978	143,978	1,019,777
(1,088,572)	(3,002,528)	2,972,872
7,374,650	7,374,650	1,559,987
6,286,078	4,372,122	4,532,859

Appanoose County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 9,326,812	57,258	9,384,070
Expenditures	10,431,097	(1,154,043)	9,277,054
Net	(1,104,285)	1,211,301	107,016
Other financing sources, net	1,443,755	(147,110)	1,296,645
Beginning fund balances	8,955,747	390,739	9,346,486
Ending fund balances	\$ 9,295,217	1,454,930	10,750,147

See accompanying independent auditor's report.

Appanoose County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

The 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 and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,916,316. The budget amendments are 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, 2013, disbursements exceeded the amount budgeted in the debt service 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	0.0%	\$ 2,950	6.3%
2011	Jul 1, 2009	-	185	185	0.0	3,024	6.1
2012	Jul 1, 2009	-	185	185	0.0	3,057	6.1
2013	Jul 1, 2012	-	249	249	0.0	2,645	9.4

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

See accompanying independent auditor's report.

Supplementary Information

Appanoose County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2013

	County Recorder's Records Management	Resource Enhancement and Protection	Law Enforcement Forfeiture
Assets			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 6,957	34,298	1,635
Conservation Foundation	-	-	-
Due from other governments	-	-	-
Land held for resale	-	-	-
Total assets	\$ 6,957	34,298	1,635
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Other	\$ -	-	-
Fund balances:			
Nonspendable:			
Land held for resale	-	-	-
Restricted for other purposes	6,957	34,298	1,635
Total fund balances	6,957	34,298	1,635
Total liabilities and fund balances	\$ 6,957	34,298	1,635

See accompanying independent auditor's report.

Special Revenue				
Economic Development	Conservation Foundation	HazMat	Flood and Erosion	Total
128,255	-	76,728	56,187	304,060
-	390,236	-	-	390,236
23,165	-	-	-	23,165
87,800	-	-	-	87,800
239,220	390,236	76,728	56,187	805,261
4,729	-	-	-	4,729
87,800	-	-	-	87,800
146,691	390,236	76,728	56,187	712,732
234,491	390,236	76,728	56,187	800,532
239,220	390,236	76,728	56,187	805,261

Appanoose County

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

Year ended June 30, 2013

	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	-	10,145	-
Charges for service	2,703	-	-
Use of money and property	-	3	-
Miscellaneous	-	-	-
Total revenues	2,703	10,148	-
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	6,701	-
Governmental services to residents	2,836	-	-
Debt service	-	-	-
Total expenditures	2,836	6,701	-
Excess (deficiency) of revenues over (under) expenditures	(133)	3,447	-
Other financing sources (uses):			
Sale of capital assets	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Change in fund balances	(133)	3,447	-
Fund balances beginning of year	7,090	30,851	1,635
Fund balances end of year	\$ 6,957	34,298	1,635

See accompanying independent auditor's report.

Special Revenue							
Economic Development	Honey Creek Loan	Conservation Foundation	HazMat	Emergency Medical Services	Flood and Erosion		Total
9,301	-	-	-	64,978	-		74,279
121,107	-	-	-	-	-		121,107
-	-	-	10,309	-	-		20,454
-	-	-	-	-	-		2,703
-	-	-	-	-	-		3
-	51,309	219,636	-	-	-		270,945
130,408	51,309	219,636	10,309	64,978	-		489,491
-	-	-	16,195	64,978	-		81,173
61,368	-	47,853	-	-	4,538		120,460
-	-	-	-	-	-		2,836
-	51,311	82,657	-	-	-		133,968
61,368	51,311	130,510	16,195	64,978	4,538		338,437
69,040	(2)	89,126	(5,886)	-	(4,538)		151,054
-	-	280,000	-	-	-		280,000
(38,828)	-	-	-	-	-		(38,828)
(38,828)	-	280,000	-	-	-		241,172
30,212	(2)	369,126	(5,886)	-	(4,538)		392,226
204,279	2	21,110	82,614	-	60,725		408,306
234,491	-	390,236	76,728	-	56,187		800,532

Appanoose County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	2,883	81,595	167,016	7,518
Other County officials	56,108	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,128	2,244	68,826	2,990
Succeeding year	-	109,000	217,000	6,319,000	290,000
Accounts	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 56,108	113,011	300,839	6,554,842	300,508
Liabilities					
Accounts payable	\$ -	-	317	-	-
Salaries payable	-	-	226	-	-
Due to other governments	350	113,011	293,106	6,554,842	300,508
Trusts payable	55,758	-	-	-	-
Compensated absences	-	-	7,190	-	-
Total liabilities	\$ 56,108	113,011	300,839	6,554,842	300,508

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
52,884	20,671	228,839	23,690	194,019	99,687	878,802
-	-	-	-	-	-	56,108
45,543	848	-	-	-	13	121,592
2,382,000	207,000	-	-	-	1,000	9,525,000
-	-	-	-	-	12,641	12,641
-	-	-	-	-	47,832	47,832
2,480,427	228,519	228,839	23,690	194,019	161,173	10,641,975
-	-	-	-	7,088	3,573	10,978
-	-	-	-	-	-	226
2,480,427	228,519	228,839	-	186,931	157,600	10,544,133
-	-	-	23,690	-	-	79,448
-	-	-	-	-	-	7,190
2,480,427	228,519	228,839	23,690	194,019	161,173	10,641,975

Appanoose County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Balances beginning of year	\$ 66,346	113,699	292,154	6,597,425	295,995
Additions:					
Property and other county tax	-	108,096	216,273	6,303,170	289,003
E911 surcharge	-	-	-	-	-
State tax credits	-	6,530	12,884	379,418	17,033
Drivers license fees	-	-	-	-	-
Office fees and collections	320,772	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	99,077	-	-	-	-
Miscellaneous	-	87	1,786	16,086	227
Total additions	419,849	114,713	230,943	6,698,674	306,263
Deductions:					
Agency remittances:					
To other funds	187,144	-	-	-	-
To other governments	126,198	115,401	222,258	6,741,257	301,750
Trusts paid out	116,745	-	-	-	-
Total deductions	430,087	115,401	222,258	6,741,257	301,750
Balances end of year	\$ 56,108	113,011	300,839	6,554,842	300,508

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
2,357,691	208,448	238,937	62,369	127,737	90,821	10,451,622
2,426,259	203,105	-	-	-	1,168	9,547,074
-	-	-	-	-	115,744	115,744
131,201	12,066	-	-	-	602	559,734
-	-	68,348	-	-	-	68,348
-	-	-	-	-	-	320,772
-	-	3,023,617	-	-	-	3,023,617
-	-	-	-	-	13,675	13,675
-	-	-	289,002	-	13,932	402,011
4,596	-	-	-	570,580	173,315	766,677
2,562,056	215,171	3,091,965	289,002	570,580	318,436	14,817,652
-	-	132,510	-	-	-	319,654
2,439,320	195,100	2,969,553	-	504,298	248,084	13,863,219
-	-	-	327,681	-	-	444,426
2,439,320	195,100	3,102,063	327,681	504,298	248,084	14,627,299
2,480,427	228,519	228,839	23,690	194,019	161,173	10,641,975

Appanoose County

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

For the Last Ten Years

	2013	2012	2011	2010
Revenues:				
Property and other county tax	\$ 3,790,795	4,296,204	3,943,992	4,005,725
Local option sales and services tax	605,534	515,706	534,891	497,722
Interest and penalty on property tax	75,668	88,430	78,355	78,520
Intergovernmental	4,109,315	4,997,948	5,093,975	5,051,548
Licenses and permits	2,620	2,375	2,037	1,307
Charges for service	374,804	329,692	331,969	327,598
Use of money and property	17,031	21,828	30,733	38,151
Miscellaneous	408,303	214,822	274,411	235,341
Total	\$ 9,384,070	10,467,005	10,290,363	10,235,912
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,950,127	1,896,588	1,743,618	1,702,446
Physical health and social services	690,490	720,646	773,423	697,652
Mental health	600,136	1,211,520	914,098	1,006,529
County environment and education	574,827	602,435	695,933	660,543
Roads and transportation	3,413,239	3,243,128	3,634,672	3,023,143
Governmental services to residents	440,916	404,590	414,367	413,383
Administration	965,137	918,495	873,352	956,428
Debt service	304,978	200,995	196,566	203,974
Capital projects	337,204	481,853	931,650	831,500
Total	\$ 9,277,054	9,680,250	10,177,679	9,495,598

See accompanying independent auditor's report.

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
3,637,673	3,503,441	3,400,281	3,348,920	3,058,156	2,979,791
494,887	528,769	524,312	539,546	318,080	-
75,235	66,110	59,851	125,241	56,042	62,284
4,725,998	4,519,436	3,906,383	4,200,496	5,542,511	5,480,691
2,790	3,115	1,150	1,273	1,095	71,649
303,891	320,864	314,365	305,369	290,879	332,619
80,878	261,837	231,993	229,351	138,687	26,975
234,417	238,469	123,823	164,629	172,245	142,631
9,555,769	9,442,041	8,562,158	8,914,825	9,577,695	9,096,640
1,837,930	1,463,922	1,393,793	1,398,772	1,317,975	1,342,719
727,099	672,941	646,051	672,060	660,911	883,444
1,075,797	1,166,537	1,232,827	1,239,386	874,074	1,146,711
532,833	701,906	501,580	664,331	381,317	244,308
3,377,865	3,350,109	3,136,545	3,420,703	3,326,026	2,664,836
401,885	342,162	320,105	455,216	307,411	310,280
722,593	689,098	656,539	651,470	630,922	815,365
363,354	92,781	42,513	14,793	23,311	6,440
417,520	122,777	219,196	3,632,037	1,220,545	256,873
9,456,876	8,602,233	8,149,149	12,148,768	8,742,492	7,670,976

Appanoose County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Appanoose County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Appanoose County, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 6, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and 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 the accompanying Schedule of Findings as items (A) and (B) 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 in internal control described in the accompanying Schedule of Findings as items (C) through (H) 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 the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 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

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 6, 2014

Appanoose County

Appanoose County

Schedule of Findings

Year ended June 30, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

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

	<u>Applicable Offices</u>
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	Treasurer, Public Health Nurse, Recorder and Auditor
(2) Generally, one individual may have control over listing mail receipts, collecting, depositing, posting and daily reconciling of receipts for which no compensating control exists. The initial listing is not compared to receipt records by an independent person.	Treasurer, Public Health Nurse, Recorder, Agricultural Extension, Engineer and Auditor (Employee Group Health)
(3) A listing of mail receipts is not prepared.	Sheriff and Recorder
(4) Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety.	Sheriff, Agricultural Extension, Treasurer and Auditor (Employee Group Health)
(5) Checks are not signed by an individual who does not otherwise participate in the preparation of the checks.	Recorder
(6) The person responsible for the detailed record keeping of investments is also the custodian of the investments. Investments are not periodically inspected or reconciled to investment records by an independent person and an independent verification of interest earnings is not performed.	Treasurer
(7) Depositing, reconciling and recording of receipts is done by the custodian of the change funds for which no compensating controls exist.	Treasurer

Appanoose County

Schedule of Findings

Year ended June 30, 2013

- | | | |
|------|---|------------------------|
| (8) | Daily cash reconciliations for tax, motor vehicle and driver's licenses are not reviewed and approved by an independent person for propriety. | Treasurer |
| (9) | All individuals in tax, motor vehicle and driver's license have the ability to void receipts in Solutions/Arts (DOT system), including individuals who perform daily balancing. No report of voided receipts is maintained and no review of voided receipts is performed. | Treasurer |
| (10) | Responsibilities for maintaining detailed accounts receivable records are not segregated from posting receipts. | Public Health
Nurse |

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 the signature or initials 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 in the office. It is hard to segregate duties with the limited number of employees in our office. We try to segregate as many duties as we can.

Treasurer – This is a small County office and it is difficult, if not impossible, to have segregation of duties and responsibilities. We all share duties in balancing and daily processing. I understand the importance of segregating duties and monitoring of all revenue collections and disbursements. We will have two people check daily balancing of tax, motor vehicle and driver's license. Also, two people will check each month's reconciliations.

Agricultural Extension – Since we are a small office, we are segregating duties when and as much as possible.

Public Health Nurse – We have a small office with two office employees handling financial information and accounting. It is difficult to segregate duties.

Sheriff – Receipting of funds will continue with current staff and appropriate measures to deter fraudulent practices.

Engineer – With limited staff, segregation of duties is difficult.

Auditor – We will try to segregate duties as much as possible with limited staff.

Appanoose County
Schedule of Findings
Year ended June 30, 2013

Conclusions –

Recorder, Agricultural Extension and Sheriff – Responses accepted.

Treasurer – Response acknowledged. Daily cash reconciliations should document evidence of review and approval by an independent person for propriety.

Public Health Nurse, Engineer and Auditor – Responses acknowledged. The offices should consider using personnel from other offices to provide additional control through review of financial transactions and reports.

- (B) Financial Reporting – During the audit, we identified material amounts of 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 establish procedures to ensure receivables, payables and capital asset additions and deletions are properly identified and included in the County's financial statements.

Responses –

Auditor – We will work on it to ensure all are included.

Treasurer – We will not record miscellaneous receipts revenues without that department giving us supporting documents.

Conclusions – Responses accepted.

- (C) Computer Systems – The County does not have a written disaster recovery plan for its computer systems.

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

Response – We will work on this.

Conclusion – Response accepted.

- (D) Timely Deposit – State warrants were not deposited timely with the County Treasurer by Agricultural Extension and the Public Health Nurse.

Recommendation – All receipts should be deposited timely.

Responses –

Agricultural Extension – We will work on getting the State checks deposited in a more timely manner.

Public Health Nurse - We will try to deposit these checks more timely.

Conclusions – Responses accepted.

Appanoose County

Schedule of Findings

Year ended June 30, 2013

- (E) Timesheets – Timesheets prepared by the County Engineer are not approved by a Supervisor.
- Recommendation – The County Engineer’s timesheets should be reviewed and approved by someone independent.
- Response – We will have a member of the Board of Supervisors initial the County Engineer’s timesheet.
- Conclusion – Response accepted.
- (F) County Engineer – Fuel usage reports are not generated and reviewed by an independent person.
- Recommendation – Fuel usage reports should be reviewed by an independent person to determine the propriety of fuel used.
- Response – With limited staff, segregation of duties is difficult. Either the County Engineer or office manager will initial fuel usage sheets as they are brought to the office.
- Conclusion – Response acknowledged. The fuel usage reports should be reviewed to determine the propriety of fuel used.
- (G) Conservation Foundation – One individual collects and records receipts for the Conservation Foundation. A listing of mail receipts is not prepared. Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety. The person who signs checks was not independent of the person preparing checks, approving disbursements and recording cash receipts.
- Recommendation – The Conservation Foundation should review the operating procedures in the office to obtain the maximum internal control possible under the circumstances. As a compensating control, the bank reconciliations should be prepared and reviewed monthly by an independent person.
- Response – Bank statements are reviewed monthly by the ACCB director prior to the monthly ACCB meeting and ACF meeting.
- Conclusion – Response acknowledged. The Conservation Foundation should utilize Board members to provide additional control through review of transactions and reconciliations.
- (H) Supporting Documentation – During fiscal year 2013, the 4 Counties for Kids Early Childhood Iowa Area Board contracted with several service providers. The provider contracts require detailed monthly invoices be submitted prior to payment as support for the services rendered. The invoices and documentation were to be submitted to the program coordinator, who was to verify the accuracy and adequacy of the documentation and request payment from the fiscal agent. The fiscal agent submits a report of revenues, disbursements and fund balances to the Area Board monthly. Based upon the activity performed by the service providers, the program coordinator is to allocate the disbursements between the Area Board programs and funding categories.

Appanoose County

Schedule of Findings

Year ended June 30, 2013

- For seven of fifteen provider claims tested, adequate supporting documentation was not available.
- For six of the fifteen provider claims tested, adequate documentation for the allocation of disbursements between programs and categories was not maintained.

Recommendation - All disbursements should be supported by detailed monthly invoices, as required by the provider contracts, or itemized statements. Supporting documentation for the allocation of costs between programs and categories should be maintained.

Response - Claims which involved reimbursement of Albia School District for Area Director expenses do not include documentation in the Early Childhood Iowa file. Documentation of office and mileage expenses are submitted to Albia Schools when the Area Director requests reimbursement or submits vendor bills. The documentation is included in the file for Albia School District. Copies of applicable documentation will be placed in the Early Childhood Iowa claim file from now on.

The Board is striving very hard to get sufficient documentation from program providers. Providers are being very cooperative. The larger more complicated programs provided by South Central Iowa Community Action Program (SCICAP) and Southern Iowa Economic Development Association (SIEDA) provide extensive documentation. It can at times be very challenging and time consuming to track the documentation and their allocations back to the expense summary. The Board will continue to work with providers to make sufficient documentation available and the Area Director will try to devise some method to make the tracking of the larger programs easier.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Appanoose County
Schedule of Findings
Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amount budgeted in the debt service 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 – We will monitor budgets and disbursements closer.

Conclusion – Response accepted.

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

Name, Title and Business Connection	Transaction Description	Amount
Austin Hoffman, child of Mark Hoffman, Conservation Director	Wages earned as Conservation aide	\$ 8,368
Amber Hoffman, child of Mark Hoffman, Conservation Director	Wages earned as Conservation aide	22,380

Chapter 71.1 of the Code of Iowa prohibits nepotism unless such person receives compensation at the rate of \$600 per year or less. Although the Conservation Board minutes indicate the approval of the above individuals as part time help several years ago, there is no indication of review and approval for their current employment.

Recommendation – The County should consult legal counsel for the proper disposition of this matter.

Conservation Board Response – Current employees are now listed by name, not title, on certified letter of salaries sent to County Auditor in June of each year.

Conclusion – Response accepted.

- (5) Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Appanoose County

Schedule of Findings

Year ended June 30, 2013

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2013 for the County Extension Office did not exceed the amount budgeted.

- (10) Rent on Conservation Board Residence – The 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.

Effective December 1, 2010, a monthly salary increase of \$500 for a Conservation employee was approved in lieu of the monthly housing allowance and, during the year ended June 30, 2013, \$3,500 was paid to the Conservation Foundation for rent on the house at Sharon Bluffs.

The rent income was credited to the 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 – The Bletts house has been transferred back to the Appanoose Conservation Foundation prior to fiscal year 2014.

Conclusion – Response accepted.

- (11) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The image of the back of each cancelled check was not obtained by the County Auditor for the Employee Group Health account.

Recommendation – The County Auditor should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The County has contacted the bank to get this done in the future.

Conclusion – Response accepted.

Appanoose County

Schedule of Findings

Year ended June 30, 2013

- (12) 4 Counties 4 Kids Early Childhood Iowa Area Board Program Coordinator – The Area Board entered into a contract for a program coordinator for the period July 1, 2012 through June 30, 2013 for a fee not to exceed \$21,419. The total amount paid to the coordinator for fiscal year 2013 was \$21,117.

At the beginning of each fiscal year, the coordinator prepares a salary allocation worksheet to allocate salary among the three programs being coordinated based upon funding received for the programs. Based upon this allocation, the coordinator allocates 38% of the salary to 4 Counties 4 Kids Area Education Agency. In addition to salary, the coordinator estimates expected office reimbursements for the fiscal year.

The coordinator does not prepare a timesheet or similar record to substantiate the hours charged to the Area Board. In addition, the coordinator does not maintain support for the allocation of the coordinator's salary between programs and funding categories.

Payment of the coordinator's salary and reimbursements was not authorized and approved by the Area Board.

Recommendation – The program coordinator should prepare and maintain a timesheet or similar record to support the hours charged to the Area Board. This timesheet or similar record should be approved by an independent person. In addition, the coordinator should prepare a time study or other support for the allocation of salary between programs and funding categories. All disbursements should be authorized and approved by the Area Board.

Response – The Early Childhood Iowa Area Director position is not an hourly position. The three projects which “employee” the Director, including two DECAT projects, agree to pay a specific annual amount of the Director's salary and benefits costs. The reimbursements to Albia Schools are prorated to the three projects based on their agreed upon annual payment amounts.

The Area Director has been keeping a time study for several months. He will put together a regular report from the time study to be reviewed and approved by the three projects which “employee” him. His activity will of course be approved after the fact of any salary payment, but will not be the basis used for reimbursement by the three “employing” projects.

Conclusion – Response accepted.

- (13) 4 Counties 4 Kids Early Childhood Iowa Area Board – The annual financial report submitted to the Iowa Department of Management for fiscal year 2013 did not reconcile to the Area Board's financial activity. Accrued expenditures reported for the annual financial report included \$68,865 of fiscal year 2012 expenditures reported for fiscal year 2013. Fiscal year 2013 accrued expenditures of \$81,944 were reported as fiscal year 2014 activity. The net amount of fiscal year 2013 understatement was \$13,079.

Recommendation – The annual financial report should be prepared from the County's financial records. Accrued expenditures should be reviewed by the Area Board to ensure proper fiscal year coding and reporting by the County.

Appanoose County

Schedule of Findings

Year ended June 30, 2013

Response – The Early Childhood Iowa Area Director reconciles to the monthly Fiscal Agent report provided by the Appanoose County Auditor when preparing the annual report submitted to the Department of Management.

The Director will work with the County Auditor to ensure the report he uses is the same as the one given to the State Auditor for this audit.

The Director will work with the Appanoose County Auditor to ensure previous year accruals are entered properly on the County books.

Conclusion – Response accepted.

- (14) Taxable Fringe Benefits - The County purchased \$578 of shoes for Secondary Roads employees. There was no documentation on the invoice whether the shoes were restricted for work or could be considered “street wear” under Internal Revenue Service (IRS) guidelines and, accordingly, are taxable wages to the employee. The cost of the shoes is not reflected in the employees’ taxable wages.

Recommendation – The County should comply with IRS guidelines for future purchases meeting the requirements for taxable wages.

Response – We will monitor this more closely.

Conclusion – Response accepted.

- (15) Financial Condition – Although the Internal Service, Employee Group Health Fund had a positive cash balance at June 30, 2013, a deficit net position balance of \$65,862 was reported on an accrual basis.

Recommendation – The County should continue to investigate alternatives to eliminate this deficit and return this fund to a sound financial position.

Response – The deficit balance will be eliminated as the County increased funding levels in fiscal year 2014.

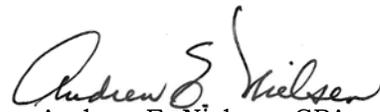
Conclusion – Response accepted.

Appanoose County

Staff

This audit was performed by:

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