



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ March 23, 2007

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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 \$11,862,966 for the year ended June 30, 2006, which included \$795,242 in tax credits from the state. The County forwarded \$8,329,398 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,533,568 of the local tax revenue to finance County operations, a 7% increase over the prior year. Other revenues included charges for service of \$860,572, operating grants, contributions and restricted interest of \$3,048,167, capital grants, contributions and restricted interest of \$1,020,393, local option sales tax of \$539,546, unrestricted investment earnings of \$149,380 and other general revenues of \$151,874.

Expenses for County operations totaled \$8,661,353, a 13% increase over the prior year. Expenses included \$3,650,040 for roads and transportation, \$1,408,515 for public safety and legal services and \$1,241,336 for mental health. The significant increase in expenses is due to an increase in mental health and road and bridge expenses.

A copy of the report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/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, 2006

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Appanoose County

Officials

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

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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, 2006, 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, 2006, 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 7, 2007 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 two years ended June 30, 2005 (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 7, 2007

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, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

As discussed in Note 12 to the financial statements, the County restated the Mental Health Fund beginning fund balance to correct an error in reporting prior year payables. To facilitate and enhance comparability in this discussion and analysis, fiscal year 2005 amounts have been revised to reflect the change as if it had been made in the prior year.

2006 FINANCIAL HIGHLIGHTS

- The County's governmental activities revenues decreased only \$3,078 from fiscal 2005 to fiscal 2006. Property tax and local option sales tax increased approximately \$228,000 and \$221,000, respectively, and charges for service decreased approximately \$399,000.
- The County's governmental activities expenses increased approximately \$874,000 from fiscal 2005 to fiscal 2006. Expenses increased in mental health, roads and transportation and governmental services to residents by approximately \$242,000, \$326,000 and \$146,000, respectively.
- The County's net assets increased 4.6%, or approximately \$642,000, from June 30, 2005, as restated, to June 30, 2006.

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 increased from \$14,031,829 at the end of FY05 to \$14,673,778 at the end of FY06. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities		
	Year ended June 30,	
	2006	2005
Current and other assets	\$ 8,841,479	11,349,245
Capital assets	10,913,558	7,075,027
Total assets	19,755,037	18,424,272
Long-term liabilities	744,553	366,323
Other liabilities	4,336,706	4,026,120
Total liabilities	5,081,259	4,392,443
Net assets:		
Invested in capital assets, net of related debt	10,383,643	6,842,626
Restricted	2,859,974	6,239,011
Unrestricted	1,430,161	950,192
Total net assets	\$ 14,673,778	14,031,829

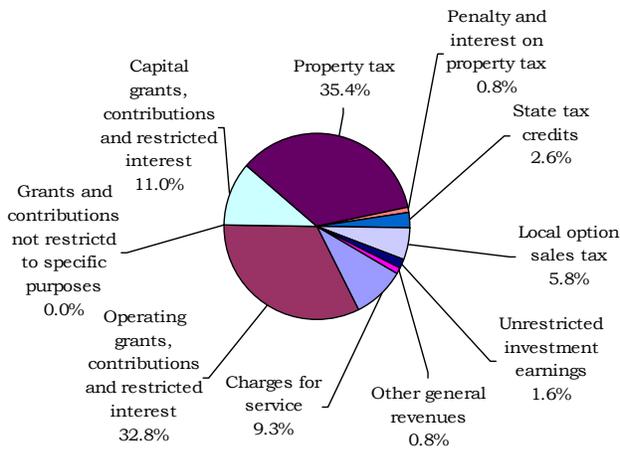
Net assets of Appanoose County's governmental activities increased by approximately \$642,000 from FY05. The County's net assets consists of invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is 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— increased from approximately \$950,000 at June 30, 2005 to approximately \$1,430,000 at June 30, 2006, an increase of 50.5%.

This increase of approximately \$480,000 in unrestricted net assets was a result of increases in revenue for local option sales tax, penalties and interest and interest on investments.

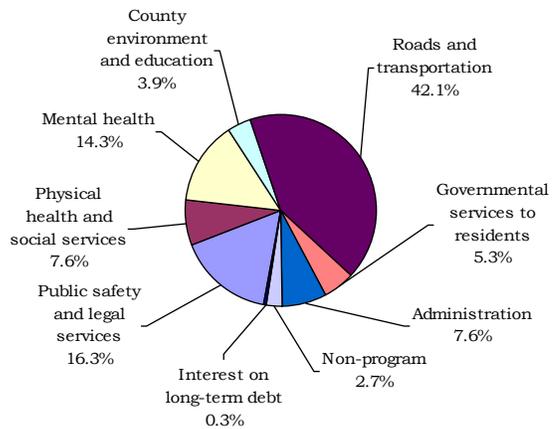
Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2006	2005
Revenues:		
Program revenues:		
Charges for service	\$ 860,572	1,259,860
Operating grants, contributions and restricted interest	3,048,167	3,075,433
Capital grants, contributions and restricted interest	1,020,393	1,064,336
General revenues:		
Property tax	3,293,979	3,065,832
Penalty and interest on property tax	78,466	61,960
State tax credits	239,589	236,530
Local option sales tax	539,546	318,080
Grants and contributions not restricted to specific purposes	-	10,000
Unrestricted investment earnings	149,182	139,062
Other general revenues	73,408	75,287
Total revenues	<u>9,303,302</u>	<u>9,306,380</u>
Program expenses:		
Public safety and legal services	1,408,515	1,286,734
Physical health and social services	657,003	655,232
Mental health	1,241,336	999,523
County environment and education	335,837	256,813
Roads and transportation	3,650,040	3,324,486
Governmental services to residents	455,966	310,283
Administration	657,708	637,756
Non-program	231,226	294,281
Interest on long-term debt	23,722	21,929
Total expenses	<u>8,661,353</u>	<u>7,787,037</u>
Increase in net assets	641,949	1,519,343
Net assets beginning of year, as restated	<u>14,031,829</u>	<u>12,512,486</u>
Net assets end of year	<u>\$ 14,673,778</u>	<u>14,031,829</u>

Revenue by Source



Expenses by Program



The County increased property tax rates for 2006 by 1.77%. This increase in rates and increased valuations of \$13,276,815 raised the County's property and other county tax revenue by approximately \$228,000 in 2006. The total Appanoose County assessed valuation for taxes payable in FY06-07 increased by \$3,213,661. Based on this increase and an increase in property tax rates, property tax revenue is budgeted to increase by an additional \$83,526 next year.

INDIVIDUAL MAJOR FUND ANALYSIS

As Appanoose County completed the year, its governmental funds reported a combined fund balance of approximately \$4.3 million, a decrease of approximately \$2.9 million from last year's total of \$7.2 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 increased. The ending fund balance increased \$528,452 over the prior year to \$1,720,590. Total revenues increased 19% over the prior year and included increases in property tax, penalties and interest and HAVA grant revenue. Total expenditures increased 9% over the prior year and included increases in the governmental services to residents function for HAVA expenditures.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,239,000, an increase of 24% over the prior year. This increase is due to increased costs for certified living and institutional commitment services for persons with mental retardation. The Mental Health Fund balance at year end decreased by \$174,404 from the prior year.
- The Rural Services Fund local option sales tax revenue increased while expenditures and transfers out increased, resulting in the ending fund balance increasing by approximately \$119,000.
- The Secondary Roads Fund balance decreased by \$3,370,577 from the prior year. Expenditures increased approximately \$2.5 million over the prior year, due primarily to an increase in road and bridge projects. Revenues decreased approximately \$1.4 million from the prior year, due primarily to transfer of jurisdiction revenue in the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Appanoose County amended its budget four times. The first and second amendments resulted in increases in budgeted receipts and disbursements related to hotel/motel taxes, the South sewer project and Haz-Mat funding. The third amendment resulted in an increase in budgeted disbursements related to REAP, Secondary Roads and elections. The final amendment increased budgeted disbursements and was made to correct a prior amendment related to the roads and transportation and capital projects functions.

The County's total receipts were \$9,326 more than the final budget amount. Actual receipts for interest and penalty on tax, charges for service and use of money and property were \$113,819, \$56,912 and \$193,138, respectively, more than budgeted. This was primarily due to the County using conservative estimates in budgeting receipts and increases occurring in penalties paid on delinquent taxes, auto registration fees, tax sale fees, recording fees and interest on investments. Actual intergovernmental receipts were \$428,535 less than budgeted due to a delay of certain projects reimbursable from bridge replacement funds.

Total disbursements were \$1,875,293 less than the amended budget. Actual disbursements for the public safety, mental health and capital projects functions were \$399,466, \$398,114 and \$555,742, respectively, less than budgeted. This was primarily due to less disbursements for HazMat, juvenile representation services and secondary road projects and unpaid state billings for mental health.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, Appanoose County had approximately \$10.9 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2006	2005
Land	\$ 516,900	153,500
Buildings and improvements	683,906	702,525
Equipment and vehicles	1,906,754	1,818,641
Infrastructure	7,116,221	2,395,039
Construction in progress	689,777	2,005,322
Total	\$ 10,913,558	7,075,027
This year's major additions included:		
Land	\$ 363,400	
Road and bridge projects	3,547,598	
Motorgrader	170,788	
Total	\$ 4,081,786	

The County had depreciation expense of \$434,894 in FY06 and total accumulated depreciation of \$2,718,913 at June 30, 2006. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2006, Appanoose County had \$529,915 in long-term debt outstanding, compared to approximately \$232,401 at June 30, 2005, as shown below.

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2006	2005
Bank loan	\$ 232,000	-
Sewer revenue notes	111,019	112,401
Sewer loan	120,000	120,000
Capital lease purchase agreement	66,896	-
Total	\$ 529,915	232,401

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 of \$418,896 is significantly below its constitutional debt limit of \$23.6 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Appanoose County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates and fees charged for various County activities. One of those factors is the economy. The average unemployment in the County in 2006 is 5.2% versus 5.6% a year ago. This compares with the State's unemployment rate of 3.7% and the national rate of 4.6% .

These indicators were taken into account when adopting the budget for fiscal year 2007. Amounts available for appropriation in the operating budget are \$9.1 million, a decrease of 31.3% from the final 2006 budget. Budgeted disbursements are expected to decrease by approximately \$4.1 million. Decreases in secondary roads capital projects represent the largest decrease. The County has added no major new programs or initiatives to the 2007 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of 2007.

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, 2006

	Governmental Activities
Assets	
Cash and pooled investments:	
County Treasurer	\$ 4,475,437
Conservation Foundation	6,133
Receivables:	
Property tax:	
Delinquent	26,479
Succeeding year	3,375,000
Interest and penalty on property tax	17,472
Accounts	847
Accrued interest	16,276
Due from other governments	523,541
Inventories	288,389
Prepaid expenses	111,905
Capital assets (net of accumulated depreciation)	10,913,558
	19,755,037
Liabilities	
Accounts payable	372,591
Accrued interest payable	24,750
Salaries and benefits payable	16,127
Due to other governments	548,238
Deferred revenue:	
Succeeding year property tax	3,375,000
Long-term liabilities:	
Portion due or payable within one year:	
Bank loan	232,000
Sewer revenue notes	1,445
Sewer loan	7,329
Capital lease purchase agreement	66,896
Compensated absences	150,013
Portion due or payable after one year:	
Sewer revenue notes	109,574
Sewer loan	112,671
Compensated absences	64,625
	5,081,259
Net Assets	
Invested in capital assets, net of related debt	10,383,643
Restricted for:	
Supplemental levy purposes	754,216
Mental health purposes	549,626
Secondary roads purposes	1,415,609
Other purposes	140,523
Unrestricted	1,430,161
	\$ 14,673,778

See notes to financial statements.

Appanoose County
Statement of Activities
Year ended June 30, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,408,515	97,821	107,544	17,375	(1,185,775)
Physical health and social services	657,003	70,619	345,221	17,500	(223,663)
Mental health	1,241,336	3,600	476,193	-	(761,543)
County environment and education	335,837	12,504	97,753	54,325	(171,255)
Roads and transportation	3,650,040	147,759	2,008,508	817,571	(676,202)
Governmental services to residents	455,966	223,401	68	113,622	(118,875)
Administration	657,708	23,099	-	-	(634,609)
Non-program	231,226	281,769	-	-	50,543
Interest on long-term debt	23,722	-	12,880	-	(10,842)
Total	\$ 8,661,353	860,572	3,048,167	1,020,393	(3,732,221)
General Revenues:					
Property and other county tax levied for general purposes					3,293,979
Penalty and interest on property tax					78,466
State tax credits					239,589
Local option sales tax					539,546
Hotel/motel tax					19,494
Unrestricted investment earnings					149,182
Gain on sale of capital assets					32,753
Miscellaneous					21,161
Total general revenues					4,374,170
Change in net assets					641,949
Net assets beginning of year, as restated					14,031,829
Net assets end of year					\$ 14,673,778

See notes to financial statements.

Appanoose County
Balance Sheet
Governmental Funds

June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments:				
County Treasurer	\$ 1,579,498	1,107,151	344,229	1,149,611
Conservation Foundation	-	-	-	-
Receivables:				
Property tax:				
Delinquent	18,738	4,122	3,619	-
Succeeding year	2,300,000	506,000	569,000	-
Interest and penalty on property tax	17,472	-	-	-
Accounts	847	-	-	-
Accrued interest	16,252	-	-	-
Due from other governments	75,641	1,705	70,192	341,268
Inventories	-	-	-	288,389
Prepaid expenditures	103,405	-	-	8,500
Total assets	\$ 4,111,853	1,618,978	987,040	1,787,768
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 44,609	22,273	50	267,659
Salaries and benefits payable	5,168	293	241	10,425
Due to other governments	6,896	540,786	47	509
Deferred revenue:				
Succeeding year property tax	2,300,000	506,000	569,000	-
Other	34,590	3,900	3,583	-
Total liabilities	2,391,263	1,073,252	572,921	278,593
Fund balances:				
Reserved for:				
Supplemental levy purposes	764,043	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	956,547	-	-	-
Special revenue funds	-	545,726	414,119	1,509,175
Total fund balances	1,720,590	545,726	414,119	1,509,175
Total liabilities and fund balances	\$ 4,111,853	1,618,978	987,040	1,787,768

See notes to financial statements.

Nonmajor	Total
106,071	4,286,560
6,133	6,133
-	26,479
-	3,375,000
-	17,472
-	847
24	16,276
34,735	523,541
-	288,389
-	111,905
<u>146,963</u>	<u>8,652,602</u>
-	334,591
-	16,127
-	548,238
-	3,375,000
-	42,073
<u>-</u>	<u>4,316,029</u>
-	764,043
6,440	6,440
-	956,547
140,523	2,609,543
<u>146,963</u>	<u>4,336,573</u>
<u>146,963</u>	<u>8,652,602</u>

Appanoose County

Appanoose County

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

June 30, 2006

Total governmental fund balances (page 19) \$ 4,336,573

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 \$13,632,471 and the accumulated depreciation is \$2,718,913. 10,913,558

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 42,073

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. 150,877

Long-term liabilities, including a bank loan, sewer revenue notes, sewer loan, capital lease purchase agreement, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (769,303)

Net assets of governmental activities (page 16) \$ 14,673,778

See notes to financial statements.

Appanoose County

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

Year ended June 30, 2006

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,255,789	544,917	797,339
Interest and penalty on property tax	125,241	-	-
Intergovernmental	826,506	516,465	35,010
Licenses and permits	363	-	-
Charges for service	293,941	3,600	4,539
Use of money and property	148,972	-	-
Miscellaneous	33,197	-	-
Total revenues	3,684,009	1,064,982	836,888
Expenditures:			
Operating:			
Public safety and legal services	1,255,612	-	78,962
Physical health and social services	645,770	-	26,290
Mental health	-	1,239,386	-
County environment and education	138,881	-	80,696
Roads and transportation	-	-	-
Governmental services to residents	453,775	-	-
Administration	651,470	-	-
Debt service	8,353	-	-
Capital projects	-	-	-
Total expenditures	3,153,861	1,239,386	185,948
Excess (deficiency) of revenues over (under) expenditures	530,148	(174,404)	650,940
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(1,696)	-	(532,360)
Bank loan proceeds	-	-	-
Capital lease purchase agreement	-	-	-
Total other financing sources (uses)	(1,696)	-	(532,360)
Net change in fund balances	528,452	(174,404)	118,580
Fund balances beginning of year, as restated	1,192,138	720,130	295,539
Fund balances end of year	\$ 1,720,590	545,726	414,119

See notes to financial statements.

Secondary Roads	Nonmajor	Total
107,909	182,512	3,888,466
-	-	125,241
2,774,648	47,867	4,200,496
910	-	1,273
34	3,255	305,369
79,864	515	229,351
49,398	82,034	164,629
3,012,763	316,183	8,914,825
-	64,198	1,398,772
-	-	672,060
-	-	1,239,386
-	444,754	664,331
3,420,703	-	3,420,703
-	1,441	455,216
-	-	651,470
-	6,440	14,793
3,632,037	-	3,632,037
7,052,740	516,833	12,148,768
(4,039,977)	(200,650)	(3,233,943)
532,360	1,696	534,056
-	-	(534,056)
-	250,000	250,000
137,040	-	137,040
669,400	251,696	387,040
(3,370,577)	51,046	(2,846,903)
4,879,752	95,917	7,183,476
1,509,175	146,963	4,336,573

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, 2006

Net change in fund balances - Total governmental funds (page 23) \$(2,846,903)

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	\$ 4,084,707	
Capital assets contributed by the Iowa Department of Transportation and others	158,218	
Depreciation expense	<u>(434,894)</u>	3,808,031

In the Statement of Activities, the gain on the sale of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 30,500

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	(35,446)	
Other	<u>(46,775)</u>	(82,221)

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	(387,040)	
Repaid	<u>89,526</u>	(297,514)

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

Compensated absences	(80,716)	
Interest on long-term debt	<u>(19,692)</u>	(100,408)

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. 130,464

Change in net assets of governmental activities (page 17) \$ 641,949

See notes to financial statements.

Appanoose County
 Statement of Net Assets
 Proprietary Fund
 June 30, 2006

	Internal Service - Employee Group Health
Assets	
Cash and cash equivalents	\$ 188,877
Liabilities	
Accounts payable	38,000
Net Assets	
Unrestricted	<u>\$ 150,877</u>

See notes to financial statements.

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

Year ended June 30, 2006

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Contributions and reimbursements from operating funds and other governmental units		\$ 488,132
Reimbursements from employees and others		112,614
Refunds		125,388
Total operating revenues		<u>726,134</u>
Operating expenses:		
Medical and health services	\$ 444,320	
Accounting, auditing and clerical	22,023	
Supplemental insurance	118,585	
Miscellaneous	10,953	595,881
Operating income		<u>130,253</u>
Non-operating revenues:		
Interest income		211
Net income		<u>130,464</u>
Net assets beginning of year		<u>20,413</u>
Net assets end of year		<u>\$ 150,877</u>

See notes to financial statements.

Appanoose County
 Statement of Cash Flows
 Proprietary Fund
 Year ended June 30, 2006

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 488,132
Cash received from employees and others	112,614
Cash received from refunds	125,388
Cash paid to suppliers for services	(687,299)
Net cash provided by operating activities	38,835
Cash flows from investing activities:	
Interest on investments	211
Net increase in cash and cash equivalents	39,046
Cash and cash equivalents beginning of year	149,831
Cash and cash equivalents end of year	\$ 188,877
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 130,253
Adjustment to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts payable	(91,418)
Net cash provided by operating activities	\$ 38,835

See notes to financial statements.

Appanoose County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006

Assets

Cash and pooled investments:

County Treasurer	\$ 979,431
Other County officials	64,656

Receivables:

Property tax:

Delinquent	70,729
Succeeding year	7,795,000

Accounts	16,705
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Accrued interest	116
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Special assessments	55,000
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Due from other governments	5,339
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Total assets	<u>8,986,976</u>
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Liabilities

Accounts payable	24,790
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Due to other governments	8,883,966
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Trusts payable	62,311
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Compensated absences	15,909
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Total liabilities	<u>8,986,976</u>
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Net assets	<u><u>\$ -</u></u>
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See notes to financial statements.

Appanoose County

Notes to Financial Statements

June 30, 2006

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

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Appanoose County Service Agency, South Iowa Area Detention Service Agency, Rathbun Area Solid Waste Management Commission, ADLM Emergency Management 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 financial statements:

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

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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

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

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	10-65
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 property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation 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, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General 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, 2006, disbursements exceeded the amount budgeted in the capital projects function prior to the May 2006 budget amendment.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2006 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, 2006, the County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$3,584,646 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Agency Investment Trust is unrated for credit risk purposes.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 532,360
Prisoner Room and Board	General	1,696
Total		<u>\$ 534,056</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 153,500	363,400	-	516,900
Construction in progress	155,921	41,944	(197,865)	-
Construction in progress, road network	1,849,401	3,547,598	(4,707,222)	689,777
Total capital assets not being depreciated	<u>2,158,822</u>	<u>3,952,942</u>	<u>(4,905,087)</u>	<u>1,206,677</u>
Capital assets being depreciated:				
Buildings	968,014	-	-	968,014
Equipment and vehicles	3,855,286	320,483	(196,774)	3,978,995
Infrastructure, other	800,665	197,865	-	998,530
Infrastructure, road network	1,773,033	4,707,222	-	6,480,255
Total capital assets being depreciated	<u>7,396,998</u>	<u>5,225,570</u>	<u>(196,774)</u>	<u>12,425,794</u>
Less accumulated depreciation for:				
Buildings	265,489	18,619	-	284,108
Equipment and vehicles	2,036,645	232,370	(196,774)	2,072,241
Infrastructure, other	120,099	23,974	-	144,073
Infrastructure, road network	58,560	159,931	-	218,491
Total accumulated depreciation	<u>2,480,793</u>	<u>434,894</u>	<u>(196,774)</u>	<u>2,718,913</u>
Total capital assets being depreciated, net	<u>4,916,205</u>	<u>4,790,676</u>	<u>-</u>	<u>9,706,881</u>
Governmental activities capital assets, net	<u>\$ 7,075,027</u>	<u>8,743,618</u>	<u>(4,905,087)</u>	<u>10,913,558</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 27,634
Physical health and social services	3,823
Mental health	1,950
County environment and education	37,086
Roads and transportation	343,257
Governmental services to residents	3,287
Administration	17,857
Total depreciation expense - governmental activities	<u>\$ 434,894</u>

(5) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 6,896
Special Revenue:		
Mental Health	Services	540,786
Rural Services	Services	47
Secondary Roads	Services	509
		<u>541,342</u>
Total for governmental funds		<u>\$ 548,238</u>
Agency:		
County Offices	Collections	\$ 117
Agricultural Extension Education		86,780
County Assessor		261,694
Schools		5,318,434
Community Colleges		240,517
Corporations		2,077,321
Townships		159,063
Auto License and Use Tax		210,360
ADLM Empowerment		277,385
All other		252,295
Total for agency funds		<u>\$ 8,883,966</u>

(6) Changes in Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2006 is as follows:

	Conservation Foundation Bank Loan	Sewer Revenue Notes	Sewer Loan	Capital Lease Purchase Agreement	Compen- sated Absences	Total
Balance beginning of year	\$ -	112,401	120,000	-	133,922	366,323
Increases	250,000	-	-	137,040	201,957	588,997
Decreases	18,000	1,382	-	70,144	121,241	210,767
Balance end of year	<u>\$ 232,000</u>	<u>111,019</u>	<u>120,000</u>	<u>66,896</u>	<u>214,638</u>	<u>744,553</u>
Due within one year	<u>\$ 232,000</u>	<u>1,445</u>	<u>7,329</u>	<u>66,896</u>	<u>150,013</u>	<u>457,683</u>

Conservation Foundation Bank Loan

On March 15, 2006, the Conservation Foundation entered into a promissory note with Iowa Trust and Savings Bank to borrow \$250,000 to purchase land. The interest rate on the loan is 6.25% per annum and the maturity date is March 15, 2007. During the year ended June 30, 2006, the Foundation paid principal of \$18,000 on the loan. The balance of the loan will be paid off with grants receipts.

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 to defray 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 sanitary sewer 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
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	4.50	1,630	4,466	4.50	92	252	1,722	4,718	6,440
2012-2016	4.50	9,318	21,165	4.50	528	1,192	9,846	22,357	32,203
2017-2021	4.50	11,611	18,870	4.50	659	1,066	12,270	19,936	32,206
2022-2026	4.50	14,469	16,011	4.50	821	899	15,290	16,910	32,200
2027-2031	4.50	18,031	12,449	4.50	1,023	697	19,054	13,146	32,200
2032-2036	4.50	22,470	8,010	4.50	1,274	445	23,744	8,455	32,199
2037-2040	4.50	21,723	2,486	4.50	1,193	134	22,916	2,620	25,536
Total		\$ 105,097	101,994		\$ 5,922	5,728	\$ 111,019	107,722	218,741

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
2007	8.00%	\$ 7,329	10,707	18,036
2008	8.00	9,023	9,013	18,036
2009	8.00	9,744	8,292	18,036
2010	8.00	10,524	7,512	18,036
2011	8.00	11,366	6,670	18,036
2012-2016	8.00	72,014	18,170	90,184
Total		\$ 120,000	60,364	180,364

Capital Lease Purchase Agreement

In July 2005, the County entered into a lease purchase agreement for a motorgrader for \$137,040. Under the agreement, the County paid \$70,144 upon receipt of the motorgrader in August of 2005 with the balance to be in July 2006. The final payment will be \$70,144, including interest of \$3,248 at 4.75% per annum.

(7) Pension and Retirement Benefits

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

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, 2006, 2005 and 2004 were \$157,450, \$155,246 and \$147,384, respectively, equal to the required contributions for each year.

(8) 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.

(9) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Auxiant, formerly 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 Auxiant from the Employee Group Health Fund. The County records the plan assets and related liabilities of the Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2006 was \$488,132.

Amounts payable from the Employee Group Health Fund at June 30, 2006 total \$38,000, 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 \$150,877 at June 30, 2006 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, 2005	\$ 129,418
Incurred claims (including claims incurred but not reported at June 30, 2006)	444,320
Payment on claims during the fiscal year	<u>(535,738)</u>
Unpaid claims at June 30, 2006	<u><u>\$ 38,000</u></u>

(10) 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. In June 2006, Lucas County assumed the duties of fiscal agent for ADLM and the balance of \$13,895 was transferred to Lucas County. The following financial data is for the year ended June 30, 2006:

Additions:		
Contributions from governmental units	\$ 118,350	
State and federal grants	137,772	
Licenses and permits	93,909	
Total additions	<u>350,031</u>	\$ 350,031
Deductions:		
Salaries and benefits	175,707	
Office supplies	15,198	
Equipment	81,100	
Land	38,500	
Travel	16,588	
Telephone	3,051	
Training	1,436	
Well testing	300	
Well abandonment	4,908	
Lead abatement	9,244	
Radon testing	1,357	
Miscellaneous	7,542	
Transfer to Lucas County	<u>13,895</u>	<u>368,826</u>
Net		(18,795)
Balance beginning of year		<u>18,795</u>
Balance end of year		<u>\$ -</u>

(11) Subsequent Event

In September 2006, Appanoose County entered into a 28E Agreement with Monroe County, the Rathbun Lake Resort, the Centerville Area Chamber of Commerce, the Hotel-Motel Tax Commission of the Centerville Area Chamber of Commerce and the Iowa Department of Natural Resources. Under the agreement, the County will make an economic development grant to the Iowa Department of Natural Resources (IDNR) to provide a portion of the funds for IDNR's cost of constructing the Honey Creek Resort State Park. In November 2006, Appanoose County entered into a loan agreement with Iowa Trust & Savings Bank for \$400,000, of which \$357,250 is to be paid to the Iowa Department of Natural Resources and \$42,750 is to be retained for the payment of interest on the obligation. Interest only payments at 4.25% per annum shall be payable quarterly, commencing January 1, 2007 and continuing through October 1, 2008. Thereafter, both principal and interest on the note shall be payable in 28 equal quarterly installments of \$16,591 commencing on January 1, 2009 and continuing through October 1, 2015. The County anticipates drawing down the loan proceeds in December 2007. The County plans to use hotel/motel tax revenue to repay the debt.

(12) Restatement

The beginning fund balance for the Mental Health Fund has been restated to correct an error in reporting prior year payables. The restatement decreased the beginning fund balance, as follows:

	<u>Amount</u>
Fund balance June 30, 2005, as previously reported	\$ 843,629
Previously unrecorded payables	<u>(123,499)</u>
Fund balance July 1, 2005, as restated	<u>\$ 720,130</u>

Beginning net assets for governmental activities has been restated to correct an error in reporting prior year payables. The restatement decreased the beginning net assets, as follows:

	<u>Amount</u>
Net assets June 30, 2005 as previously reported	\$ 14,155,328
Previously unrecorded payables	<u>(123,499)</u>
Net assets July 1, 2005, as restated	<u>\$ 14,031,829</u>

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, 2006

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 3,823,129	-	3,823,129
Interest and penalty on property tax	124,839	-	124,839
Intergovernmental	4,018,736	-	4,018,736
Licenses and permits	1,273	-	1,273
Charges for service	305,487	-	305,487
Use of money and property	228,488	250	228,238
Miscellaneous	275,234	80,629	194,605
Total receipts	8,777,186	80,879	8,696,307
Disbursements:			
Public safety and legal services	1,427,595	-	1,427,595
Physical health and social services	667,893	-	667,893
Mental health	932,868	-	932,868
County environment and education	685,763	358,514	327,249
Roads and transportation	3,250,727	-	3,250,727
Governmental services to residents	311,968	-	311,968
Administration	648,762	-	648,762
Debt service	14,793	-	14,793
Capital projects	3,763,258	-	3,763,258
Total disbursements	11,703,627	358,514	11,345,113
Excess (deficiency) of receipts over (under) disbursements	(2,926,441)	(277,635)	(2,648,806)
Other financing sources, net	250,000	250,000	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(2,676,441)	(27,635)	(2,648,806)
Balance beginning of year	6,969,134	33,768	6,935,366
Balance end of year	\$ 4,292,693	6,133	4,286,560

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
3,714,137	3,737,946	85,183
11,020	11,020	113,819
4,224,146	4,447,271	(428,535)
800	800	473
248,575	248,575	56,912
35,100	35,100	193,138
46,950	206,269	(11,664)
<u>8,280,728</u>	<u>8,686,981</u>	<u>9,326</u>
1,575,827	1,827,061	399,466
761,869	761,869	93,976
1,330,982	1,330,982	398,114
358,584	393,684	66,435
3,566,000	3,366,000	115,273
304,164	320,764	8,796
723,887	727,606	78,844
33,440	173,440	158,647
1,500,000	4,319,000	555,742
<u>10,154,753</u>	<u>13,220,406</u>	<u>1,875,293</u>
(1,874,025)	(4,533,425)	1,884,619
-	-	-
(1,874,025)	(4,533,425)	1,884,619
6,844,984	6,844,984	90,382
<u>4,970,959</u>	<u>2,311,559</u>	<u>1,975,001</u>

Appanoose County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 8,777,186	137,639	8,914,825
Expenditures	11,703,627	445,141	12,148,768
Net	(2,926,441)	(307,502)	(3,233,943)
Other financing sources, net	250,000	137,040	387,040
Beginning fund balances, as restated	6,969,134	214,342	7,183,476
Ending fund balances	\$ 4,292,693	43,880	4,336,573

See accompanying independent auditor's report.

Appanoose County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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. 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, four budget amendments increased budgeted disbursements by \$3,065,653. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2006, disbursements in the capital projects function exceeded the amount budgeted prior to the May 2006 budget amendment.

Appanoose County

Other Supplementary Information

Appanoose County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2006

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Special Resource Enhancement and Protection
Assets			
Cash and pooled investments:			
County Treasurer	\$ 4,422	7	1,632
Conservation Foundation	-	-	-
Accrued interest receivable	-	-	13
Due from other governments	-	-	5,377
Total assets	\$ 4,422	7	7,022
Fund Equity			
Fund equity:			
Fund balances:			
Reserved for debt service	\$ -	-	-
Unreserved	4,422	7	7,022
Total fund equity	\$ 4,422	7	7,022

See accompanying independent auditor's report.

Revenue							
Law Enforcement Forfeiture	Economic Development	Conservation Foundation	HazMat	Prisoner Room and Board	Debt Service	Total	
5,091	55,748	-	20,513	12,218	6,440	106,071	
-	-	6,133	-	-	-	6,133	
11	-	-	-	-	-	24	
-	29,358	-	-	-	-	34,735	
5,102	85,106	6,133	20,513	12,218	6,440	146,963	
-	-	-	-	-	6,440	6,440	
5,102	85,106	6,133	20,513	12,218	-	140,523	
5,102	85,106	6,133	20,513	12,218	6,440	146,963	

Appanoose County

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

Year ended June 30, 2006

	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	-	-	10,330	-
Charges for service	3,255	-	-	-
Use of money and property	68	-	100	97
Miscellaneous	-	-	-	1,405
Total revenues	3,323	-	10,430	1,502
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	4,945
County environment and education	-	-	18,924	-
Governmental services to residents	1,441	-	-	-
Debt service	-	-	-	-
Total expenditures	1,441	-	18,924	4,945
Excess (deficiency) of revenues over (under) expenditures	1,882	-	(8,494)	(3,443)
Other financing sources:				
Operating transfers in	-	-	-	-
Bank note proceeds	-	-	-	-
Total other financing sources	-	-	-	-
Excess (deficiency) of revenue and other financing sources over (under) expenditures	1,882	-	(8,494)	(3,443)
Fund balances beginning of year	2,540	7	15,516	8,545
Fund balances end of year	\$ 4,422	7	7,022	5,102

See accompanying independent auditor's report.

Revenue							
Economic Development	Conservation Foundation	HazMat	Prisoner Room and Board	Emergency Medical Services	Debt Service		Total
127,403	-	-	-	55,109	-		182,512
-	-	24,657	-	-	12,880		47,867
-	-	-	-	-	-		3,255
-	250	-	-	-	-		515
-	80,629	-	-	-	-		82,034
127,403	80,879	24,657	-	55,109	12,880		316,183
-	-	4,144	-	55,109	-		64,198
67,316	358,514	-	-	-	-		444,754
-	-	-	-	-	-		1,441
-	-	-	-	-	6,440		6,440
67,316	358,514	4,144	-	55,109	6,440		516,833
60,087	(277,635)	20,513	-	-	6,440		(200,650)
-	-	-	1,696	-	-		1,696
-	250,000	-	-	-	-		250,000
-	250,000	-	1,696	-	-		251,696
60,087	(27,635)	20,513	1,696	-	6,440		51,046
25,019	33,768	-	10,522	-	-		95,917
85,106	6,133	20,513	12,218	-	6,440		146,963

Appanoose County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	2,096	109,887	126,016	5,615
Other County officials	41,692	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	684	1,323	43,418	1,902
Succeeding year	-	84,000	162,000	5,149,000	233,000
Accounts	-	-	-	-	-
Accrued Interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 41,692	86,780	273,210	5,318,434	240,517
Liabilities					
Accounts payable	\$ -	-	163	-	-
Due to other governments	117	86,780	261,694	5,318,434	240,517
Trusts payable	41,575	-	-	-	-
Compensated absences	-	-	11,353	-	-
Total liabilities	\$ 41,692	86,780	273,210	5,318,434	240,517

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
42,986	4,006	210,360	20,736	296,876	160,853	979,431
-	-	-	-	-	22,964	64,656
22,335	1,057	-	-	-	10	70,729
2,012,000	154,000	-	-	-	1,000	7,795,000
-	-	-	-	-	16,705	16,705
-	-	-	-	-	116	116
-	-	-	-	-	55,000	55,000
-	-	-	-	-	5,339	5,339
2,077,321	159,063	210,360	20,736	296,876	261,987	8,986,976
-	-	-	-	19,491	5,136	24,790
2,077,321	159,063	210,360	-	277,385	252,295	8,883,966
-	-	-	20,736	-	-	62,311
-	-	-	-	-	4,556	15,909
2,077,321	159,063	210,360	20,736	296,876	261,987	8,986,976

Appanoose County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Balances beginning of year	\$ 46,792	87,586	251,056	5,297,448	234,637
Additions:					
Property and other county tax	-	82,924	159,888	5,106,763	230,291
E911 surcharge	-	-	-	-	-
State tax credits	-	6,136	13,317	371,311	16,447
Drivers license fees	-	-	-	-	-
Office fees and collections	248,793	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	187,927	-	-	-	-
Miscellaneous	-	54	3,912	14,426	144
Total additions	436,720	89,114	177,117	5,492,500	246,882
Deductions:					
Agency remittances:					
To other funds	148,119	-	-	-	-
To other governments	100,486	89,920	154,963	5,471,514	241,002
Trusts paid out	193,215	-	-	-	-
Total deductions	441,820	89,920	154,963	5,471,514	241,002
Balances end of year	\$ 41,692	86,780	273,210	5,318,434	240,517

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
2,110,640	148,353	212,829	8,486	80,962	269,820	8,748,609
2,041,720	150,976	-	-	-	1,183	7,773,745
-	-	-	-	-	74,108	74,108
137,067	10,774	-	-	-	601	555,653
-	-	45,456	-	-	-	45,456
-	-	-	-	-	-	248,793
-	-	2,541,989	-	-	-	2,541,989
-	-	-	-	-	3,915	3,915
-	-	-	243,965	-	-	431,892
3,197	-	-	-	649,750	536,327	1,207,810
2,181,984	161,750	2,587,445	243,965	649,750	616,134	12,883,361
-	-	143,480	-	-	-	291,599
2,215,303	151,040	2,446,434	-	433,836	623,967	11,928,465
-	-	-	231,715	-	-	424,930
2,215,303	151,040	2,589,914	231,715	433,836	623,967	12,644,994
2,077,321	159,063	210,360	20,736	296,876	261,987	8,986,976

Schedule 5

Appanoose County

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

For the Last Six Years

	Modified Accrual Basis					
	2006	2005	2004	2003	2002	2001
Revenues:						
Property and other county tax	\$ 3,888,466	3,376,236	2,979,791	2,917,055	2,605,058	2,555,088
Interest and penalty on property tax	125,241	56,042	62,284	56,392	54,162	52,042
Intergovernmental	4,200,496	5,542,511	5,480,691	5,590,715	3,588,068	3,867,205
Licenses and permits	1,273	1,095	71,649	2,946	67,019	52,820
Charges for service	305,369	290,879	332,619	312,847	256,193	254,022
Use of money and property	229,351	138,687	26,975	37,884	72,694	147,586
Miscellaneous	164,629	172,245	142,631	94,523	98,626	105,587
Total	\$ 8,914,825	9,577,695	9,096,640	9,012,362	6,741,820	7,034,350
Expenditures:						
Operating:						
Public safety and legal services	\$ 1,398,772	1,317,975	1,342,719	1,427,258	1,337,345	1,300,341
Physical health and social services	672,060	660,911	883,444	584,009	811,548	819,286
Mental health	1,239,386	874,074	1,146,711	978,318	1,181,582	1,239,208
County environment and education	664,331	381,317	244,308	237,012	348,224	233,879
Roads and transportation	3,420,703	3,326,026	2,664,836	2,458,484	2,263,656	1,968,983
Governmental services to residents	455,216	307,411	310,280	262,480	250,279	231,834
Administration	651,470	630,922	815,365	740,411	580,887	561,422
Debt service	14,793	23,311	6,440	6,440	5,229	2,421
Capital projects	3,632,037	1,220,545	256,873	381,350	1,015	-
Total	\$ 12,148,768	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, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Environmental Protection Agency:			
Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements			
104(b)(3) of the Clean Water Act	66.436	X7-98768401	\$ 30,000
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		7,820
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-1210(607)--8J-04	666,794
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		1,495
U.S. Elections Assistance Commission:			
Iowa Secretary of State:			
Help America Vote Act Requirements Payment	90.401	06-HAVA-04-SA1	104,712
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		9,461
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		2,242
Foster Care - Title IV-E	93.658		4,855
Adoption Assistance	93.659		1,194
Medical Assistance Program	93.778		12,599
Social Services Block Grant	93.667		6,187
Social Services Block Grant	93.667		95,657
			<u>101,844</u>
Iowa Secretary of State:			
Voting Access for Individuals with Disabilities - Grants to States	93.617	06-HAVA-04-001	1,075
Voting Access for Individuals with Disabilities - Grants to States	93.617	06-HAVA-04-002	2,500
Voting Access for Individuals with Disabilities - Grants to States	93.617	06-HAVA-04-003	361

Schedule 6

Appanoose County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Secretary of State:			
Voting Access for Individuals with Disabilities - Grants to States	93.617	06-HAVA-04-004	2,500
Voting Access for Individuals with Disabilities - Grants to States	93.617	06-HAVA-04-005	2,500
Voting Access for Individuals with Disabilities - Grants to States	93.617	06-HAVA-04-006	496
			<u>9,432</u>
Iowa Department of Public Health:			
Immunization Grants	93.268	5885I414	1,249
Immunization Grants	93.268	5886I414	1,043
			<u>2,292</u>
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	5886NB01	29,220
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5886WW01	14,591
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5886WW14	4,014
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5885BT41	87,735
Des Moines County Public Health:			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	BT04	22,506
			<u>128,846</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Homeland Security Cluster:			
State Domestic Preparedness Equipment Support Prog	97.004		9,882
Homeland Security Grant Program (non-cash)	97.067		323,566
			<u>333,448</u>
Emergency Management Performance Grants	97.042		16,474
Total			<u>\$ 1,462,728</u>

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

See accompanying independent auditor's report.



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STATE OF IOWA

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

To the Officials of Appanoose County:

We have audited 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, 2006, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 7, 2007. 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 items II-A-06 and II-F-06 are material weaknesses.

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, 2006 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 7, 2007

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

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, 2006. Appanoose County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Appanoose County's management. Our responsibility is to express an opinion on Appanoose County's compliance based on our audit.

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

In our opinion, Appanoose County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

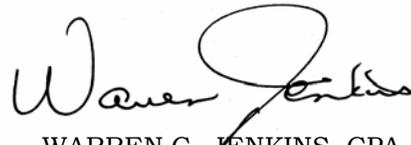
The management of Appanoose County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Appanoose County's internal 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 7, 2007

Appanoose County
Schedule of Findings and Questioned Costs
Year ended June 30, 2006

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 material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major 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, 2006

Part II: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

II-A-06 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) Receipts - opening and listing mail receipts, collecting, depositing, posting and daily reconciling.	Sheriff and Recorder
(2) Cash - preparing bank reconciliations, handling and recording cash.	Sheriff

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:

Sheriff – All mail will be reviewed by the Sheriff and Administrative Assistant when possible. Bank reconciliation will be reviewed, dated and initialed by both Sheriff and Administrative Assistant.

Recorder – The Recorder will open the mail and enter documents into the fee book as the Deputy rings up the transactions on the cash register. Both the Recorder and Deputy will check and initial the daily cash summary report.

Conclusion – Responses accepted.

II-B-06 County Auditor - Warrants are allowed to be returned to the person who prepared the claims or warrants for payment prior to being mailed.

Recommendation - After signing, the warrants should be mailed without allowing them to return to individuals who prepared the claims or warrants for payment.

Response – We will mail warrants in the future.

Conclusion – Response accepted.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

- II-C-06 Information Systems – The County does not have a written disaster recovery plan for its computer based operating systems.
- Recommendation – The County should develop a written disaster recovery plan in order to improve the County’s control over computer based systems.
- Response – We are working on the plan.
- Conclusion – Response accepted.
- II-D-06 Capital Assets – The County’s capital asset listing was not updated for additions and deletions. This matter was resolved for audit purposes.
- Recommendation – Procedures should be implemented to insure the capital assets listing is updated for additions and deletions in a timely manner.
- Response – We will work on this.
- Conclusion – Response accepted.
- II-E-06 County Engineer – State warrants were not deposited timely with the County Treasurer.
- Recommendation – All receipts should be deposited in a timely manner.
- Response – We will be establishing a weekly deposit routine beginning in February 2007.
- Conclusion – Response accepted.
- II-F-06 County Mental Health Department – The County receives medicaid billings from the Iowa Department of Human Services (DHS) each month. The County Mental Health Department is responsible for reviewing the billings and entering the data into the CoMIS computer system. The CoMIS computer system generates an amount payable to DHS which is submitted to the County Auditor’s Office for payment. The Mental Health department did not enter the medicaid data into the CoMIS system or generate payments to DHS in a timely manner. As a result, the County has not paid DHS for medicaid billings dating back as far as December 2004. The amount owed for the billings at June 30, 2006 totals \$431,521.
- Recommendation – The County’s Central Point Coordinator (CPC) should implement procedures to ensure the medicaid billings are entered into the CoMIS computer system in a timely manner. Also, the CPC should ensure payments to DHS are made in a timely manner.
- Response – The County will strive to improve the entering of appropriate data into the CoMIS system to ensure billings are paid in a timely manner. The CPC Administrator is currently entering the claims for payment authorization with cleanup to be completed by June 30, 2007.
- Conclusion – Response accepted.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

- II-G-06 General Assistance – Acting as the fiscal agent, the General Assistance Director maintains a separate bank account for state and federal grants related to the Appanoose, Davis and Monroe County Decategorization Board. The activity is not accounted for as a fund in the County’s accounting system but, for audit purposes, the activity has been included as an Agency Fund.

The Decategorization Board may act as a committee of the Empowerment Board if an Empowerment area includes a decategorization project in accordance with Chapter 28.7(c) of the Code of Iowa. The Empowerment Board has designated Appanoose County as the fiscal agent for grant and other moneys administered by the Empowerment Board as required by Chapter 28.7(a) of the Code of Iowa.

Recommendation – Since the County acts as the fiscal agent of the Empowerment Board, the grant activity accounted for in the separate bank account should be included as an Agency Fund of the County and should be recorded in the receipt and disbursement cycles of the County’s accounting system.

Response – The separate bank account used for the Fiscal Agency services has been in existence for several years. The state agencies for which the fiscal agency services are being provided were made aware of the separate account and have been satisfied with the operation of the fiscal agency services and the reporting provided to them concerning the funds.

In order to facilitate a smooth transfer, I would request the fiscal agent services be allowed to continue as is until the end of the various contracts. If the service continues through the County, new contracts will be written so the activity can be recorded in an Agency Fund with the Appanoose County Treasurer.

Conclusion – Response acknowledged. The separate bank account should be closed and the balance transferred to the County as soon as possible.

- II-H-06 Conservation Foundation - In January 2006, the Foundation purchased a used truck from the Conservation Director for \$5,400. Documentation of how the vehicle price was established was not maintained.

During the fiscal years ended June 30, 2005 and June 30, 2006, the Foundation paid the Conservation Director \$1,435 and \$1,794, respectively, for unused vacation. Federal and state income taxes were not withheld by the Foundation and the compensation was not reported on a W-2.

Recommendation – The Foundation should have retained documentation of the how the vehicle price was determined.

In addition, the Foundation should withhold and remit the required taxes and report all compensation paid on a W-2. To avoid problems with tax withholdings and income reporting, future compensation could be paid through the County and reimbursed by the Foundation.

Foundation Response – The Appanoose County Conservation Board and Appanoose Conservation Foundation will take the State Auditor’s recommendations under advisement and look into these matters.

Conclusion – Response acknowledged.

Appanoose County
Schedule of Findings and Questioned Costs
Year ended June 30, 2006

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Appanoose County
Schedule of Findings and Questioned Costs
Year ended June 30, 2006

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, 2006

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-06 Certified Budget – During the year ended June 30, 2006, disbursements in the capital projects function exceeded budget prior to the May 2006 budget amendment.

The notice of the May 2006 budget amendment hearing was not published at least 10 days prior to the hearing as required by Chapters 331.434(2) and 331.435 of the Code of Iowa.

The original budget was not appropriated until July 18, 2005 and the minutes did not include an itemization of the budget appropriations by department.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. The notice of the budget amendment hearing should be published not less than 10 days or more than 20 days prior to the hearing date.

Budget appropriations should be authorized by resolution before any disbursements are made as required by Chapter 331.434(6) of the Code of Iowa and should include the detail of the appropriations by department.

Response – We will try to ensure this does not happen in the future.

Conclusion – Response accepted.

IV-B-06 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-06 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-06 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-E-06 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-F-06 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-H-06 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, 2006

- IV-I-06 Non-Current Debt – The County entered into an agreement to purchase a motorgrader in two installments. The agreement 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 of the Code of Iowa. Chapter 331.479 of the Code of Iowa 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.

Response – We will work with the County Engineer to make sure a public hearing is held in accordance with Chapters 331.478 and 331.479 of the Code of Iowa.

Conclusion – Response accepted.

- IV-J-06 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, 2006 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 – We will make an extra effort to get the meeting minutes signed after each meeting.

Conclusion – Response accepted.

- II-K-06 Rent on Conservation Residence – The County Conservation Board's residence policy provides for a housing allowance to be paid to an employee residing in a County owned residence. The policy states the housing allowance is equal to the amount of rent charged by the County to the employee.

During the year ended June 30, 2006, the County paid \$7,202 in housing allowance to the conservation employee. The allowance was paid through payroll and was subject to federal and state income tax withholdings, as well as FICA and IPERS.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

According to Internal Revenue Service regulations, taxable income is not generated when employees are required to live in an employer owned residence as a condition of employment.

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

Recommendation – The County should re-evaluate the practice of reporting taxable income to the employee in apparent conflict with Internal Revenue Service regulations.

In addition, all County revenue should be credited to the County's General Fund as required by Chapter 331.427 of the Code of Iowa.

Conservation Response – The Appanoose County Conservation Board and Appanoose Conservation Foundation will take the State Auditor's recommendations under advisement and look into these matters.

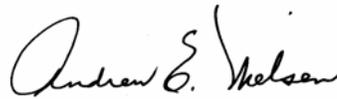
Conclusion – Response acknowledged.

Appanoose County

Staff

This audit was performed by:

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Donna F. Kruger, CPA, Senior Auditor II
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