



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

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Auditor of State

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NEWS RELEASE

FOR RELEASE _____ February 28, 2003

Contact: Andy Nielsen
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The Office of Auditor of State today released an audit report on Appanoose County, Iowa. The County had local tax revenue of \$11,166,465 for the year ended June 30, 2002, which included \$1,296,876 in tax credits from the state. The County forwarded \$8,216,149 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,950,316 of the local tax revenue to finance County operations, a one percent increase from the prior year. Other revenues included \$2,852,269 from the state, including indirect federal funding, \$169,891 directly from the federal government, and \$72,686 in interest on investments.

Expenditures for County operations totaled \$6,779,765, a 7 percent increase from the prior year. Expenditures included \$2,263,656 for roads and transportation, \$1,181,582 for mental health and \$1,105,511 for public safety.

A copy of the audit report is available for review in the office of the Auditor of State and the County Auditor's Office.

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APPANOOSE COUNTY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2002

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Appanoose County

Officials

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

Appanoose County



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Independent Auditor's Report

To the Officials of Appanoose County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Appanoose County, Iowa, as of and for the year ended June 30, 2002. These general purpose financial statements are the responsibility of Appanoose County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

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

In our opinion, except for the effects on the general purpose financial statements of the omissions described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Appanoose County at June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types and the expendable trust fund of Appanoose County for the year ended June 30, 2002.

In accordance with Government Auditing Standards, we have also issued our report dated January 3, 2003 on our consideration of Appanoose County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2001 (none of which are presented herein) and expressed a qualified opinion on the financial statements due to the omission of the general fixed assets account group and materials and supplies inventory pertaining primarily to the Special Revenue Fund. The supplemental information included in Schedules 1 through 9 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 3, 2003

Financial Statements

Appanoose County
 Combined Balance Sheet
 All Fund Types and Account Group
 June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Assets and Other Debits			
Cash and pooled investments:			
County Treasurer	\$ 829,528	2,096,014	6,440
Other County officials	-	-	-
Cash held by Conservation Foundation	-	27,077	-
Cash held in escrow by South Iowa Area Detention Service Agency (note 5)	-	-	-
Receivables:			
Property tax:			
Delinquent	17,585	8,686	-
Succeeding year	1,595,000	1,001,000	-
Interest and penalty on property tax Accounts	44,214	-	-
Accrued interest	-	858	-
Special assessments	1,955	-	-
Due from other funds (note 3)	-	-	-
Due from other governments	17,641	1,171	-
Prepaid insurance	124,458	163,679	-
Amount available for debt service	63,445	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
	-	-	-
Total assets and other debits	\$ 2,693,826	3,298,485	6,440

<u>Capital Projects</u>	<u>Proprietary Fund Type</u> Internal Service	<u>Fiduciary Fund Type</u> Trust and Agency	<u>Account Group</u> General Long-Term Debt	Total (Memorandum Only)
-	53,569	544,544	-	3,530,095
-	-	52,597	-	52,597
-	-	-	-	27,077
15,000	-	-	-	15,000
-	-	87,428	-	113,699
-	-	6,508,000	-	9,104,000
-	-	-	-	44,214
-	-	21,380	-	22,238
-	-	-	-	1,955
-	-	146,628	-	146,628
-	-	-	-	18,812
-	-	-	-	288,137
-	-	-	-	63,445
-	-	-	21,440	21,440
-	-	-	323,937	323,937
15,000	53,569	7,360,577	345,377	13,773,274

Appanoose County
 Combined Balance Sheet
 All Fund Types and Account Group
 June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 23,543	109,490	-
Salaries and benefits payable	4,821	23,173	-
Due to other funds (note 3)	-	-	-
Due to other governments (note 4)	18,298	250,166	-
Trusts payable	-	-	-
Installment purchase contract (note 6)	-	69,985	-
Deferred revenue:			
Succeeding year property tax	1,595,000	1,001,000	-
Other	60,272	8,273	-
Capital lease purchase agreement (note 5)	-	-	-
Bank loan (note 5)	-	-	-
South Iowa Area Detention Service Agency capital loan notes (note 5)	-	-	-
Sewer revenue notes (note 5)	-	-	-
Compensated absences	21,022	11,674	-
Total liabilities	1,722,956	1,473,761	-
Fund equity:			
Unreserved retained earnings	-	-	-
Fund balances:			
Reserved for:			
Prepaid insurance	63,445	-	-
Supplemental levy purposes	115,365	-	-
Debt service	-	-	6,440
Unreserved	792,060	1,824,724	-
Total fund equity	970,870	1,824,724	6,440
Total liabilities and fund equity	\$ 2,693,826	3,298,485	6,440

See notes to financial statements.

<u>Capital Projects</u>	<u>Proprietary Fund Type Internal Service</u>	<u>Fiduciary Fund Type Trust and Agency</u>	<u>Account Group General Long-Term Debt</u>	<u>Total (Memorandum Only)</u>
-	29,727	7,531	-	170,291
-	-	-	-	27,994
-	-	18,812	-	18,812
-	-	7,272,160	-	7,540,624
-	-	60,695	-	60,695
-	-	-	-	69,985
-	-	-	-	2,596,000
-	-	-	-	68,545
-	-	-	20,406	20,406
-	-	-	24,031	24,031
-	-	-	87,500	87,500
-	-	-	116,200	116,200
-	-	1,296	97,240	131,232
-	29,727	7,360,494	345,377	10,932,315
-	23,842	-	-	23,842
-	-	-	-	63,445
-	-	-	-	115,365
15,000	-	-	-	21,440
-	-	83	-	2,616,867
15,000	23,842	83	-	2,840,959
15,000	53,569	7,360,577	345,377	13,773,274

Appanoose County

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

Year ended June 30, 2002

	Governmental Fund	
	General	Special Revenue
Revenues:		
Property and other County tax	\$ 1,532,076	1,072,982
Interest and penalty on property tax	54,162	-
Intergovernmental	935,304	2,646,324
Licenses and permits	66,094	925
Charges for service	247,455	8,738
Use of money and property	69,599	3,095
Fines, forfeitures and defaults	7,691	6,665
Miscellaneous	15,159	69,111
Total revenues	<u>2,927,540</u>	<u>3,807,840</u>
Expenditures:		
Operating:		
Public safety	1,050,495	55,016
Court services	231,834	-
Physical health and education	600,742	17,500
Mental health	-	1,181,582
Social services	215,056	-
County environment	296,761	29,713
Roads and transportation	-	2,263,656
State and local government services	250,279	-
Interprogram services	580,887	-
Debt service	-	-
Capital projects	-	1,015
Total expenditures	<u>3,226,054</u>	<u>3,548,482</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(298,514)</u>	<u>259,358</u>
Other financing sources (uses):		
Bank loan	24,031	-
Sale of general fixed assets	2,905	4,048
Operating transfers in	188,735	482,360
Operating transfers out	-	(671,095)
Total other financing sources (uses)	<u>215,671</u>	<u>(184,687)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(82,843)</u>	<u>74,671</u>
Fund balances beginning of year	1,053,567	1,750,053
Increase in reserve for prepaid insurance	146	-
Fund balances end of year	<u>\$ 970,870</u>	<u>1,824,724</u>

See notes to financial statements.

Types		Fiduciary Fund Type	Total
Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
-	-	-	2,605,058
-	-	-	54,162
6,440	-	-	3,588,068
-	-	-	67,019
-	-	-	256,193
-	-	-	72,694
-	-	-	14,356
-	-	-	84,270
6,440	-	-	6,741,820
-	-	-	1,105,511
-	-	-	231,834
-	-	-	618,242
-	-	-	1,181,582
-	-	-	215,056
-	-	-	326,474
-	-	-	2,263,656
-	-	-	250,279
-	-	-	580,887
5,229	-	-	5,229
-	-	-	1,015
5,229	-	-	6,779,765
1,211	-	-	(37,945)
-	-	-	24,031
-	-	-	6,953
-	-	-	671,095
-	-	-	(671,095)
-	-	-	30,984
1,211	-	-	(6,961)
5,229	15,000	83	2,823,932
-	-	-	146
6,440	15,000	83	2,817,117

Appanoose County

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

Year ended June 30, 2002

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other County tax	\$ 2,604,457	-
Interest and penalty on property tax	53,703	-
Intergovernmental	3,542,568	48,600
Licenses and permits	67,019	-
Charges for service	260,649	-
Use of money and property	85,508	2,678
Fines, forfeitures and defaults	14,438	-
Miscellaneous	84,268	42,056
Total receipts	6,712,610	93,334
Disbursements:		
Public safety	1,092,709	-
Court services	269,162	-
Physical health and education	614,690	-
Mental health	1,066,911	-
Social services	219,546	-
County environment	333,594	2,740
Roads and transportation	2,211,742	-
State and local government services	254,358	-
Interprogram services	579,236	-
Debt service	5,229	-
Capital projects	1,015	-
Total disbursements	6,648,192	2,740
Excess (deficiency) of receipts over (under) disbursements	64,418	90,594
Other financing sources, net	6,954	(188,735)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	71,372	(98,141)
Balance beginning of year	2,902,770	125,218
Balance end of year	\$ 2,974,142	27,077

See notes to financial statements.

Net	Amended Budget	Variance - Favorable (Unfavorable)	Net as % of Amended Budget
2,604,457	2,605,891	(1,434)	100%
53,703	43,250	10,453	124%
3,493,968	4,427,733	(933,765)	79%
67,019	56,325	10,694	119%
260,649	273,384	(12,735)	95%
82,830	120,550	(37,720)	69%
14,438	20,000	(5,562)	72%
42,212	119,050	(76,838)	35%
<u>6,619,276</u>	<u>7,666,183</u>	<u>(1,046,907)</u>	<u>86%</u>
1,092,709	1,163,561	70,852	94%
269,162	280,950	11,788	96%
614,690	686,795	72,105	90%
1,066,911	1,407,596	340,685	76%
219,546	258,239	38,693	85%
330,854	356,522	25,668	93%
2,211,742	3,039,000	827,258	73%
254,358	262,649	8,291	97%
579,236	665,636	86,400	87%
5,229	35,384	30,155	15%
1,015	85,000	83,985	1%
<u>6,645,452</u>	<u>8,241,332</u>	<u>1,595,880</u>	<u>81%</u>
(26,176)	(575,149)		
<u>195,689</u>	-		
169,513	(575,149)		
<u>2,777,552</u>	<u>2,229,366</u>		
<u>2,947,065</u>	<u>1,654,217</u>		

Exhibit D

Appanoose County
Statement of Revenues, Expenses and
Changes in Retained Earnings
Proprietary Fund Type
Year ended June 30, 2002

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Contributions and reimbursements from operating funds and other governmental units		\$ 207,459
Health fees from employees		85,954
Refunds		<u>693</u>
Total operating revenues		<u>294,106</u>
Operating expenses:		
Medical and health services	\$ 243,619	
Accounting, auditing and clerical	12,054	
Supplemental insurance	84,836	
Miscellaneous	<u>9,770</u>	<u>350,279</u>
Operating loss		(56,173)
Non-operating revenues:		
Interest on investments		<u>543</u>
Net loss		(55,630)
Retained earnings beginning of year		<u>79,472</u>
Retained earnings end of year		<u><u>\$ 23,842</u></u>

See notes to financial statements.

Appanoose County
 Statement of Cash Flows
 Proprietary Fund Type
 Year ended June 30, 2002

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating funds and other governmental units	\$ 207,459
Cash received from employee contributions	85,954
Cash received from refunds	693
Cash payments to suppliers for services	(337,636)
Net cash used for operating activities	(43,530)
Cash flows from investing activities:	
Interest on investments	543
Net decrease in cash and cash equivalents	(42,987)
Cash and cash equivalents at beginning of year	96,556
Cash and cash equivalents at end of year	\$ 53,569
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (56,173)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Increase in accounts payable	12,643
Net cash used for operating activities	\$ (43,530)

See notes to financial statements.

Appanoose County

Notes to Financial Statements

June 30, 2002

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

These financial statements present Appanoose county (the primary government) and its component unit. The component unit discussed below is included in the county's reporting entity because of the significance of its operational or financial relationship with the County.

Blended Component Unit

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

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

Jointly Governed Organizations

The County 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 an Agency Fund of the County.

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

B. Fund Accounting

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

Governmental Funds

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

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

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

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

Proprietary Fund

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

Fiduciary Funds

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

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

Account Group

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

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

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

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

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

E. Assets, Liabilities and Fund Equity

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

Cash and Pooled Investments and Cash Equivalents - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust and the Institutional Liquid Assets (ILA) Money Market Mutual fund which are valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they 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 that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes 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 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, 2000 assessed property valuations; is for the tax accrual period July 1, 2001 through June 30, 2002 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2001.

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2002, balances of interfund amounts receivable or payable have been recorded.

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

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

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

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

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is generally paid upon retirement, but not prior to retirement age of 62. Such payment shall not exceed 90 days or a total dollar amount of \$2,000. For the Agency Funds, these accumulations are recorded as liabilities in the year earned. In the Governmental Funds, the cost of vacation and sick leave payments expected to be liquidated currently are recorded as liabilities of the Governmental Fund. A liability has been recorded in the General Long-Term Debt Account Group representing the County's commitment to fund non-current compensated absences. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2002.

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

F. Budgets and Budgetary Accounting

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

Formal and legal budgetary control is based upon 12 major classes of expenditures known as service areas, not by fund or fund type. These 12 service areas are: public safety, court services, physical health and education, mental health, social services, county environment, roads and transportation, state and local government services, interprogram services, non-program, debt service and capital projects. Service area disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects fund and the expendable trust fund. Although the budget document presents service area disbursements by fund, the legal level of control is at the aggregated service area level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department.

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

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

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 2,919,466	8,074	2,927,540	3,786,704	21,136	3,807,840
Expenditures	3,255,904	(29,850)	3,226,054	3,387,059	161,423	3,548,482
Net	(336,438)	37,924	(298,514)	399,645	(140,287)	259,358
Other financing sources (uses), net	191,641	24,030	215,671	(184,687)	-	(184,687)
Beginning fund balances	974,325	79,242	1,053,567	1,908,133	(158,080)	1,750,053
Increase in reserve for prepaid insurance	-	146	146	-	-	-
Ending fund balances	\$ 829,528	141,342	970,870	2,123,091	(298,367)	1,824,724

	Governmental Fund Types					
	Debt Service			Capital Projects		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 6,440	-	6,440	-	-	-
Expenditures	5,229	-	5,229	-	-	-
Net	1,211	-	1,211	-	-	-
Other financing sources (uses), net	-	-	-	-	-	-
Beginning fund balances	5,229	-	5,229	15,000	-	15,000
Increase in reserve for prepaid insurance	-	-	-	-	-	-
Ending fund balances	\$ 6,440	-	6,440	15,000	-	15,000

	Fiduciary Fund Type					
	Expendable Trust			Total		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ -	-	-	6,712,610	29,210	6,741,820
Expenditures	-	-	-	6,648,192	131,573	6,779,765
Net	-	-	-	64,418	(102,363)	(37,945)
Other financing sources (uses), net	-	-	-	6,954	24,030	30,984
Beginning fund balances	83	-	83	2,902,770	(78,838)	2,823,932
Increase in reserve for prepaid insurance	-	-	-	-	146	146
Ending fund balances	\$ 83	-	83	2,974,142	(157,025)	2,817,117

G. Total (Memorandum Only)

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

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2002 were entirely covered by federal depository insurance or by the State Sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust and the Institutional Liquid Assets (ILA) Money Market Mutual Fund which are valued at an amortized cost of \$1,480,685 and \$368,250, respectively, pursuant to Rule 2a-7 under the Investment Company Act of 1940, and are not subject to risk categorization.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2002 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Trust and Agency: County Offices:	
	Auditor	\$ 267
	Recorder	5,580
	Sheriff	4,672
	Auto License and Use Tax	7,122
Special Revenue: Secondary Roads	Trust and Agency: E911 Surcharge	920
County Recorder's Records Management	Trust and Agency: County Recorder	<u>251</u>
Total		<u>\$ 18,812</u>

(4) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 18,298
Special Revenue:		
Secondary Roads	Services	345
Mental Health		<u>249,821</u>
		<u>250,166</u>
Trust and Agency:		
County Assessor	Collections	182,137
Schools		4,356,694
Community Colleges		209,891
Corporations		1,832,836
Townships		120,472
Auto License and Use Tax		162,227
City Special Assessments		159,738
E911 Surcharge		87,697
ADLM Empowerment Fund		80,177
All other		<u>80,291</u>
		<u>7,272,160</u>
Total		\$ <u>7,540,624</u>

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2002 is as follows:

	Capital Lease Purchase Agreements	Bank Loan	South Iowa Area Detention Service Agency Capital Loan Notes	Sewer Revenue Notes	Compensated Absences	Total
Balance beginning of year	\$ 39,566	-	106,000	116,200	75,072	336,838
Additions	-	24,031	-	-	22,168	46,199
Reductions	19,160	-	18,500	-	-	37,660
Balance end of year	\$ 20,406	24,031	87,500	116,200	97,240	345,377

Capital Lease Purchase Agreement

The County has entered into a capital lease purchase agreement to lease three sheriff vehicles. The following is a schedule of the future minimum lease payments, including interest of 6.50 percent per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2002:

Year Ending June 30,	Total
2003	\$ 21,732
Less amount representing interest	<u>(1,326)</u>
Present value of net minimum lease payments	<u>\$ 20,406</u>

Payments under the lease agreement for the year ended June 30, 2002 totaled \$21,732.

Bank Loan

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

South Iowa Area Detention Service Agency Capital Loan Notes

Appanoose County is one of ten participating member counties in the South Iowa Area Detention Service Agency (SIADSA) Capital Loan Note Certificate agreement. Each member County issued \$230,000 of General Obligation Capital Loan Notes on May 1, 1991 to the SIADSA which secured \$2,300,000 of Capital Loan Note Certificates issued by SIADSA. SIADSA is holding cash of \$15,000, which represents the unspent note proceeds, in escrow for Appanoose County at June 30, 2002. The Notes issued by the County are payable from the General Fund as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2003	6.80%	\$ 19,500	6,066	25,566
2004	6.90	21,000	4,740	25,740
2005	7.00	22,500	3,290	25,790
2006	7.00	24,500	1,716	26,216
Total		<u>\$ 87,500</u>	<u>15,812</u>	<u>103,312</u>

During the year ended June 30, 2002, \$25,804 of note principal and interest were retired.

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 and securing payment of \$116,200 of sewer revenue notes. The note proceeds were used for the purpose of defraying a portion of the cost of constructing sanitary sewer mains to private septic systems maintained outside the City of Centerville and to connect these mains to the City's wastewater treatment facilities.

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

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

- (a) The notes are payable solely from the net revenues of the project area and shall not be a general obligation of the County, nor payable in any manner by taxation.
- (b) The City shall establish and provide for the collection of rates to be charged to consumers in the project area to produce gross revenues sufficient to pay

the expenses and operation of the new sanitary sewer mains, including the principal of and interest on the outstanding sewer revenue notes.

- (c) Sufficient monthly transfers from the City to the County shall be made to a separate sewer revenue sinking account for the purpose of making note principal and interest payments when due.
- (d) Additional monthly transfers from the City to the County shall be made to a separate sewer revenue reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying note principal and interest payments when insufficient money is available in the sinking account.

With USDA approval, the County has established a sewer debt service sinking and reserve account 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
2003	4.50%	\$ 1,146	4,950	4.50%	\$ 65	279	\$ 1,211	5,229	6,440
2004	4.50	1,198	4,898	4.50	68	276	1,266	5,174	6,440
2005	4.50	1,251	4,845	4.50	71	273	1,322	5,118	6,440
2006	4.50	1,308	4,788	4.50	74	270	1,382	5,058	6,440
2007	4.50	1,367	4,729	4.50	78	266	1,445	4,995	6,440
2008-2040	4.50	103,730	97,265	4.50	5,844	5,462	109,574	102,727	212,301
Total		\$ 110,000	121,475		\$ 6,200	6,826	\$ 116,200	128,301	244,501

(6) Installment Purchase Contract

On October 1, 2001, the County entered into an installment purchase contract to purchase a motor grader. The purchase contract is interest free and requires two annual installments of \$69,985, with the first payment due October 1, 2001 and the final payment due October 1, 2002. The unpaid balance on the contract at June 30, 2002 is \$69,985. Due to its short-term nature, the contract has been recorded as a liability of the Special Revenue, Secondary Roads Fund.

(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.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2002, 2001, and 1999 were \$135,862, \$128,523, and \$126,515, respectively, equal to the required contributions for each year.

(8) Employee Group Health Insurance Plan

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

Monthly payments of service fees and plan contributions to the Appanoose County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Employee Group Services, Ltd. from the Appanoose County Employee Group Health Fund. The County records the plan assets and related liabilities of the Appanoose County Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2002 was \$207,459.

Amounts payable from the Employee Group Health Fund at June 30, 2002 total \$29,727 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 \$23,842 at June 30, 2002 and is reported as a designation of the Employee Group Health Fund retained earnings. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that 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. Information on a reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2001	\$ 17,084
Incurred claims (including claims incurred but not reported at June 30, 2002)	243,619
Payments on claims during the fiscal year	<u>(230,976)</u>
Unpaid claims at June 30, 2002	<u>\$ 29,727</u>

(9) Risk Management

The County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Commitments

The County has entered into a construction contract totaling \$161,364 for courthouse window replacement. As of June 30, 2002, costs of \$20,830 had been incurred on the contract. The remaining \$140,534 will be paid as work on the project progresses.

Appanoose County

Appanoose County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

Revenues:

Property and other County tax:

Property tax	\$ 1,363,618	
Utility tax replacement excise tax	166,210	
Other	2,248	\$ 1,532,076
		<hr/>

Interest and penalty on property tax		54,162
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Intergovernmental:

State shared revenues:

Franchise tax	14,322	
Other	4,144	
	<hr/>	
	18,466	
	<hr/>	

State grants and reimbursements including indirect federal funding:

Home care aide grant	55,093	
Human services administration reimbursement	43,423	
Well testing and abandonment	54,286	
Public health nurse grants	33,758	
Other	79,335	
	<hr/>	
	265,895	
	<hr/>	

State tax replacements:

State tax credits	211,861	
State allocation	104,095	
	<hr/>	
	315,956	
	<hr/>	

Direct federal grants and entitlements:

Medicare	134,682	
Other	30,537	
	<hr/>	
	165,219	
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Contributions and reimbursements from other governmental units:

Contract law enforcement	67,375	
Other	102,303	
	<hr/>	
	169,678	
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Payments in lieu of taxes	90	935,304
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Licenses and permits		66,094
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Charges for service:

Office fees and collections	104,428	
Auto registration, use tax, drivers license and mailing	96,047	
Nursing service fees	27,507	
Other	19,473	
	<hr/>	
		247,455

Schedule 1

Appanoose County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

Revenues (continued):		
Use of money and property:		
Interest on investments	69,591	
Other	<u>8</u>	69,599
Fines, forfeitures and defaults		7,691
Miscellaneous		15,159
Total revenues		<u>2,927,540</u>
Expenditures:		
Operating:		
Public safety		1,050,495
Court services		231,834
Physical health and education		600,742
Social services		215,056
County environment		296,761
State and local government services		250,279
Interprogram services		<u>580,887</u>
Total expenditures		<u>3,226,054</u>
Deficiency of revenues under expenditures		<u>(298,514)</u>
Other financing sources:		
Bank loan		24,031
Sale of general fixed assets		2,905
Operating transfers in:		
Special Revenue:		
Conservation Foundation		<u>188,735</u>
Total other financing sources		<u>215,671</u>
Deficiency of revenues and other financing sources under expenditures		<u>(82,843)</u>
Fund balance beginning of year		1,053,567
Increase in reserve for prepaid insurance		<u>146</u>
Fund balance end of year		<u><u>\$ 970,870</u></u>

See accompanying independent auditor's report.

Appanoose County

General Fund

Statement of Expenditures

Year ended June 30, 2002

Public Safety Service Area:

Law enforcement:

Uniformed patrol services	\$ 385,280	
Unified law enforcement	28,851	
Contract law enforcement	49,442	
Law enforcement communications	104,969	
Adult correctional services	237,460	
Administration	97,731	
	<u>903,733</u>	

Legal services:

Criminal prosecution	120,374	
Medical examinations	15,028	
	<u>135,402</u>	

Emergency services:

Emergency management	<u>11,360</u>	\$ 1,050,495
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Court Services Service Area:

Assistance to district court system:

Research and other assistance	<u>11,357</u>	
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Court proceedings:

Juries and witnesses	50	
Detention services	3,526	
Court costs	3,966	
	<u>7,542</u>	

Juvenile justice administration:

Juvenile victim restitution	38,611	
Juvenile representation services	167,834	
Court-appointed attorneys and court costs for juveniles	6,490	
	<u>212,935</u>	231,834

Physical Health and Education Service Area:

Physical health services:

Sanitation	225,011	
Health administration	353,981	
	<u>578,992</u>	

Schedule 2

Appanoose County

General Fund

Statement of Expenditures

Year ended June 30, 2002

Physical Health and Education Service Area (continued):

Educational services:

Historic preservation	1,750	
Fair and 4-H clubs	10,000	
Fairgrounds	10,000	
	<u>21,750</u>	600,742

Social Services Service Area:

Services to the poor:

Administration	64,037	
General welfare services	27,095	
	<u>91,132</u>	

Services to military veterans:

Administration	16,814	
General services to veterans	5,123	
	<u>21,937</u>	

Services to other adults:

Services to the elderly	77,580	
	<u>77,580</u>	

Chemical dependency:

Treatment services	24,407	215,056
	<u>24,407</u>	

County Environment Service Area:

Conservation and recreation services:

Administration	238,480	
Maintenance and operations	47,009	
	<u>285,489</u>	

Animal control:

Animal shelter	7,960	
	<u>7,960</u>	

County development:

Land use and building controls	2,312	
Economic development	1,000	
	<u>3,312</u>	296,761

Appanoose County

General Fund

Statement of Expenditures

Year ended June 30, 2002

State and Local Government Services Service Area:

Representation services:

Elections administration	37,236	
Local elections	17,753	
Township officials	1,320	
	<u>56,309</u>	

State administrative services:

Motor vehicle registrations and licensing	107,013	
Recording of public documents	86,957	
	<u>193,970</u>	250,279

Interprogram Services Service Area:

Policy and administration:

General county management	78,191	
Administration management services	81,457	
Treasury management services	125,601	
Other policy and administration	23,449	
	<u>308,698</u>	

Central services:

General services	111,522	
Data processing services	32,579	
	<u>144,101</u>	

Risk management services:

Tort liability	33,683	
Fidelity of public officers	94,405	
	<u>128,088</u>	580,887

Total		<u>\$ 3,226,054</u>
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See accompanying independent auditor's report.

Appanoose County
Special Revenue Funds
Combining Balance Sheet
June 30, 2002

	Rural Services	Secondary Roads	County Recorder's Records Management
Assets			
Cash and pooled investments:			
County Treasurer	\$ 104,554	1,120,846	4,169
Cash held by Conservation Foundation	-	-	-
Receivables:			
Property tax:			
Delinquent	2,329	-	-
Succeeding year	498,000	-	-
Accounts	-	858	-
Due from other funds	-	920	251
Due from other governments	-	161,266	-
	<u>\$ 604,883</u>	<u>1,283,890</u>	<u>4,420</u>
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ -	68,918	-
Salaries and benefits payable	-	23,123	-
Due to other governments	-	345	-
Installment purchase contract	-	69,985	-
Deferred revenue:			
Succeeding year property tax	498,000	-	-
Other	2,179	-	-
Compensated absences	-	11,674	-
Total liabilities	<u>500,179</u>	<u>174,045</u>	<u>-</u>
Fund equity:			
Unreserved fund balance	104,704	1,109,845	4,420
	<u>\$ 604,883</u>	<u>1,283,890</u>	<u>4,420</u>

See accompanying independent auditor's report.

Resource Enhance- ment and Protection	Flood and Erosion	Mental Health Services	Law Enforcement Forfeiture	Prisoner Room and Board	Conservation Foundation	Total
16,140	2,382	838,115	4,708	5,100	-	2,096,014
-	-	-	-	-	27,077	27,077
-	-	6,357	-	-	-	8,686
-	-	503,000	-	-	-	1,001,000
-	-	-	-	-	-	858
-	-	-	-	-	-	1,171
2,413	-	-	-	-	-	163,679
18,553	2,382	1,347,472	4,708	5,100	27,077	3,298,485
-	-	40,572	-	-	-	109,490
-	-	50	-	-	-	23,173
-	-	249,821	-	-	-	250,166
-	-	-	-	-	-	69,985
-	-	503,000	-	-	-	1,001,000
-	-	6,094	-	-	-	8,273
-	-	-	-	-	-	11,674
-	-	799,537	-	-	-	1,473,761
18,553	2,382	547,935	4,708	5,100	27,077	1,824,724
18,553	2,382	1,347,472	4,708	5,100	27,077	3,298,485

Appanoose County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads	County Recorder's Records Management	Resource Enhance- ment and Protection
Revenues:				
Property and other County tax:				
Property tax	\$ 428,432	-	-	-
Utility tax replacement excise tax	40,735	-	-	-
Other	273	-	-	-
	<u>469,440</u>	<u>-</u>	<u>-</u>	<u>-</u>
Intergovernmental:				
State shared revenues:				
Road use tax	-	1,922,734	-	-
State grants and reimbursements including indirect federal funding:				
Social services block grant	-	-	-	-
Miscellaneous state grants and reimbursements	-	-	-	11,850
	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,850</u>
State tax replacements:				
State tax credits	56,816	-	-	-
Mental health property tax relief	-	-	-	-
	<u>56,816</u>	<u>-</u>	<u>-</u>	<u>-</u>
Direct federal grants and entitlements:				
Other	-	4,672	-	-
Contributions and reimbursements from other governmental units				
	-	30,522	-	-
Payments in lieu of taxes				
	-	-	-	-
	<u>56,816</u>	<u>1,957,928</u>	<u>-</u>	<u>11,850</u>
Licenses and permits				
	-	925	-	-
Charges for service:				
Document management fees	-	-	3,262	-
Other	-	2,071	-	-
	<u>-</u>	<u>2,071</u>	<u>3,262</u>	<u>-</u>
Use of money and property:				
Interest on investments	-	-	59	272
Fines, forfeitures and defaults:				
Sale of seized property	-	-	-	-
Miscellaneous:				
Donations	-	-	-	-
Other	-	20,304	-	-
	<u>-</u>	<u>20,304</u>	<u>-</u>	<u>-</u>
Total revenues	<u>526,256</u>	<u>1,981,228</u>	<u>3,321</u>	<u>12,122</u>

Flood and Erosion	Emergency Medical Services	Economic Development	Mental Health Services	Law Enforcement Forfeiture	Prisoner Room and Board	Conservation Foundation	Total
-	49,836	-	492,879	-	-	-	971,147
-	-	-	60,080	-	-	-	100,815
-	-	-	747	-	-	-	1,020
-	49,836	-	553,706	-	-	-	1,072,982
-	-	-	-	-	-	-	1,922,734
-	-	-	109,738	-	-	-	109,738
-	-	-	-	-	-	48,600	60,450
-	-	-	109,738	-	-	48,600	170,188
-	-	-	76,581	-	-	-	133,397
-	-	-	380,536	-	-	-	380,536
-	-	-	457,117	-	-	-	513,933
-	-	-	-	-	-	-	4,672
-	-	-	4,242	-	-	-	34,764
-	-	-	33	-	-	-	33
-	-	-	571,130	-	-	48,600	2,646,324
-	-	-	-	-	-	-	925
-	-	-	-	-	-	-	3,262
-	-	-	1,097	-	2,308	-	5,476
-	-	-	1,097	-	2,308	-	8,738
-	-	-	-	86	-	2,678	3,095
-	-	-	-	6,665	-	-	6,665
-	-	-	-	-	-	42,056	42,056
-	-	3,451	3,300	-	-	-	27,055
-	-	3,451	3,300	-	-	42,056	69,111
-	49,836	3,451	1,129,233	6,751	2,308	93,334	3,807,840

Appanoose County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads	County Recorder's Records Management	Resource Enhance- ment and Protection
Expenditures:				
Operating:				
Public Safety Service Area:				
Law enforcement:				
Uniformed patrol services	-	-	-	-
Law enforcement communications	-	-	-	-
Administration	-	-	-	-
	-	-	-	-
Emergency services:				
Ambulance services	-	-	-	-
	-	-	-	-
Physical Health and Education Service Area:				
Educational services:				
Libraries	17,500	-	-	-
Mental Health Service Area:				
Persons with mental health problems - mental illness:				
Personal and environmental support	-	-	-	-
Treatment services	-	-	-	-
Vocational and day services	-	-	-	-
Institutional, hospital, and commitment services	-	-	-	-
	-	-	-	-
Persons with chronic mental illness:				
Coordination services	-	-	-	-
Personal and environmental support services	-	-	-	-
Treatment services	-	-	-	-
Vocational and day services	-	-	-	-
Licensed or certified living arrangements	-	-	-	-
Institutional, hospital, and commitment services	-	-	-	-
	-	-	-	-
Persons with mental retardation:				
General administration	-	-	-	-
Coordination services	-	-	-	-
Personal and environmental support services	-	-	-	-
Vocational and day services	-	-	-	-
Licensed or certified living arrangements	-	-	-	-
Institutional, hospital, and commitment services	-	-	-	-
	-	-	-	-

Flood and Erosion	Emergency Medical Services	Economic Development	Mental Health Services	Law Enforcement Forfeiture	Prisoner Room and Board	Conservation Foundation	Total
-	-	-	-	524	-	-	524
-	-	-	-	276	-	-	276
-	-	-	-	4,380	-	-	4,380
-	-	-	-	5,180	-	-	5,180
-	49,836	-	-	-	-	-	49,836
-	49,836	-	-	5,180	-	-	55,016
-	-	-	-	-	-	-	17,500
-	-	-	70	-	-	-	70
-	-	-	42,641	-	-	-	42,641
-	-	-	9,297	-	-	-	9,297
-	-	-	27,628	-	-	-	27,628
-	-	-	79,636	-	-	-	79,636
-	-	-	776	-	-	-	776
-	-	-	10,938	-	-	-	10,938
-	-	-	42,519	-	-	-	42,519
-	-	-	4,263	-	-	-	4,263
-	-	-	77,530	-	-	-	77,530
-	-	-	53,254	-	-	-	53,254
-	-	-	189,280	-	-	-	189,280
-	-	-	45,566	-	-	-	45,566
-	-	-	12,170	-	-	-	12,170
-	-	-	16,369	-	-	-	16,369
-	-	-	219,020	-	-	-	219,020
-	-	-	324,427	-	-	-	324,427
-	-	-	272,984	-	-	-	272,984
-	-	-	890,536	-	-	-	890,536

Appanoose County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads	County Recorder's Records Management	Resource Enhance- ment and Protection
Expenditures (continued):				
Operating:				
Mental Health Service Area:				
Persons with other developmental disabilities:				
Coordination services	-	-	-	-
Vocational and day services	-	-	-	-
Licensed or certified living arrangements	-	-	-	-
Institutional, hospital, and commitment services	-	-	-	-
	-	-	-	-
County Environment Service Area:				
Environmental quality:				
Natural resources conservation	-	-	-	-
Conservation and recreation services:				
Administration	-	-	-	2,672
Maintenance and operations	-	-	-	5,816
	-	-	-	8,488
County development:				
Economic development	5,000	-	-	-
	5,000	-	-	8,488
Roads and Transportation Service Area:				
Secondary roads administration and engineering:				
Administration	-	145,343	-	-
Engineering	-	148,116	-	-
	-	293,459	-	-
Roadway maintenance:				
Bridges and culverts	-	222,585	-	-
Roads	-	733,438	-	-
Snow and ice control	-	41,549	-	-
Traffic controls	-	71,305	-	-
Road clearing	-	123,054	-	-
	-	1,191,931	-	-
General roadway:				
Equipment	-	329,219	-	-
Equipment operation	-	379,865	-	-
Tools, materials, and supplies	-	69,025	-	-
Real estate and buildings	-	157	-	-
	-	778,266	-	-
	-	2,263,656	-	-

Flood and Erosion	Emergency Medical Services	Economic Development	Mental Health Services	Law Enforcement Forfeiture	Prisoner Room and Board	Conservation Foundation	Total
-	-	-	849	-	-	-	849
-	-	-	9,129	-	-	-	9,129
-	-	-	11,522	-	-	-	11,522
-	-	-	630	-	-	-	630
-	-	-	22,130	-	-	-	22,130
-	-	-	1,181,582	-	-	-	1,181,582
2,374	-	-	-	-	-	-	2,374
-	-	-	-	-	-	-	2,672
-	-	-	-	-	-	2,740	8,556
-	-	-	-	-	-	2,740	11,228
-	-	11,111	-	-	-	-	16,111
2,374	-	11,111	-	-	-	2,740	29,713
-	-	-	-	-	-	-	145,343
-	-	-	-	-	-	-	148,116
-	-	-	-	-	-	-	293,459
-	-	-	-	-	-	-	222,585
-	-	-	-	-	-	-	733,438
-	-	-	-	-	-	-	41,549
-	-	-	-	-	-	-	71,305
-	-	-	-	-	-	-	123,054
-	-	-	-	-	-	-	1,191,931
-	-	-	-	-	-	-	329,219
-	-	-	-	-	-	-	379,865
-	-	-	-	-	-	-	69,025
-	-	-	-	-	-	-	157
-	-	-	-	-	-	-	778,266
-	-	-	-	-	-	-	2,263,656

Appanoose County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads	County Recorder's Records Management	Resource Enhance- ment and Protection
Expenditures (continued):				
Capital Projects Service Area:				
Roadway construction	-	1,015	-	-
Total expenditures	22,500	2,264,671	-	8,488
Excess (deficiency) of revenues over (under) expenditures	503,756	(283,443)	3,321	3,634
Other financing sources (uses):				
Sale of general fixed assets	-	4,048	-	-
Operating transfers in (out):				
General	-	-	-	-
Special Revenue:				
Rural Services	-	482,360	-	-
Secondary Roads	(482,360)	-	-	-
Total other financing sources (uses)	(482,360)	486,408	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	21,396	202,965	3,321	3,634
Fund balances beginning of year	83,308	906,880	1,099	14,919
Fund balances end of year	\$ 104,704	1,109,845	4,420	18,553

See accompanying independent auditor's report.

Flood and Erosion	Emergency Medical Services	Economic Development	Mental Health Services	Law Enforcement Forfeiture	Prisoner Room and Board	Conservation Foundation	Total
-	-	-	-	-	-	-	1,015
2,374	49,836	11,111	1,181,582	5,180	-	2,740	3,548,482
(2,374)	-	(7,660)	(52,349)	1,571	2,308	90,594	259,358
-	-	-	-	-	-	-	4,048
-	-	-	-	-	-	(188,735)	(188,735)
-	-	-	-	-	-	-	482,360
-	-	-	-	-	-	-	(482,360)
-	-	-	-	-	-	(188,735)	(184,687)
(2,374)	-	(7,660)	(52,349)	1,571	2,308	(98,141)	74,671
4,756	-	7,660	600,284	3,137	2,792	125,218	1,750,053
2,382	-	-	547,935	4,708	5,100	27,077	1,824,724

Schedule 5

Appanoose County

Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

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

See accompanying independent auditor's report.

Appanoose County

Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

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

See accompanying independent auditor's report.

Appanoose County
Trust and Agency Funds
Combining Balance Sheet
June 30, 2002

	Expendable Trust Fund			
	Conservation Land Acquisition Trust	County Offices		
		County Auditor	County Recorder	County Sheriff
Assets				
Cash and pooled investments:				
County Treasurer	\$ 83	-	-	-
Other County officials	-	37,810	5,699	9,088
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	169	-
Special assessments	-	-	-	-
Total assets	\$ 83	37,810	5,868	9,088
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	-	-
Due to other funds	-	267	5,831	4,672
Due to other governments	-	-	37	-
Trusts payable	-	37,543	-	4,416
Compensated absences	-	-	-	-
Total liabilities	-	37,810	5,868	9,088
Fund equity:				
Unreserved fund balance	83	-	-	-
Total liabilities and fund equity	\$ 83	37,810	5,868	9,088

Agency Funds				
Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations
1,637	54,306	94,933	4,536	28,157
-	-	-	-	-
847	2,216	49,761	2,355	31,679
75,000	127,000	4,212,000	203,000	1,773,000
-	-	-	-	-
-	-	-	-	-
77,484	183,522	4,356,694	209,891	1,832,836
-	89	-	-	-
-	-	-	-	-
77,484	182,137	4,356,694	209,891	1,832,836
-	-	-	-	-
-	1,296	-	-	-
77,484	183,522	4,356,694	209,891	1,832,836
-	-	-	-	-
77,484	183,522	4,356,694	209,891	1,832,836

Appanoose County
Trust and Agency Funds
Combining Balance Sheet
June 30, 2002

	Townships	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication	City Special Assessment
Assets				
Cash and pooled investments:				
County Treasurer	2,918	169,349	30	13,110
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	554	-	16	-
Succeeding year	117,000	-	1,000	-
Accounts	-	-	-	-
Special assessments	-	-	-	146,628
Total assets	120,472	169,349	1,046	159,738
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	-	-	-	-
Due to other funds	-	7,122	-	-
Due to other governments	120,472	162,227	1,046	159,738
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
Total liabilities	120,472	169,349	1,046	159,738
Fund equity:				
Unreserved fund balance	-	-	-	-
Total liabilities and fund equity	120,472	169,349	1,046	159,738

See accompanying independent auditor's report.

E911 Surcharge	Credit Card Fees	Tax Sale Redemption	ADLM Empowerment	Emergency Management	Total
73,931	29	18,707	80,594	2,224	544,544
-	-	-	-	-	52,597
-	-	-	-	-	87,428
-	-	-	-	-	6,508,000
21,211	-	-	-	-	21,380
-	-	-	-	-	146,628
95,142	29	18,707	80,594	2,224	7,360,577
6,525	-	-	417	500	7,531
920	-	-	-	-	18,812
87,697	-	-	80,177	1,724	7,272,160
-	29	18,707	-	-	60,695
-	-	-	-	-	1,296
95,142	29	18,707	80,594	2,224	7,360,494
-	-	-	-	-	83
95,142	29	18,707	80,594	2,224	7,360,577

Appanoose County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2002

	County Offices		
	County Auditor	County Recorder	County Sheriff
Assets and Liabilities			
Balances beginning of year	\$ 36,725	6,126	11,618
Additions:			
Property and other County tax	-	-	-
E911 surcharge	-	-	-
State tax credits	-	-	-
Office fees and collections	885	157,330	23,009
Auto licenses, use tax and postage	-	-	-
Drivers license fees	-	-	-
Assessments	-	-	-
Trusts	2,283	-	46,253
Miscellaneous	-	-	-
Total additions	3,168	157,330	69,262
Deductions:			
Agency Remittances:			
To other funds	802	74,149	25,759
To other governments	-	83,439	212
Trusts paid out	1,281	-	45,821
Total deductions	2,083	157,588	71,792
Balances end of year	\$ 37,810	5,868	9,088

Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpor- ations	Townships	Auto License and Use Tax
68,464	223,255	4,030,566	190,567	1,487,023	109,626	189,678
82,914	147,068	4,689,467	224,820	1,991,206	127,703	-
-	-	-	-	-	-	-
10,208	29,686	610,870	28,297	257,981	14,387	-
-	-	-	-	-	-	-
-	-	-	-	-	-	2,457,592
-	-	-	-	-	-	38,620
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4	2,717	7,306	12	196	-	-
93,126	179,471	5,307,643	253,129	2,249,383	142,090	2,496,212
-	-	-	-	-	-	92,590
84,106	219,204	4,981,515	233,805	1,903,570	131,244	2,423,951
-	-	-	-	-	-	-
84,106	219,204	4,981,515	233,805	1,903,570	131,244	2,516,541
77,484	183,522	4,356,694	209,891	1,832,836	120,472	169,349

Appanoose County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2002

	<u>Brucellosis and Tuberculosis Eradication</u>	<u>City Special Assessment</u>	<u>E911 Surcharge</u>
Assets and Liabilities			
Balances beginning of year	<u>1,049</u>	<u>210,312</u>	<u>124,031</u>
Additions:			
Property and other County tax	1,353	-	-
E911 surcharge	-	-	120,131
State tax credits	189	-	-
Office fees and collections	-	-	-
Auto licenses, use tax and postage	-	-	-
Drivers license fees	-	-	-
Assessments	-	26,051	-
Trusts	-	-	-
Miscellaneous	-	-	2,644
Total additions	<u>1,542</u>	<u>26,051</u>	<u>122,775</u>
Deductions:			
Agency Remittances:			
To other funds	-	-	-
To other governments	1,545	76,625	151,664
Trusts paid out	-	-	-
Total deductions	<u>1,545</u>	<u>76,625</u>	<u>151,664</u>
Balances end of year	<u>1,046</u>	<u>159,738</u>	<u>95,142</u>

See accompanying independent auditor's report.

Credit Card Fees	Tax Sale Redemption	ADLM Empowerment	Emergency Management	Total
29	25,700	71,265	70	6,786,104
-	-	-	-	7,264,531
-	-	-	-	120,131
-	-	-	-	951,618
-	-	-	-	181,224
-	-	-	-	2,457,592
-	-	-	-	38,620
-	-	-	-	26,051
-	192,651	-	-	241,187
-	-	321,246	10,700	344,825
-	192,651	321,246	10,700	11,625,779
-	-	-	-	193,300
-	-	311,917	8,546	10,611,343
-	199,644	-	-	246,746
-	199,644	311,917	8,546	11,051,389
29	18,707	80,594	2,224	7,360,494

Schedule 9**Appanoose County****Comparison of Taxes and Intergovernmental Revenues**

	Years ended June 30,			
	2002	2001	2000	1999
Taxes:				
Property tax	\$ 2,334,765	2,287,530	2,484,005	2,132,548
Utility tax replacement excise tax	267,025	264,216	-	-
Other	3,268	3,342	3,357	-
	<u>2,605,058</u>	<u>2,555,088</u>	<u>2,487,362</u>	<u>2,132,548</u>
Intergovernmental:				
State shared revenues:				
Road use tax	1,922,734	1,843,776	1,870,587	1,854,227
Franchise tax	14,322	18,419	12,006	10,371
Other	4,144	5,846	4,377	3,042
State grants and reimbursements including indirect federal funding:				
State highway planning and construction	-	-	209,064	-
State bridge replacement	-	-	289,534	-
Community development block grants	-	20,994	167,489	600,180
Social services block grant	109,738	112,284	113,537	121,340
MH-DD community services fund allocation	-	129,285	119,828	-
Home care aide grant	55,093	66,770	65,877	48,462
Well testing and abandonment	54,286	32,371	82,273	62,636
Other	207,321	240,552	326,122	201,295
State tax replacements:				
State tax credits	345,258	355,343	310,583	276,831
State allocation	104,095	109,848	110,165	110,034
Mental health property tax relief	380,536	380,536	380,536	380,536
MH-DD allowed growth factor adjustment	-	135,758	88,655	62,923
Other	-	-	-	119,828
Direct federal grants and entitlements:				
Waste and waste water disposal systems for rural communities	-	-	309,000	22,857
Grants for public works and economic development	-	-	277,143	-
Medicare	134,682	186,644	131,205	197,900
Other	35,209	38,379	46,663	-
Contributions and reimbursements from other governmental units:				
Environmental services reimbursement	-	-	-	70,017
Contract law enforcement	67,375	46,000	58,051	56,926
Other	153,152	144,293	161,555	73,412
Payments in lieu of taxes	123	107	769	-
	<u>3,588,068</u>	<u>3,867,205</u>	<u>5,135,019</u>	<u>4,272,817</u>
Total	<u>\$ 6,193,126</u>	<u>6,422,293</u>	<u>7,622,381</u>	<u>6,405,365</u>

See accompanying independent auditor's report.



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

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David A. Vaudt, CPA
Auditor of State

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

To the Officials of Appanoose County:

We have audited the general purpose financial statements of Appanoose County, Iowa, as of and for the year ended June 30, 2002 and have issued our report thereon dated January 3, 2003. Our audit expressed a qualified opinion on the financial statements due to the omission of the general fixed assets account group and materials and supplies inventory pertaining primarily to the Special Revenue Funds which should be included in order to conform to U.S. generally accepted accounting principles. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Appanoose County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

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

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

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

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

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 3, 2003

Appanoose County
Schedule of Findings
Year ended June 30, 2002

Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

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

	<u>Applicable Offices</u>
(1) The collection, deposit preparation and reconciliation functions should be performed by an individual who does not record and account for cash receipts.	Auditor, Recorder
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.	Auditor
(3) The person who signs warrants/checks should be independent of the person preparing the warrants/checks, approving disbursements and recording cash disbursements.	Auditor, Recorder

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Responses:

Auditor - We segregate duties as much as possible; however, I will check with other offices to see the availability of an independent reviewer.

Recorder - Will have Elected Official or Deputy check the bank statement reconciliation. On checks, will have Deputy write check and check reports, and I will sign.

Conclusion - Responses accepted.

Appanoose County

Schedule of Findings

Year ended June 30, 2002

- (B) County Treasurer - A current tax reconciliation and a delinquent tax reconciliation were not completed.

Recommendation - A current tax reconciliation and a delinquent tax reconciliation should be prepared as soon after year end as possible to ensure that the property tax billing, collection, posting and recording system is working properly. Also, this would ensure that any problems or errors would be identified and resolved timely.

Response - The intent was to complete the delinquent reconciliation for the fiscal year 2001-2002. But, due to a staff member taking family medical leave and getting prepared for a new fiscal year, there was not adequate staff to complete this process.

We will do our best to have this completed next year. Our software company, "Solutions", has promised to have that program available to complete the delinquent reconciliation without having to spend several weeks doing that by hand.

Conclusion - Response acknowledged. A current tax reconciliation should also be prepared.

- (C) Board of Supervisors - Two warrants were written and held at year end.

Recommendation - Warrants should not be written and held prior to receiving goods and services since this can weaken the control that the Board has over disbursements. The financial statements were corrected for these transactions.

Response - We will comply.

Conclusion - Response accepted.

- (D) Fixed Assets Records - A record of fixed assets is not maintained.

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

Response - Will set standards and begin compiling fixed asset records.

Conclusion - Response accepted.

Appanoose County

Schedule of Findings

Year ended June 30, 2002

(E) Information Systems - The following weaknesses in the County's computer based systems were noted:

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

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

Response - We realize the need and will work on developing these.

Conclusion - Response accepted.

Appanoose County

Schedule of Findings

Year ended June 30, 2002

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories - A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2002.
- (2) Certified Budget - Disbursements during the year ended June 30, 2002 did not exceed the amounts budgeted.
- (3) Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions - No business transactions between the County and County officials or employees were noted.
- (6) 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 that coverage is adequate for current operations.
- (7) Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

Certain minutes of the meetings of the County Board of Supervisors were not signed.

Recommendation - The County should ensure that all Board minutes are signed to authenticate the record, including actions taken.

Response - Will ensure the minutes are signed in the future.

Conclusion - Response accepted.

- (8) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (9) Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455.19(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).
- (10) Installment Purchase Contract - During the year ended June 30, 2002, the County entered into an installment purchase contract for a motor grader for the Secondary Roads department. A public hearing was not held prior to the authorization of this agreement as required by Chapter 331.479 of the Code of Iowa.

Appanoose County

Schedule of Findings

Year ended June 30, 2002

Chapter 331.478 of the Code of Iowa allows a County to authorize by resolution non-current debt, including installment purchase contracts and other formal debt instruments or obligations other than bonds, payable from resources accruing after the end of the fiscal year in which the debt is incurred. Chapter 331.479 of the Code of Iowa requires a notice of public hearing to be published and a public hearing to be held before the Board may institute proceedings for the incurrence of non-current debt.

Recommendation - The County should comply with Chapter 331.478 and 331.479 of the Code of Iowa prior to entering into future installment purchase contracts.

Response - We will comply. This was an oversight.

Conclusion - Response accepted.

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

Disbursements during the year ended June 30, 2002 for the County Extension Office did not exceed the amount budgeted.

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

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

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

Response - Both of these will be taken care of.

Conclusion - Response accepted.

Appanoose County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Katherine L. Rupp, CPA, Senior Auditor II
Tammy L. Mason, CPA, Staff Auditor
Natalie J. Storm, CPA, Staff Auditor
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Deputy Auditor of State