



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ March 28, 2006 _____

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$11,550,637 for the year ended June 30, 2005, which included \$807,667 in tax credits from the state. The County forwarded \$8,248,275 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,302,362 of the local tax revenue to finance County operations, a 2% increase over the prior year. Other revenues included charges for service of \$1,259,860, operating grants, contributions and restricted interest of \$3,075,433, capital grants, contributions and restricted interest of \$1,064,336, local option sales tax of \$318,080, unrestricted investment earnings of \$139,062 and other general revenues of \$147,247.

Expenses for County operations totaled \$7,663,538, a 3% increase from the prior year. Expenses included \$3,324,486 for roads and transportation, \$1,286,734 for public safety and legal services and \$876,024 for mental health.

A copy of the report is available for review at 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/reports.htm>.

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APPANOOSE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005

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Appanoose County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2005)		
Robert Pontious	Board of Supervisors	Jan 2005
Larry Golic	Board of Supervisors	Jan 2005
Dean Kaster	Board of Supervisors	Jan 2007
Linda Demry	County Auditor	Jan 2005
Mary Kay Williams	County Treasurer	Jan 2007
Cheryl Piatt	County Recorder	Jan 2007
Gary Anderson	County Sheriff	Jan 2005
Robert F. Bozwell	County Attorney	Jan 2007
Marcella Thompson	County Assessor	Jan 2010
(After January 2005)		
Dean Kaster	Board of Supervisors	Jan 2007
John Arnold	Board of Supervisors	Jan 2009
Jody McDanel	Board of Supervisors	Jan 2009
Linda Demry	County Auditor	Jan 2009
Mary Kay Williams	County Treasurer	Jan 2007
Cheryl Piatt	County Recorder	Jan 2007
Gary Anderson	County Sheriff	Jan 2009
Robert F. Bozwell	County Attorney	Jan 2007
Marcella Thompson	County Assessor	Jan 2010

Appanoose County



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Independent Auditor's Report

To the Officials of Appanoose County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Appanoose County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Appanoose County's management. Our responsibility is to express opinions on these financial statements based on our audit.

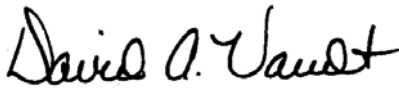
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

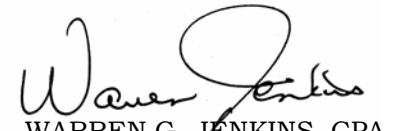
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Appanoose County at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 3, 2006 on our consideration of Appanoose County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 44 through 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Appanoose County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (which are not presented herein) and expressed qualified opinions on those financial statements due to the omission of general fixed assets or capital assets and supplies inventory for the Secondary Roads Fund. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 3, 2006

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, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- The County's governmental activities revenues decreased approximately \$2.4 million from fiscal 2004 to fiscal 2005. The decrease is primarily due to a decrease in transfer of jurisdiction revenues.
- The County's governmental activities expenses increased approximately \$247,000 from fiscal 2004 to fiscal 2005.
- The County's net assets increased 13.1%, or approximately \$1.6 million, from June 30, 2004 to June 30, 2005.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Appanoose County's operations in more detail than the government-wide 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.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Appanoose County's net assets at the end of FY05 totaled approximately \$14.1 million, compared to \$12.5 million at the end of FY04. The analysis that follows focuses on the changes in the net assets for governmental activities.

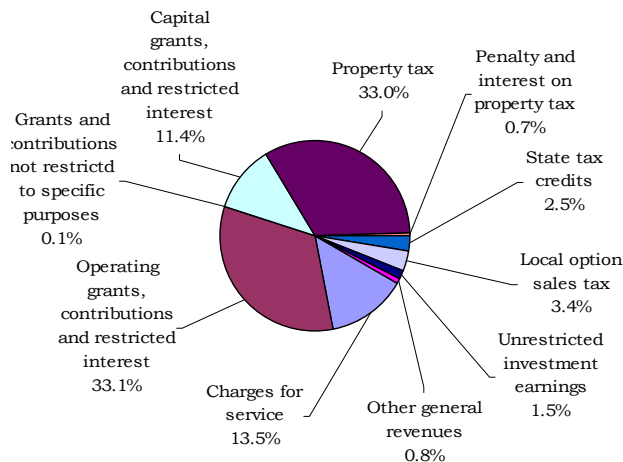
Net Assets of Governmental Activities		
	Year ended June 30,	
	2005	2004
Current and other assets	\$ 11,349,245	11,730,048
Capital assets	7,075,027	4,640,780
Total assets	18,424,272	16,370,828
Long-term liabilities	366,323	245,448
Other liabilities	3,902,621	3,612,894
Total liabilities	4,268,944	3,858,342
Net assets:		
Invested in capital assets, net of related debt	6,842,626	4,518,635
Restricted	6,362,510	7,227,039
Unrestricted	950,192	766,812
Total net assets	\$ 14,155,328	\$ 12,512,486

Net assets of Appanoose County's governmental activities increased by approximately \$1.6 million from FY04. The County's net assets consists of invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—were \$950,192 at June 30, 2005.

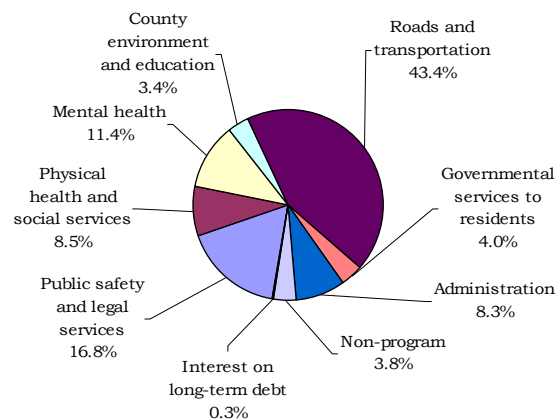
Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2005	2004
Revenues:		
Program revenues:		
Charges for service	\$ 1,259,860	1,234,795
Operating grants, contributions and restricted interest	3,075,433	6,278,329
Capital grants, contributions and restricted interest	1,064,336	646,458
General revenues:		
Property tax	3,065,832	2,987,666
Penalty and interest on property tax	61,960	70,348
State tax credits	236,530	264,407
Local option sales tax	318,080	-
Grants and contributions not restricted to specific purposes	10,000	13,061
Unrestricted investment earnings	139,062	27,065
Other general revenues	75,287	150,621
Total revenues	9,306,380	11,672,750
Program expenses:		
Public safety and legal services	1,286,734	1,363,889
Physical health and social services	655,232	886,615
Mental health	876,024	1,138,911
County environment and education	256,813	276,242
Roads and transportation	3,324,486	2,477,548
Governmental services to residents	310,283	296,574
Administration	637,756	740,586
Non-program	294,281	230,926
Interest on long-term debt	21,929	5,118
Total expenses	7,663,538	7,416,409
Increase in net assets	1,642,842	4,256,341
Net assets beginning of year	12,512,486	8,256,145
Net assets end of year	\$ 14,155,328	12,512,486

Revenue by Source



Expenses by Program



The County increased property tax rates for 2005 by 2.49%. This increase raised the County's property and other county tax revenue by approximately \$78,000 in 2005. The total Appanoose County assessed valuation for taxes payable in FY05-06 increased by \$13,276,815. Based on this increase and an increase in property tax rates, property tax revenue is budgeted to increase by an additional \$256,756 next year.

INDIVIDUAL MAJOR FUND ANALYSIS

As Appanoose County completed the year, its governmental funds reported a combined fund balance of approximately \$7.3 million, an increase of approximately \$1 million above last year's total of \$6.3 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures both decreased. The ending fund balance increased \$190,523 over the prior year to \$1,192,138. The decrease in revenues and expenditures was approximately the same, so the ending fund balance increase was approximately the same as the prior year.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$874,000, a decrease of 23.8% from the prior year. This decrease is due to a decrease in expenditures for Sheltered Workshops and State Hospital Schools. The Mental Health Fund balance at year end increased by approximately \$221,000 over the prior year.
- The Rural Services Fund tax rate remained constant and, with a decrease in expenditures and an increase in Local Option Sales Tax (LOST) revenues, the ending fund balance increased by approximately \$154,000.
- Secondary Roads Fund expenditures increased by approximately \$1.6 million over the prior year, due primarily to an increase in road maintenance. Although expenditures increased, the ending fund balance also increased. Revenues increased primarily due to deferred revenue in the prior year recorded as revenue in the current year for transfer of jurisdiction.

BUDGETARY HIGHLIGHTS

Over the course of the year, Appanoose County amended its budget one time. The amendment was made April 4, 2005 and resulted in an increase in budgeted disbursements related to secondary roads construction projects, health office grants and LOST receipts and disbursements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, Appanoose County had approximately \$7.1 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		
	Year ended June 30,	
	2005	2004
Land	\$ 153,500	153,500
Buildings and improvements	702,525	686,170
Equipment and vehicles	1,818,641	1,842,233
Infrastructure	4,400,361	1,958,877
Total	<u>\$ 7,075,027</u>	<u>4,640,780</u>
This year's major additions included:		
Capital assets contributed by the Iowa Department of Transportation	\$ 1,064,336	
Bridge projects	490,451	
Construction in progress	940,985	
Wheel loader	111,900	
Total	<u>\$ 2,607,672</u>	

The County had depreciation expense of \$305,380 in FY05 and total accumulated depreciation of \$2,480,793 at June 30, 2005. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2005, Appanoose County had approximately \$232,400 in sewer revenue notes and other long-term debt outstanding, compared to approximately \$122,180 at June 30, 2004, as shown below.

Outstanding Debt of Governmental Activities at Year-End		
	Year ended June 30,	
	2005	2004
Sewer revenue notes	\$ 112,401	113,723
Bank loan	-	8,422
Sewer loan	120,000	-
Total	<u>\$ 232,401</u>	<u>122,145</u>

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Appanoose County's outstanding general obligation debt is significantly below its constitutional debt limit of \$23.1 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Appanoose County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 5.6 percent versus 5.3 percent a year ago. This compares with the State's unemployment rate of 4.7 percent and the national rate of 5.1 percent.

These indicators were taken into account when adopting the budget for fiscal year 2006. Amounts available for appropriation in the operating budget are \$10.2 million, a decrease of 14.4 percent from the final 2005 budget. Budgeted disbursements are expected to decrease by approximately \$1.7 million. Decreases in secondary roads capital projects expenditures represent the largest decrease. The County has added no major new programs or initiatives to the 2006 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of 2006.

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

Appanoose County
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments:	
County Treasurer	\$ 7,085,197
Conservation Foundation	33,768
Receivables:	
Property tax:	
Delinquent	61,135
Succeeding year	3,279,000
Interest and penalty on property tax	63,846
Accounts	12,678
Accrued interest	15,498
Due from other governments	376,041
Inventories	317,320
Prepaid expenses	104,762
Capital assets (net of accumulated depreciation)	7,075,027
Total assets	<u>18,424,272</u>
Liabilities	
Accounts payable	484,741
Accrued interest payable	5,058
Salaries and benefits payable	13,534
Due to other governments	120,288
Deferred revenue:	
Succeeding year property tax	3,279,000
Long-term liabilities:	
Portion due or payable within one year:	
Sewer revenue notes	1,382
Compensated absences	89,615
Portion due or payable after one year:	
Sewer loan	120,000
Sewer revenue notes	111,019
Compensated absences	44,307
Total liabilities	<u>4,268,944</u>
Net Assets	
Invested in capital assets, net of related debt	6,842,626
Restricted for:	
Supplemental levy purposes	568,622
Mental health purposes	854,803
Secondary roads purposes	4,822,756
Other purposes	116,329
Unrestricted	950,192
Total net assets	<u>\$ 14,155,328</u>

See notes to financial statements.

Appanoose County
Statement of Activities
Year ended June 30, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,286,734	133,093	61,040	-	(1,092,601)
Physical health and social services	655,232	63,418	333,797	-	(258,017)
Mental health	876,024	11,783	478,562	-	(385,679)
County environment and education	256,813	11,045	20,614	-	(225,154)
Roads and transportation	3,324,486	514,328	2,181,420	1,064,336	435,598
Governmental services to residents	310,283	211,417	-	-	(98,866)
Administration	637,756	17,224	-	-	(620,532)
Non-program	294,281	297,552	-	-	3,271
Interest on long-term debt	21,929	-	-	-	(21,929)
Total	\$ 7,663,538	1,259,860	3,075,433	1,064,336	(2,263,909)
General Revenues:					
Property and other county tax levied for general purposes					3,065,832
Penalty and interest on property tax					61,960
State tax credits					236,530
Local option sales tax					318,080
Grants and contributions not restricted to specific purpose					10,000
Unrestricted investment earnings					139,062
Miscellaneous					75,287
Total general revenues					3,906,751
Change in net assets					1,642,842
Net assets beginning of year					12,512,486
Net assets end of year					\$ 14,155,328

See notes to financial statements.

Appanoose County
Balance Sheet
Governmental Funds

June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments:				
County Treasurer	\$ 1,019,004	976,889	264,161	4,608,055
Conservation Foundation	-	-	-	-
Receivables:				
Property tax:				
Delinquent	46,559	11,249	3,327	-
Succeeding year	2,251,000	544,000	484,000	-
Interest and penalty on property tax	63,846	-	-	-
Accounts	12,678	-	-	-
Accrued interest	15,498	-	-	-
Due from other funds	-	-	-	-
Due from other governments	112,320	-	31,796	210,841
Inventories	-	-	-	317,320
Prepaid expenditures	104,762	-	-	-
Total assets	\$ 3,625,667	1,532,138	783,284	5,136,216
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 50,597	28,973	145	249,116
Salaries and benefits payable	6,636	242	366	6,290
Due to other funds	300	-	-	-
Due to other governments	15,110	104,120	-	1,058
Deferred revenue:				
Succeeding year property tax	2,251,000	544,000	484,000	-
Other	109,886	11,174	3,234	-
Total liabilities	2,433,529	688,509	487,745	256,464
Fund balances:				
Reserved for supplemental levy purposes	550,905	-	-	-
Unreserved, reported in:				
General fund	641,233	-	-	-
Special revenue funds	-	843,629	295,539	4,879,752
Total fund balances	1,192,138	843,629	295,539	4,879,752
Total liabilities and fund balances	\$ 3,625,667	1,532,138	783,284	5,136,216

See notes to financial statements.

Nonmajor	Total
67,257	6,935,366
33,768	33,768
-	61,135
-	3,279,000
-	63,846
-	12,678
-	15,498
300	300
21,084	376,041
-	317,320
-	104,762
<u>122,409</u>	<u>11,199,714</u>
26,492	355,323
-	13,534
-	300
-	120,288
-	3,279,000
-	124,294
<u>26,492</u>	<u>3,892,739</u>
-	550,905
-	641,233
<u>95,917</u>	<u>6,114,837</u>
<u>95,917</u>	<u>7,306,975</u>
<u>122,409</u>	<u>11,199,714</u>

Appanoose County

Appanoose County

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

June 30, 2005

Total governmental fund balances (page 19) \$ 7,306,975

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$9,555,820 and the accumulated depreciation is \$2,480,793. 7,075,027

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 124,294

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 20,413

Long-term liabilities, including sewer revenue notes, sewer loan, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (371,381)

Net assets of governmental activities (page 16) \$ 14,155,328

See notes to financial statements.

Appanoose County

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

Year ended June 30, 2005

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 1,903,102	558,512	729,343
Interest and penalty on property tax	56,042	-	-
Intergovernmental	684,690	525,396	41,127
Licenses and permits	300	-	-
Charges for service	272,239	11,783	3,855
Use of money and property	138,374	-	-
Miscellaneous	31,106	-	-
Total revenues	3,085,853	1,095,691	774,325
Expenditures:			
Operating:			
Public safety and legal services	1,179,889	-	70,518
Physical health and social services	639,319	-	21,592
Mental health	-	874,074	-
County environment and education	138,851	-	46,148
Roads and transportation	-	-	-
Governmental services to residents	287,359	-	-
Administration	630,922	-	-
Debt service	16,871	-	-
Capital projects	-	-	-
Total expenditures	2,893,211	874,074	138,258
Excess (deficiency) of revenues over (under) expenditures	192,642	221,617	636,067
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(2,119)	-	(482,360)
Sewer loan proceeds	-	-	-
Total other financing sources (uses)	(2,119)	-	(482,360)
Net change in fund balances	190,523	221,617	153,707
Fund balances beginning of year	1,001,615	622,012	141,832
Fund balances end of year	\$ 1,192,138	843,629	295,539

See notes to financial statements.

Secondary Roads	Nonmajor	Total
63,616	121,663	3,376,236
-	-	56,042
4,281,254	10,044	5,542,511
795	-	1,095
237	2,765	290,879
-	313	138,687
82,151	58,988	172,245
4,428,053	193,773	9,577,695
-	67,568	1,317,975
-	-	660,911
-	-	874,074
-	196,318	381,317
3,326,026	-	3,326,026
-	20,052	307,411
-	-	630,922
-	6,440	23,311
1,220,545	-	1,220,545
4,546,571	290,378	8,742,492
(118,518)	(96,605)	835,203
482,360	2,119	484,479
-	-	(484,479)
-	120,000	120,000
482,360	122,119	120,000
363,842	25,514	955,203
4,515,910	70,403	6,351,772
4,879,752	95,917	7,306,975

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, 2005

Net change in fund balances - Total governmental funds (page 23) \$ 955,203

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

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

Expenditures for capital assets	\$ 1,694,378	
Capital assets contributed by the Iowa Department of Transportation	1,064,336	
Depreciation expense	<u>(305,380)</u>	2,453,334

In the Statement of Activities, the loss on the sale of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (19,087)

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	20,398	
Other	<u>(1,653,737)</u>	(1,633,339)

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 Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(120,000)	
Repaid	<u>9,744</u>	(110,256)

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

Compensated absences	(10,619)	
Interest on long-term debt	<u>133</u>	(10,486)

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 7,473

Change in net assets of governmental activities (page 17) \$ 1,642,842

See notes to financial statements.

Appanoose County
Statement of Net Assets
Proprietary Fund
June 30, 2005

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 149,831
Liabilities	
Accounts payable	<u>129,418</u>
Net Assets	
Unrestricted	<u>\$ 20,413</u>

See notes to financial statements.

Exhibit H

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

Year ended June 30, 2005

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Contributions and reimbursements from operating funds and other governmental units		\$ 390,292
Reimbursements from employees		130,944
Refunds		146,008
Total operating revenues		<u>667,244</u>
Operating expenses:		
Medical and health services	\$ 513,338	
Accounting, auditing and clerical	16,549	
Supplemental insurance	119,742	
Miscellaneous	10,280	659,909
Operating income		<u>7,335</u>
Non-operating revenues:		
Interest income		138
Net income		<u>7,473</u>
Net assets beginning of year		<u>12,940</u>
Net assets end of year		<u>\$ 20,413</u>

See notes to financial statements.

Appanoose County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2005

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 390,292
Cash received from employees and others	130,944
Cash received from refunds	146,008
Cash paid to suppliers for services	(566,400)
Net cash provided by operating activities	100,844
Cash flows from investing activities:	
Interest on investments	138
Net increase in cash and cash equivalents	100,982
Cash and cash equivalents beginning of year	48,849
Cash and cash equivalents end of year	\$ 149,831
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 7,335
Adjustment to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	93,509
Net cash provided by operating activities	\$ 100,844

See notes to financial statements.

Appanoose County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

Assets

Cash and pooled investments:	
County Treasurer	\$ 693,294
Other County officials	46,792
Receivables:	
Property tax:	
Delinquent	197,427
Succeeding year	7,711,000
Accounts	25,627
Special assessments	74,469
Total assets	<u>8,748,609</u>

Liabilities

Accounts payable	16,599
Salaries and benefits payable	230
Due to other governments	8,669,577
Trusts payable	54,888
Compensated absences	7,315
Total liabilities	<u>8,748,609</u>

Net assets \$ -

See notes to financial statements.

Appanoose County

Notes to Financial Statements

June 30, 2005

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

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Area XV Regional Planning Commission, Appanoose County Service Agency, South Iowa Area Detention Service Agency, Rathbun Area Solid Waste Management Commission, ADLM Environmental Public Health, ADLM Emergency Management and South Iowa Area Crime Commission Service Agency.

B. Basis of Presentation

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

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

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

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

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

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

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

The county reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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 period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Asset Class	Estimated Useful lives (In Years)
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Equipment	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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is generally paid upon retirement, but not prior to age 62. Such payment shall not exceed 90 days or a total dollar amount of \$2,000. A liability is recorded when incurred in the government-wide, proprietary fund 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, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the capital projects function. Disbursements in certain departments exceeded the amounts appropriated before amendment.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 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, 2005, the County had investments in the Iowa Public Agency Investment Trust (IPAIT) and an IPAIT certificate of deposit which are valued at an amortized cost of \$3,371,447 and \$2,653,736, respectively, 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) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Prisoner Room and Board	General	\$ 300

This balance results from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$ 482,360
Prisoner Room and Board	General	2,119
Total		\$ 484,479

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 153,500	-	-	153,500
Construction in progress	-	2,495,773	(490,451)	2,005,322
Total capital assets not being depreciated	153,500	2,495,773	(490,451)	2,158,822
Capital assets being depreciated:				
Buildings	933,040	34,974	-	968,014
Equipment and vehicles	4,082,046	301,967	(528,727)	3,855,286
Infrastructure, other	800,665	-	-	800,665
Infrastructure, road network	1,282,582	490,451	-	1,773,033
Total capital assets being depreciated	7,098,333	827,392	(528,727)	7,396,998
Less accumulated depreciation for:				
Buildings	246,870	18,619	-	265,489
Equipment and vehicles	2,239,813	232,472	(435,640)	2,036,645
Infrastructure, other	100,082	20,017	-	120,099
Infrastructure, road network	24,288	34,272	-	58,560
Total accumulated depreciation	2,611,053	305,380	(435,640)	2,480,793
Total capital assets being depreciated, net	4,487,280	522,012	(93,087)	4,916,205
Governmental activities capital assets, net	\$ 4,640,780	3,017,785	(583,538)	7,075,027

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 28,288
Physical health and social services	323
Mental health	1,950
County environment and education	31,642
Roads and transportation	223,149
Governmental services to residents	3,287
Administration	16,741
Total depreciation expense - governmental activities	<u>\$ 305,380</u>

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 15,110
Special Revenue:		
Mental Health	Services	104,120
Secondary Roads	Services	1,058
		<u>105,178</u>
Total for governmental funds		<u>\$ 120,288</u>
Agency:		
County Offices	Collections	\$ 390
Agricultural Extension Education		87,586
County Assessor		243,185
Schools		5,297,448
Community Colleges		234,637
Corporations		2,110,640
Townships		148,353
Auto License and Use Tax		212,829
ADLM Empowerment		80,962
All other		253,547
Total for agency funds		<u>\$ 8,669,577</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2005 is as follows:

	Bank Loan	Sewer Revenue Notes	Sewer Loan	Compen- sated Absences	Total
Balance beginning of year	\$ 8,422	113,723	-	123,303	245,448
Increases	-	-	120,000	177,576	297,576
Decreases	8,422	1,322	-	166,957	176,701
Balance end of year	<u>\$ -</u>	<u>112,401</u>	<u>120,000</u>	<u>133,922</u>	<u>366,323</u>
Due within one year	<u>\$ -</u>	<u>1,382</u>	<u>-</u>	<u>89,615</u>	<u>90,997</u>

Sewer Revenue Notes

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

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

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

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

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

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

Year ending June 30,	\$110,000 Sewer Revenue Notes			\$6,200 Sewer Revenue Notes			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2006	4.50%	\$ 1,308	4,788	4.50%	\$ 74	270	\$ 1,382	5,058	6,440
2007	4.50	1,367	4,729	4.50	78	266	1,445	4,995	6,440
2008	4.50	1,428	4,668	4.50	81	263	1,509	4,931	6,440
2009	4.50	1,492	4,604	4.50	85	259	1,577	4,863	6,440
2010	4.50	1,558	4,536	4.50	88	255	1,646	4,791	6,437
2011-2015	4.50	8,916	21,564	4.50	506	1,216	9,422	22,780	32,202
2016-2020	4.50	11,111	19,369	4.50	630	1,091	11,741	20,460	32,201
2021-2025	4.50	13,847	16,634	4.50	787	934	14,634	17,568	32,202
2026-2030	4.50	17,255	13,226	4.50	978	742	18,233	13,968	32,201
2031-2035	4.50	21,501	8,979	4.50	1,219	501	22,720	9,480	32,200
2036-2040	4.50	26,622	3,685	4.50	1,470	201	28,092	3,886	31,978
Total		\$106,405	106,782		\$ 5,996	5,998	\$112,401	112,780	225,181

Sewer Loan

On June 6, 2005, the County entered into a loan agreement to fund sewer line construction along State Highway J South. The loan is to be repaid in ten annual payments of \$18,036, including interest at 8% per annum, as follows:

Year ending June 30,	Interest			
	Rates	Principal	Interest	Total
2006	8.00%	\$ 7,329	10,707	18,036
2007	8.00	9,023	9,013	18,036
2008	8.00	9,744	8,292	18,036
2009	8.00	10,524	7,512	18,036
2010	8.00	11,366	6,670	18,036
2011-2015	8.00	72,014	18,170	90,184
Total		\$ 120,000	60,364	180,364

(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 3.70% of their annual covered salary and the County is required to contribute 5.75% 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, 2005, 2004 and 2003 were \$155,246, \$147,384 and \$144,709, respectively, equal to the required contributions for each year.

(9) 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.

(10) 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 Employee Group Services, Ltd. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$20,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Employee Group Services, Ltd. from the Employee Group Health Fund. The County records the plan assets and related liabilities of the Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2005 was \$390,292.

Amounts payable from the Employee Group Health Fund at June 30, 2005 total \$129,418, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$20,413 at June 30, 2005 and is reported as a designation of the Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2004	\$ 35,909
Incurred claims (including claims incurred but not reported at June 30, 2005)	513,338
Payment on claims during the fiscal year	<u>(419,829)</u>
Unpaid claims at June 30, 2005	<u>\$ 129,418</u>

(11) Jointly Governed Organization

Appanoose County participates in Appanoose, Davis, Lucas and Monroe (ADLM) Environmental Public Health, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as an Agency Fund in the other column of Schedules 3 and 4 because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2005:

Additions:		
Contributions from governmental units	\$ 127,189	
State grants	28,562	
Licenses and permits	73,086	
Total additions		\$ 228,837
Deductions:		
Salaries and benefits	161,976	
Office supplies	10,118	
Travel	14,157	
Telephone	3,737	
Training	1,051	
Insurance	857	
Well testing	75	
Well abandonment	7,381	
Lead abatement	5,659	
Radon testing	1,270	
Miscellaneous	3,761	210,042
Net		18,795
Balance beginning of year		-
Balance end of year		\$ 18,795

(12) Contingent Liability – South Iowa Area Detention Service Agency

The South Iowa Area Detention Service Agency (SIADSA) is a public authority established in 1991 under a 28E agreement by Appanoose, Davis, Des Moines, Jefferson, Lee, Lucas, Louisa, Mahaska, Union and Wapello counties. On May 1, 1991, SIADSA issued \$2,300,000 in capital loan note certificates for construction of the detention center facilities and purchase of equipment. The SIADSA Board authorized separate loan agreements with SIADSA which were pledged as security for SIADSA's debt obligation through the 2005/2006 fiscal year.

During the year ended June 30, 2004, SIADSA refinanced the 1991 debt issuance to receive better interest rates. The SIADSA Board consented to SIADSA incurring indebtedness to refund the 1991 capital loan note certificates for cost savings and pledged the 1991 loan agreements as security for the new debt obligation provided the refunding debt does not extend beyond the 2005/2006 fiscal year. The principal balance for Appanoose County remaining at June 30, 2005 was \$24,500.

In April 2005, SIADSA requested each of the ten member counties to contribute \$16,871 to the debt service payment due on June 1, 2005. Appanoose County made the payment on April 18, 2005.

Although Appanoose County has authorized the loan agreement, it has not issued any debt as a guarantor for SIADSA. Accordingly, the County remains contingently liable in the event SIADSA cannot satisfy its debt obligation.

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, 2005

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 3,448,322	-	3,448,322
Interest and penalty on property tax	56,040	-	56,040
Intergovernmental	5,508,795	-	5,508,795
Licenses and permits	1,095	-	1,095
Charges for service	304,695	-	304,695
Use of money and property	124,888	142	124,746
Miscellaneous	161,062	30,896	130,166
Total receipts	<u>9,604,897</u>	<u>31,038</u>	<u>9,573,859</u>
Disbursements:			
Public safety and legal services	1,309,705	-	1,309,705
Physical health and social services	682,788	-	682,788
Mental health	873,523	-	873,523
County environment and education	360,965	14,086	346,879
Roads and transportation	3,481,276	-	3,481,276
Governmental services to residents	332,434	-	332,434
Administration	690,778	-	690,778
Nonprogram	-	-	-
Debt service	23,311	-	23,311
Capital projects	1,080,651	-	1,080,651
Total disbursements	<u>8,835,431</u>	<u>14,086</u>	<u>8,821,345</u>
Excess (deficiency) of receipts over (under) disbursements	769,466	16,952	752,514
Other financing sources, net	1,207	-	1,207
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	770,673	16,952	753,721
Balance beginning of year	6,198,461	16,816	6,181,645
Balance end of year	<u>\$ 6,969,134</u>	<u>33,768</u>	<u>6,935,366</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
3,243,498	3,398,741	49,581
12,020	12,020	44,020
5,508,818	5,630,471	(121,676)
1,000	1,000	95
265,175	267,175	37,520
30,180	30,180	94,566
380,300	380,300	(250,134)
<u>9,440,991</u>	<u>9,719,887</u>	<u>(146,028)</u>
1,481,643	1,501,268	191,563
683,240	802,055	119,267
1,307,203	1,307,203	433,680
258,617	428,504	81,625
2,958,000	3,813,500	332,224
339,850	350,350	17,916
704,011	710,011	19,233
-	1,886,462	1,886,462
33,440	33,440	10,129
1,035,000	1,035,000	(45,651)
<u>8,801,004</u>	<u>11,867,793</u>	<u>3,046,448</u>
639,987	(2,147,906)	2,900,420
-	3,000	(1,793)
639,987	(2,144,906)	2,898,627
3,751,776	3,751,776	2,429,869
<u>4,391,763</u>	<u>1,606,870</u>	<u>5,328,496</u>

Appanoose County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 9,604,897	(27,202)	9,577,695
Expenditures	8,835,431	(92,939)	8,742,492
Net	769,466	65,737	835,203
Other financing sources, net	1,207	118,793	120,000
Beginning fund balances	6,198,461	153,311	6,351,772
Ending fund balances	\$ 6,969,134	337,841	7,306,975

See accompanying independent auditor's report.

Appanoose County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$3,066,789. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the capital projects function. Disbursements in certain departments exceeded the amounts appropriated before amendment.

Appanoose County

Other Supplementary Information

Appanoose County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2005

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Special Resource Enhancement and Protection
Assets			
Cash and pooled investments:			
County Treasurer	\$ 2,540	7	10,438
Conservation Foundation	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	5,078
Total assets	\$ 2,540	7	15,516
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ -	-	-
Fund equity:			
Fund balances:			
Unreserved	2,540	7	15,516
Total liabilities and fund equity	\$ 2,540	7	15,516

See accompanying independent auditor's report.

Revenue					
Law Enforcement Forfeiture	Economic Development	Conservation Foundation	Prisoner Room and Board	Total	
13,075	30,975	-	10,222	67,257	
-	-	33,768	-	33,768	
-	-	-	300	300	
-	16,006	-	-	21,084	
13,075	46,981	33,768	10,522	122,409	
4,530	21,962	-	-	26,492	
8,545	25,019	33,768	10,522	95,917	
13,075	46,981	33,768	10,522	122,409	

Appanoose County

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

Year ended June 30, 2005

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Special Law Enforcement Forfeiture
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	-	-	10,044	-
Charges for service	2,664	-	-	-
Use of money and property	18	-	132	21
Miscellaneous	-	-	-	18,092
Total revenues	2,682	-	10,176	18,113
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	15,352
County environment and education	-	-	6,831	-
Governmental services to residents	1,588	18,464	-	-
Debt service	-	-	-	-
Total expenditures	1,588	18,464	6,831	15,352
Excess (deficiency) of revenues over (under) expenditures	1,094	(18,464)	3,345	2,761
Other financing sources:				
Operating transfers in	-	-	-	-
Sewer loan proceeds	-	-	-	-
Total other financing sources	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	1,094	(18,464)	3,345	2,761
Fund balances beginning of year	1,446	18,471	12,171	5,784
Fund balances end of year	\$ 2,540	7	15,516	8,545

See accompanying independent auditor's report.

Revenue					
Economic Development	Conservation Foundation	Prisoner Room and Board	Emergency Medical Services	Debt Service	Total
70,420	-	-	51,243	-	121,663
-	-	-	-	-	10,044
-	-	101	-	-	2,765
-	142	-	-	-	313
10,000	30,896	-	-	-	58,988
80,420	31,038	101	51,243	-	193,773
-	-	973	51,243	-	67,568
175,401	14,086	-	-	-	196,318
-	-	-	-	-	20,052
-	-	-	-	6,440	6,440
175,401	14,086	973	51,243	6,440	290,378
(94,981)	16,952	(872)	-	(6,440)	(96,605)
-	-	2,119	-	-	2,119
120,000	-	-	-	-	120,000
120,000	-	2,119	-	-	122,119
25,019	16,952	1,247	-	(6,440)	25,514
-	16,816	9,275	-	6,440	70,403
25,019	33,768	10,522	-	-	95,917

Appanoose County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,852	65,383	105,345	4,989
Other County officials	46,792	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,734	3,673	108,103	4,648
Succeeding year	-	84,000	182,000	5,084,000	225,000
Accounts	-	-	-	-	-
Special assessments	-	-	-	-	-
Total assets	\$ 46,792	87,586	251,056	5,297,448	234,637
Liabilities					
Accounts payable	\$ -	-	326	-	-
Salaries and benefits payable	-	-	230	-	-
Due to other governments	390	87,586	243,185	5,297,448	234,637
Trusts payable	46,402	-	-	-	-
Compensated absences	-	-	7,315	-	-
Total liabilities	\$ 46,792	87,586	251,056	5,297,448	234,637

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
41,436	3,313	212,829	8,486	80,962	168,699	693,294
-	-	-	-	-	-	46,792
78,204	1,040	-	-	-	25	197,427
1,991,000	144,000	-	-	-	1,000	7,711,000
-	-	-	-	-	25,627	25,627
-	-	-	-	-	74,469	74,469
2,110,640	148,353	212,829	8,486	80,962	269,820	8,748,609
-	-	-	-	-	16,273	16,599
-	-	-	-	-	-	230
2,110,640	148,353	212,829	-	80,962	253,547	8,669,577
-	-	-	8,486	-	-	54,888
-	-	-	-	-	-	7,315
2,110,640	148,353	212,829	8,486	80,962	269,820	8,748,609

Appanoose County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Balances beginning of year	\$ 49,623	83,875	228,836	4,843,412	228,049
Additions:					
Property and other county tax	-	83,760	180,726	5,070,038	223,277
E911 surcharge	-	-	-	-	-
State tax credits	-	6,385	14,407	365,637	17,208
Drivers license fees	-	-	-	-	-
Office fees and collections	240,960	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	106,416	-	-	-	-
Miscellaneous	12	54	87,264	8,668	146
Total additions	347,388	90,199	282,397	5,444,343	240,631
Deductions:					
Agency remittances:					
To other funds	134,216	-	-	-	-
To other governments	106,698	86,488	260,177	4,990,307	234,043
Trusts paid out	109,305	-	-	-	-
Total deductions	350,219	86,488	260,177	4,990,307	234,043
Balances end of year	\$ 46,792	87,586	251,056	5,297,448	234,637

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
2,338,129	145,493	212,298	20,589	139,459	273,416	8,563,179
1,977,723	140,477	-	-	-	1,137	7,677,138
-	-	-	-	-	80,496	80,496
156,247	10,650	-	-	-	603	571,137
-	-	69,775	-	-	-	69,775
-	-	-	-	-	-	240,960
-	-	-	-	-	4,165	4,165
-	-	2,594,654	-	-	-	2,594,654
-	-	-	-	-	11,617	11,617
-	-	-	235,393	-	-	341,809
3,095	-	-	-	385,062	312,980	797,281
2,137,065	151,127	2,664,429	235,393	385,062	410,998	12,389,032
-	-	118,355	-	-	-	252,571
2,364,554	148,267	2,545,543	-	443,559	414,594	11,594,230
-	-	-	247,496	-	-	356,801
2,364,554	148,267	2,663,898	247,496	443,559	414,594	12,203,602
2,110,640	148,353	212,829	8,486	80,962	269,820	8,748,609

Schedule 5

Appanoose County

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

For the Last Five Years

	Modified Accrual Basis				
	2005	2004	2003	2002	2001
Revenues:					
Property and other county tax	\$ 3,376,236	2,979,791	2,917,055	2,605,058	2,555,088
Interest and penalty on property tax	56,042	62,284	56,392	54,162	52,042
Intergovernmental	5,542,511	5,480,691	5,590,715	3,588,068	3,867,205
Licenses and permits	1,095	71,649	2,946	67,019	52,820
Charges for service	290,879	332,619	312,847	256,193	254,022
Use of money and property	138,687	26,975	37,884	72,694	147,586
Miscellaneous	172,245	142,631	94,523	98,626	105,587
Total	\$ 9,577,695	9,096,640	9,012,362	6,741,820	7,034,350
Expenditures:					
Operating:					
Public safety and legal services	\$ 1,317,975	1,342,719	1,427,258	1,337,345	1,300,341
Physical health and social services	660,911	883,444	584,009	811,548	819,286
Mental health	874,074	1,146,711	978,318	1,181,582	1,239,208
County environment and education	381,317	244,308	237,012	348,224	233,879
Roads and transportation	3,326,026	2,664,836	2,458,484	2,263,656	1,968,983
Governmental services to residents	307,411	310,280	262,480	250,279	231,834
Administration	630,922	815,365	740,411	580,887	561,422
Debt service	23,311	6,440	6,440	5,229	2,421
Capital projects	1,220,545	256,873	381,350	1,015	-
Total	\$ 8,742,492	7,670,976	7,075,762	6,779,765	6,357,374

See accompanying independent auditor's report.

Appanoose County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		\$ 7,452
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205		236,701
Iowa Department of Public Defense, Homeland Security and Emergency Management Division:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		7,300
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		9,947
Refugee and Entrant Assistance - State Administered Programs	93.566		14
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		1,953
Foster Care - Title IV-E	93.658		5,218
Adoption Assistance	93.659		1,213
Medical Assistance Program	93.778		10,702
Social Services Block Grant	93.667		6,419
Social Services Block Grant	93.667		98,026
			104,445
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Immunization Grants	93.268		2,149
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283		49,140
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919		31,758
U.S. Department of Homeland Security:			
Iowa Department of Public Defense, Homeland Security and Emergency Management Division:			
Homeland Security Cluster:			
State Domestic Preparedness Equipment Support Program	97.004		276,115
Homeland Security Grant Program	97.067		14,038
			290,153
Disaster Grants_Public Assistance (Presidentially Declared Disasters)	97.036		2,398
Total			\$ 760,543

Appanoose County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

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

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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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 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, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 3, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

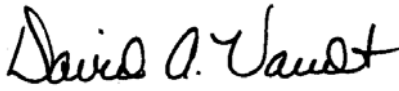
Compliance and Other Matters

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 that are described in Part IV of the accompanying Schedule of Finding and Questioned Costs.

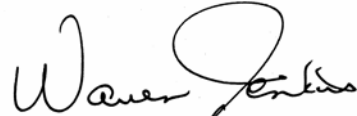
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all 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.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 3, 2006

**Independent Auditor's Report on Compliance
with Requirements Applicable to Each Major Program
and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

Appanoose County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Officials of Appanoose County:

Compliance

We have audited the compliance of Appanoose County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Appanoose County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Appanoose County's management. Our responsibility is to express an opinion on Appanoose County's compliance based on our audit.

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

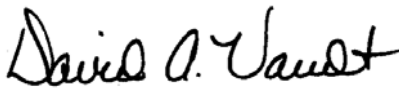
In our opinion, Appanoose County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance


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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 3, 2006

Appanoose County
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 20.205 – Highway Planning and Construction
 - Homeland Security – Cluster:
 - CFDA Number 97.004 – State Domestic Preparedness Equipment Support Program
 - CFDA Number 97.067 – Homeland Security Grant Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Appanoose County did not qualify as a low-risk auditee.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-05 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) Collection, deposit preparation and reconciliation functions.	Auditor and Recorder
(2) Bank account reconciliations.	Auditor
(3) Warrant/check signing.	Auditor

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 to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Responses:

Auditor – We are segregating as much as possible with limited staff.

Recorder – On collections we both do it. One collects and gives to other to enter. On deposits Deputy prepares and Recorder deposits. Both reconcile the statements.

Conclusion:

Auditor – Response accepted.

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

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

II-B-05 Information Systems – The County does not have a written disaster recovery plan for its computer based operating systems..

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

Response – County Supervisor John Arnold will develop a plan as a project in calendar year 2006.

Conclusion – Response accepted.

Appanoose County
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

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

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-05 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

IV-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amount budgeted in the capital projects function. Disbursements in certain departments exceeded the amounts appropriated before amendment.

Recommendation – The budget should have been amended as required by Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

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

Response – The oversight will get greater attention from the Board of Supervisors when appropriation and/or amendments are being considered.

Conclusion – Response accepted.

IV-C-05 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-05 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-E-05 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-F-05 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-G-05 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-H-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-I-05 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

- IV-J-05 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, 2005 for the County Extension Office did not exceed the amount budgeted.

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

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

Response – Will make an extra effort to get the meeting minutes signed after each meeting.

Conclusion – Response accepted.

- IV-K-05 Deficit Fund Balance – The Special Revenue, Economic Development Fund had deficit fund balances during the year ended June 30, 2005. This appears to violate Chapter 331.476 of the Code of Iowa.

Recommendation – Claims should not be approved for payment when funds are not available unless the debt is authorized by resolution of the Board of Supervisors and takes the form of anticipatory warrants, loans from other County funds or other formal short-term debt instruments or obligations.

Response – More scrutiny will be given to claims that fall in this category.

Conclusion – Response accepted.

- IV-L-05 Non-Current Debt – The County borrowed \$120,000 from Appanoose Industrial Corporation on June 6, 2005 and used the proceeds for sewer construction. This debt was not entered into in accordance with Chapters 331.478 and 331.479 of the Code of Iowa.

Chapter 331.478 of the Code of Iowa allows a County to authorize, by resolution, non-current debt payable from resources accruing after the end of the fiscal year in which the debt is incurred in accordance with Chapter 331.479. Chapter 331.479 requires, before the Board may institute proceedings for the incurrence of non-current debt, a notice of proposed action, including a statement of the amount, purposes and form of the debt, the proposed time of its liquidation, and the time and place of the meeting at which the Board proposes to take action to authorize the debt, shall be published. At the meeting, the Board shall receive oral and written objections before action is taken to authorize the debt or abandon the proposal.

Recommendation – The County should ensure non-current debt is authorized as required by Chapters 331.478 and 331.479 of the Code of Iowa.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Response – Before any future indebtedness is considered by the County, special attention will be given to the necessary chapters in the Iowa Code, assuring proper procedures will occur.

Conclusion – Response accepted.

IV-M-05 Special Appraiser's Levy – Chapter 441.50 of the Code of Iowa states:

“The conference board shall have power to employ appraisers or other technical or expert help to assist in the valuation of property, the cost thereof to be paid in the same manner as other expenses of the assessor's office. The conference board may certify for levy annually an amount not to exceed forty and one-half cents per thousand dollars for the purpose of establishing a special appraiser's fund, to be used only for such purposes. From time to time the conference board may direct the transfer of any unexpended balance in the special appraiser's fund to the assessment expense fund.”

Pursuant to an Attorney General's letter of memorandum dated January 4, 2006, the “... salary, benefits, and other costs associated with employing appraisers and other personnel with a county assessor's office may be paid from the special appraiser's fund, as long as the employees provide “technical or expert help to assist in the valuation of property.”

The County Assessor's Conference Board levies annually for the special appraiser's levy and transfers the amount received to the Assessment Expense Fund to supplement operations. Pursuant to an Attorney General's letter of memorandum dated January 4, 2006, “Given that the special appraiser's fund is a limited fund, I do not believe this is a reasonable interpretation of section 441.50. Nor would I advise the State Appeal Board approve special appraiser fund levy which was not based upon a good faith estimate of anticipated costs which could legitimately be paid for with this fund.

Recommendation – The Conference Board should discontinue budgeting and levying the special appraiser's levy to supplement the Assessment Expense Fund.

The County Assessor and Conference board should consult the County Attorney to determine the proper disposition of the amounts levied for the Special Appraiser's Fund for fiscal 2006 and prior years.

Response – I have talked to the State Auditor's Office and am aware of what expenses can be charged to the Special Appraisers Fund. From this date (March 1, 2006) only allowable expenses will be transferred from the Special Appraisal Fund to the Assessment Expense Fund. Court expenses have been levied for FY07 in the Special Appraisers Fund and not the Tort Liability Fund. I will try and cover those expenses from the Assessment Expense Fund but that may be impossible.

Conclusion – Response accepted.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

IV-N-05 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 County Treasurer’s Office does not retain the front and back of each cancelled check.

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

Response – We have contacted the bank and are working on obtaining images of the cancelled checks.

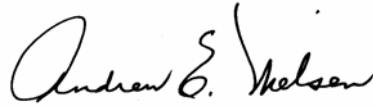
Conclusion – Response accepted.

Appanoose County

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Tammy A. Wolterman Senior Auditor
Stephanie A. Bernard, CPA, Staff Auditor
Jeffery L. Lenhart, Staff Auditor
Tiffany A. Gossweiler, Assistant Auditor
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Deputy Auditor of State