



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

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**NEWS RELEASE**

FOR RELEASE

June 10, 2013

Contact: Andy Nielsen  
515/281-5834

The Office of Auditor of State today released an audit report on Appanoose County, Iowa.

The County had local tax revenue of \$14,253,865 for the year ended June 30, 2012, which included \$641,439 in tax credits from the state. The County forwarded \$10,050,369 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,203,496 of the local tax revenue to finance County operations, a 5.8% increase from the prior year. Other revenues included charges for service of \$653,895, operating grants, contributions and restricted interest of \$3,970,895, capital grants, contributions and restricted interest of \$3,460,738, local option sales and services tax of \$515,706, hotel/motel tax of \$224,732, unrestricted investment earnings of \$21,840 and other general revenues of \$173,712.

Expenses for County operations totaled \$9,965,775, a 3.4% increase over the prior year. Expenses included \$3,858,504 for roads and transportation, \$1,893,185 for public safety and legal services and \$1,217,274 for mental health.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1210-0004-B00F.pdf>.

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**APPANOOSE COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
  
**JUNE 30, 2012**

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**Appanoose County**

**Officials**

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

**Appanoose County**



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## Independent Auditor's Report

To the Officials of Appanoose County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Appanoose County, Iowa, as of and for the year ended June 30, 2012, 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, 2012, 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 April 24, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 44 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 eight years ended June 30, 2011 (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 year ended June 30, 2003 (which are not presented herein) and expressed a qualified opinion on those financial statements due to the effects of the omission of general fixed assets or capital assets and supplies inventory for the Secondary Roads Fund. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 24, 2013



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

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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, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- The County's governmental activities revenues increased 21.5%, or approximately \$2,336,000, from fiscal year 2011 to fiscal year 2012. Capital grants, contributions and restricted interest increased approximately \$3,184,000 and operating grants, contributions and restricted interest decreased approximately \$928,000.
- The County's governmental activities expenses increased 3.4%, or approximately \$325,000, from fiscal year 2011 to fiscal year 2012. Mental health expenses increased approximately \$303,000, public safety and legal services expenses increased approximately \$167,000, county environment and education expenses decreased approximately \$83,000 and administration expenses decreased approximately \$41,000.
- The County's net assets increased 13.9%, or approximately \$3,259,000, from June 30, 2011 to June 30, 2012.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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

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

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net 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 and 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statements for proprietary funds include a Statement of Net 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 governmental fund financial statements follow the governmental 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 \$23,480,769 at the end of fiscal year 2011 to \$26,740,008 at the end of fiscal year 2012. The analysis that follows focuses on the changes in the net assets of governmental activities.

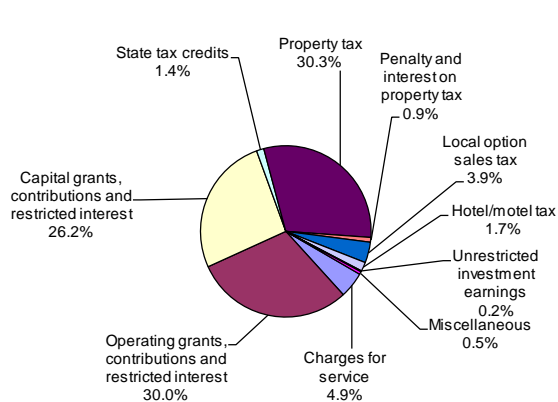
Net Assets of Governmental Activities		
	June 30,	
	2012	2011
Current and other assets	\$ 15,320,500	15,246,000
Capital assets	18,812,990	15,802,557
Total assets	34,133,490	31,048,557
Long-term liabilities	1,854,485	1,914,114
Other liabilities	5,538,997	5,653,674
Total liabilities	7,393,482	7,567,788
Net assets:		
Invested in capital assets, net of related debt	18,732,990	15,722,557
Restricted	5,883,025	5,631,424
Unrestricted	2,123,993	2,126,788
Total net assets	\$ 26,740,008	23,480,769

Net assets of Appanoose County's governmental activities increased 13.9% (approximately \$26.7 million compared to \$23.5 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased from approximately \$2,127,000 at June 30, 2011 to approximately \$2,124,000 at June 30, 2012, a decrease of less than 1%.

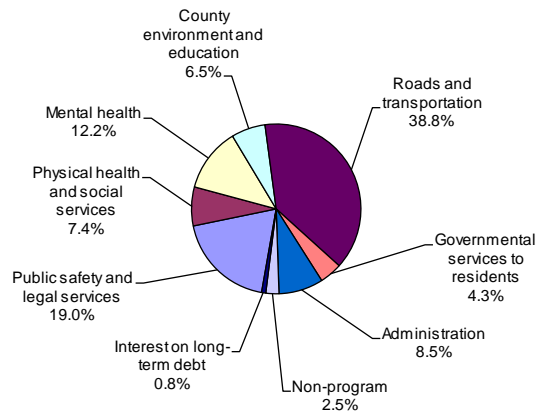
**Changes in Net Assets of Governmental Activities**

	Year ended June 30,	
	2012	2011
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 653,895	779,279
Operating grants, contributions and restricted interest	3,970,895	4,899,218
Capital grants, contributions and restricted interest	3,460,738	277,170
<b>General revenues:</b>		
Property tax	4,017,565	3,749,728
Penalty and interest on property tax	112,731	111,536
State tax credits	185,931	192,163
Local option sales tax	515,706	534,891
Hotel/motel tax	224,732	214,298
Unrestricted investment earnings	21,840	31,636
Gain on disposal of assets	-	16,233
Miscellaneous	60,981	83,019
<b>Total revenues</b>	<b>13,225,014</b>	<b>10,889,171</b>
<b>Program expenses:</b>		
Public safety and legal services	1,893,185	1,726,620
Physical health and social services	740,664	774,654
Mental health	1,217,274	914,428
County environment and education	648,341	731,061
Roads and transportation	3,858,504	3,890,390
Governmental services to residents	432,285	413,693
Administration	848,567	889,855
Non-program	248,991	224,432
Interest on long-term debt	77,964	75,887
<b>Total expenses</b>	<b>9,965,775</b>	<b>9,641,020</b>
<b>Increase in net assets</b>	<b>3,259,239</b>	<b>1,248,151</b>
<b>Net assets beginning of year</b>	<b>23,480,769</b>	<b>22,232,618</b>
<b>Net assets end of year</b>	<b>\$ 26,740,008</b>	<b>23,480,769</b>

**Revenues by Source**



**Expenses by Program**



Appanoose County's net assets of governmental activities increased approximately \$3,259,000. Revenues for governmental activities increased approximately \$2,336,000 over the prior year, with property tax revenue up from the prior year approximately \$268,000, or 7.1%.

For fiscal year 2012, taxable property valuation increased approximately \$23,637,000 and the tax levy decreased \$0.10314 per \$1,000 of taxable valuation. Therefore, property tax revenue increased approximately \$268,000. The total Appanoose County assessed taxable property valuation for property tax payable in fiscal year 2013 decreased approximately \$669,000. However, the tax levy is set to decrease \$0.97804 per \$1,000 of taxable valuation. Property tax revenue is budgeted to decrease approximately \$361,000 next year.

The cost of all governmental activities this year was approximately \$10 million compared to \$9.6 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these projects was approximately \$1.9 million because some of the cost was paid by those directly benefited from the programs (approximately \$654,000) or by other governments and organizations that subsidized certain programs with grants and contributions (approximately \$7,432,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, increased in 2012 from approximately \$5,956,000 to approximately \$8,086,000, principally due to receiving grant proceeds for the completion of several infrastructure projects. The County paid for the remaining "public benefit" portion of governmental activities (approximately \$1,880,000) with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

#### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Appanoose County completed the year, its governmental funds reported a combined fund balance of approximately \$9.35 million, an increase of approximately \$790,000 over last year's total of approximately \$8.56 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$309,000, primarily due to property and other county tax. Total expenditures remained consistent and increased approximately \$44,000. The ending fund balance increased \$366,604 over the prior year to \$5,797,754.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,212,000, an increase of 32.5% from the prior year. The increase is primarily due to increased support for community service beds and the County's Central Point Coordinator (CPC) catching up on entering Medicaid data into the COMIS computer system for past billings. The Special Revenue, Mental Health Fund balance at year end decreased \$150,601 from the prior year to \$975,933.
- The Special Revenue, Rural Services Fund revenues increased \$37,602, primarily due to property and other county tax, and expenditures increased \$49,953. The fund balance decreased \$146,741 from the prior year to \$909,061.
- The Special Revenue, Secondary Roads Fund balance increased \$703,963 over the prior year to \$1,255,432. Expenditures decreased approximately \$841,000 from the prior year, due primarily to a decrease in road and bridge projects. Revenues decreased approximately \$169,000 from the prior year, due primarily to a lesser amount of federal assistance received in the current year.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Appanoose County amended its budget two times. The first amendment resulted in an increase in the roads and transportation function for multiple projects. The second amendment resulted in an increase in intergovernmental receipts and the roads and transportation function for a bridge project.

The County's total receipts were \$206,497 more than the final budgeted amount. Actual intergovernmental receipts were \$96,691 more than budgeted. This was primarily due to the County receiving reimbursements for FEMA related expenditures from the prior fiscal year in the current fiscal year. There were also federally funded projects from the previous fiscal year which were completed in the current fiscal year. In addition, the County tends to budget conservatively for receipts.

Total disbursements were \$1,644,564 less than the final budget. Actual disbursements for the mental health, capital projects and county environment and education functions were approximately \$683,000, \$382,000 and \$185,000, respectively, less than budgeted. Mental health disbursements were less than budgeted based on the timing of payments made. Capital projects disbursements were less than budgeted based on the timing of FEMA projects (most were completed in the previous fiscal year). County environment and education disbursements were less than budgeted based on costs being less than anticipated.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, Appanoose County had approximately \$18.8 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2012	2011
Land	\$ 670,525	637,132
Buildings and improvements	755,386	648,494
Equipment and vehicles	2,024,797	2,157,337
Infrastructure	15,347,177	11,624,701
Construction in progress	15,105	734,893
Total	\$ 18,812,990	15,802,557
This year's major additions included:		
Capital assets contributed by the Iowa Department of Transportation	\$ 2,912,814	

The County had depreciation expense of \$910,427 in fiscal year 2012 and total accumulated depreciation of \$6,314,260 at June 30, 2012. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

## Long-Term Debt

At June 30, 2012, Appanoose County had \$1,586,455 of long-term debt outstanding, compared to \$1,709,648 at June 30, 2011, as shown below.

	Outstanding Debt of Governmental Activities at Year-End	
	June 30,	
	2012	2011
Conservation Foundation loan	\$ 80,000	80,000
Honey Creek loan	286,455	324,648
Solid waste revenue bonds	1,220,000	1,305,000
Total	\$ 1,586,455	1,709,648

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Appanoose County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$17 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

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

From fiscal year 2011 to fiscal year 2012, the countywide and the rural services property taxable valuations increased approximately \$23.6 million and \$15.3 million, respectively. From fiscal year 2012 to fiscal year 2013, the countywide and the rural services property taxable valuations decreased approximately \$669,500 and \$115,000, respectively.

Amounts budgeted for disbursements in the fiscal year 2013 operating budget are approximately \$10.1 million, an increase of 6.8% over the fiscal year 2012 actual disbursements of approximately \$9.4 million. The County has added no major new programs or initiatives to the fiscal year 2013 budget. If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$1.1 million by the close of fiscal year 2013.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

**Appanoose County**



## **Basic Financial Statements**

**Exhibit A**

Appanoose County  
Statement of Net Assets  
June 30, 2012

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments:	
County Treasurer	\$ 8,993,461
Conservation Foundation	21,110
Receivables:	
Property tax:	
Delinquent	43,155
Succeeding year	3,576,000
Interest and penalty on property tax	57,482
Accounts	1,956
Loan	1,220,000
Accrued interest	1,099
Due from other governments	891,327
Land held for resale	87,800
Inventories	306,971
Prepaid expenses	120,139
Capital assets (net of accumulated depreciation)	18,812,990
<b>Total assets</b>	<u>34,133,490</u>
<b>Liabilities</b>	
Accounts payable	362,193
Salaries and benefits payable	47,613
Accrued interest payable	10,093
Due to other governments	1,543,098
Deferred revenue:	
Succeeding year property tax	3,576,000
Long-term liabilities:	
Portion due or payable within one year:	
Conservation Foundation loan	80,000
Honey Creek loan	41,693
Solid waste revenue bonds	90,000
Compensated absences	147,342
Portion due or payable after one year:	
Honey Creek loan	244,762
Solid waste revenue bonds	1,130,000
Compensated absences	75,394
Net OPEB liability	45,294
<b>Total liabilities</b>	<u>7,393,482</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	18,732,990
Restricted for:	
Supplemental levy purposes	2,043,242
Mental health purposes	975,457
Rural services purposes	898,777
Secondary roads purposes	1,557,243
Other purposes	408,306
Unrestricted	2,123,993
<b>Total net assets</b>	<u>\$ 26,740,008</u>

See notes to financial statements.

Appanoose County

Statement of Activities

Year ended June 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,893,185	151,159	94,520	-	(1,647,506)
Physical health and social services	740,664	23,848	503,296	-	(213,520)
Mental health	1,217,274	-	460,956	-	(756,318)
County environment and education	648,341	15,922	61,024	-	(571,395)
Roads and transportation	3,858,504	42,005	2,789,253	3,417,857	2,390,611
Governmental services to residents	432,285	228,123	2	-	(204,160)
Administration	848,567	8,901	7,069	42,881	(789,716)
Non-program	248,991	183,937	1,106	-	(63,948)
Interest on long-term debt	77,964	-	53,669	-	(24,295)
<b>Total</b>	<b>\$ 9,965,775</b>	<b>653,895</b>	<b>3,970,895</b>	<b>3,460,738</b>	<b>(1,880,247)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					4,017,565
Penalty and interest on property tax					112,731
State tax credits					185,931
Local option sales and services tax					515,706
Hotel/motel tax					224,732
Unrestricted investment earnings					21,840
Miscellaneous					60,981
<b>Total general revenues</b>					<b>5,139,486</b>
Change in net assets					3,259,239
Net assets beginning of year					23,480,769
Net assets end of year					<b>\$ 26,740,008</b>

See notes to financial statements.

Appanoose County  
Balance Sheet  
Governmental Funds

June 30, 2012

	Special Revenue		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash and pooled investments:			
County Treasurer	\$ 4,429,712	2,547,569	839,674
Conservation Foundation	-	-	-
Receivables:			
Property tax:			
Delinquent	36,186	2,934	4,035
Succeeding year	2,663,000	216,000	697,000
Interest and penalty on property tax	57,482	-	-
Accounts	-	-	-
Loan	1,220,000	-	-
Accrued interest	1,099	-	-
Due from other governments	107,687	-	73,501
Land held for resale	-	-	-
Inventories	-	-	-
Prepaid expenditures	120,139	-	-
<b>Total assets</b>	<b>\$ 8,635,305</b>	<b>2,766,503</b>	<b>1,614,210</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 55,909	35,445	1,487
Salaries and benefits payable	17,504	563	2,627
Due to other governments	7,470	1,535,628	-
Deferred revenue:			
Succeeding year property tax	2,663,000	216,000	697,000
Other	93,668	2,934	4,035
Total liabilities	2,837,551	1,790,570	705,149
Fund balances:			
Nonspendable:			
Land held for resale	-	-	-
Inventories	-	-	-
Prepaid expenditures	120,139	-	-
Restricted for:			
Supplemental levy purposes	1,920,919	-	-
Mental health purposes	-	975,933	-
Rural services purposes	-	-	909,061
Secondary roads purposes	-	-	-
Debt service	1,220,000	-	-
Other purposes	-	-	-
Unassigned	2,536,696	-	-
Total fund balances	5,797,754	975,933	909,061
<b>Total liabilities and fund balances</b>	<b>\$ 8,635,305</b>	<b>2,766,503</b>	<b>1,614,210</b>

See notes to financial statements.

Secondary Roads	Nonmajor	Total
841,038	276,644	8,934,637
-	21,110	21,110
-	-	43,155
-	-	3,576,000
-	-	57,482
1,956	-	1,956
-	-	1,220,000
-	-	1,099
687,387	22,752	891,327
-	87,800	87,800
306,971	-	306,971
-	-	120,139
<u>1,837,352</u>	<u>408,306</u>	<u>15,261,676</u>
121,972	-	214,813
26,919	-	47,613
-	-	1,543,098
-	-	3,576,000
433,029	-	533,666
<u>581,920</u>	<u>-</u>	<u>5,915,190</u>
-	87,800	87,800
306,971	-	306,971
-	-	120,139
-	-	1,920,919
-	-	975,933
-	-	909,061
948,461	-	948,461
-	-	1,220,000
-	320,506	320,506
-	-	2,536,696
<u>1,255,432</u>	<u>408,306</u>	<u>9,346,486</u>
<u>1,837,352</u>	<u>408,306</u>	<u>15,261,676</u>

**Appanoose County**

Appanoose County

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

June 30, 2012

<b>Total governmental fund balances (page 19)</b>	\$ 9,346,486
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$25,127,250 and the accumulated depreciation is \$6,314,260.	18,812,990
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	533,666
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.	(88,556)
Long-term liabilities, including loans, bonds, compensated absences, other postemployment benefits and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	(1,864,578)
<b>Net assets of governmental activities (page 16)</b>	<u>\$ 26,740,008</u>
See notes to financial statements.	

Appanoose County

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

Year ended June 30, 2012

	General	Special Revenue	
		Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 2,944,638	572,660	692,253
Local option sales and services tax	-	-	309,424
Interest and penalty on property tax	88,430	-	-
Intergovernmental	801,054	488,259	92,954
Licenses and permits	100	-	-
Charges for service	325,806	-	1,130
Use of money and property	21,822	-	-
Miscellaneous	82,634	-	10
Total revenues	4,264,484	1,060,919	1,095,771
<b>Expenditures:</b>			
Operating:			
Public safety and legal services	1,435,185	-	394,524
Physical health and social services	687,646	-	33,000
Mental health	-	1,211,520	-
County environment and education	334,666	-	49,645
Roads and transportation	-	-	-
Governmental services to residents	401,590	-	-
Administration	914,443	-	-
Debt service	142,505	-	-
Capital projects	-	-	-
Total expenditures	3,916,035	1,211,520	477,169
Excess (deficiency) of revenues over (under) expenditures	348,449	(150,601)	618,602
<b>Other financing sources (uses):</b>			
Operating transfers in	18,155	-	-
Operating transfers out	-	-	(765,343)
Total other financing sources (uses)	18,155	-	(765,343)
Change in fund balances	366,604	(150,601)	(146,741)
Fund balances beginning of year	5,431,150	1,126,534	1,055,802
Fund balances end of year	\$ 5,797,754	975,933	909,061

See notes to financial statements.



Secondary Roads	Nonmajor	Total
-	86,653	4,296,204
103,141	103,141	515,706
-	-	88,430
3,591,423	24,258	4,997,948
2,275	-	2,375
210	2,546	329,692
-	6	21,828
31,442	100,736	214,822
3,728,491	317,340	10,467,005
-	66,879	1,896,588
-	-	720,646
-	-	1,211,520
-	218,124	602,435
3,243,128	-	3,243,128
-	3,000	404,590
-	4,052	918,495
-	58,490	200,995
481,853	-	481,853
3,724,981	350,545	9,680,250
3,510	(33,205)	786,755
700,453	64,890	783,498
-	(18,155)	(783,498)
700,453	46,735	-
703,963	13,530	786,755
551,469	394,776	8,559,731
1,255,432	408,306	9,346,486

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, 2012

**Change in fund balances - Total governmental funds (page 23)** \$ 786,755

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

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

Expenditures for capital assets	\$1,011,123	
Capital assets contributed by the Iowa Department of Transportation	2,912,814	
Depreciation expense	(910,427)	3,013,510

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (3,077)

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	1,446	
Other	(340,206)	(338,760)

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. 123,193

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	(44,420)	
Other postemployment benefits	(19,144)	
Interest on long-term debt	(162)	(63,726)

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. (258,656)

**Change in net assets of governmental activities (page 17)** \$ 3,259,239

See notes to financial statements.

Appanoose County  
Statement of Net Assets (Deficit)  
Proprietary Fund  
June 30, 2012

	<u>Internal Service - Employee Group Health</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 58,824
<b>Liabilities</b>	
Accounts payable	<u>147,380</u>
<b>Net Assets (Deficit)</b>	
Unrestricted	<u>\$ (88,556)</u>

See notes to financial statements.

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

Year ended June 30, 2012

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Contributions and reimbursements from operating funds		\$ 604,947
Reimbursements from employees and others		132,038
Refunds		<u>9,001</u>
Total operating revenues		745,986
Operating expenses:		
Medical and health services	\$ 745,870	
Supplemental insurance	257,040	
Miscellaneous	<u>1,750</u>	<u>1,004,660</u>
Operating loss		(258,674)
Non-operating revenues:		
Interest income		<u>18</u>
Net loss		(258,656)
Net assets beginning of year		<u>170,100</u>
Net assets (deficit) end of year		<u><u>\$ (88,556)</u></u>
See notes to financial statements.		

Appanoose County  
 Statement of Cash Flows  
 Proprietary Fund  
 Year ended June 30, 2012

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 604,947
Cash received from employees and others	132,038
Cash received from refunds	9,001
Cash paid to suppliers for services	(887,193)
Net cash used by operating activities	(141,207)
Cash flows from investing activities:	
Interest on investments	18
Decrease in cash and cash equivalents	(141,189)
Cash and cash equivalents beginning of year	200,013
Cash and cash equivalents end of year	\$ 58,824
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (258,674)
Adjustment to reconcile operating loss to net cash used by operating activities:	
Increase in accounts payable	117,467
Net cash used by operating activities	\$ (141,207)

See notes to financial statements.

Appanoose County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2012

**Assets**

Cash and pooled investments:

County Treasurer	\$ 856,485
Other County officials	66,346

Receivables:

Property tax:

Delinquent	156,374
Succeeding year	9,372,000

Accrued interest	3
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Accounts	414
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<b>Total assets</b>	<u>10,451,622</u>
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**Liabilities**

Accounts payable	12,897
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Salaries and benefits payable	225
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Due to other governments	10,304,060
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Trusts payable	128,615
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Compensated absences	5,825
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<b>Total liabilities</b>	<u>10,451,622</u>
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<b>Net assets</b>	<u><u>\$ -</u></u>
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See notes to financial statements.

Appanoose County

Notes to Financial Statements

June 30, 2012

**(1) Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

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

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

Blended Component Unit – The Conservation Foundation is legally separate from the County, but it is so intertwined with the County it is, in substance, the same as the County. It is reported as part of the County and blended into the Special Revenue Funds.

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

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

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

B. Basis of Presentation

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

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

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

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

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

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



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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

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

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

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

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

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is generally paid upon retirement. Such payment shall not exceed 90 days or a total of \$2,000 for noncontract employees at least age 62 and \$2,700 for Secondary Roads contract employees. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

Net Assets – The net assets of the Internal Service, Employee Group Health Fund are 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, 2012, disbursements exceeded the amount budgeted in the roads and transportation function.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2012 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, 2012, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$6,049,723 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, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Prisoner Room and Board	\$ 18,155
Special Revenue: Secondary Roads Flood and Erosion	Special Revenue: Rural Services Rural Services	700,453 64,890
		<u>765,343</u>
Total		<u>\$ 783,498</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, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 637,132	33,393	-	670,525
Construction in progress, road network	734,893	3,645,781	(4,365,569)	15,105
Total capital assets not being depreciated	<u>1,372,025</u>	<u>3,679,174</u>	<u>(4,365,569)</u>	<u>685,630</u>
Capital assets being depreciated:				
Buildings	1,023,871	126,000	-	1,149,871
Equipment and vehicles	4,879,612	118,763	(39,415)	4,958,960
Infrastructure, other	1,109,642	-	-	1,109,642
Infrastructure, road network	12,857,578	4,365,569	-	17,223,147
Total capital assets being depreciated	<u>19,870,703</u>	<u>4,610,332</u>	<u>(39,415)</u>	<u>24,441,620</u>
Less accumulated depreciation for:				
Buildings	375,377	19,108	-	394,485
Equipment and vehicles	2,722,275	248,226	(36,338)	2,934,163
Infrastructure, other	269,499	26,752	-	296,251
Infrastructure, road network	2,073,020	616,341	-	2,689,361
Total accumulated depreciation	<u>5,440,171</u>	<u>910,427</u>	<u>(36,338)</u>	<u>6,314,260</u>
Total capital assets being depreciated, net	<u>14,430,532</u>	<u>3,699,905</u>	<u>(3,077)</u>	<u>18,127,360</u>
Governmental activities capital assets, net	<u>\$15,802,557</u>	<u>7,379,079</u>	<u>(4,368,646)</u>	<u>18,812,990</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 51,723
Physical health and social services	323
County environment and education	39,365
Roads and transportation	800,269
Administration	18,747
Total depreciation expense - governmental activities	<u>\$ 910,427</u>

**(5) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2012 is as follows:

Fund	Description	Amount
General	Services	\$ 7,470
Special Revenue:		
Mental Health	Services	1,535,628
Total for governmental funds		<u>\$ 1,543,098</u>
Agency:		
Agricultural Extension Education	Collections	\$ 113,699
County Assessor		285,843
Schools		6,597,425
Community Colleges		295,995
Corporations		2,357,691
Townships		208,448
Auto License and Use Tax		238,937
ADLM Empowerment		120,182
All other		85,840
Total for agency funds		<u>\$ 10,304,060</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Conservation Foundation Loan	Honey Creek Loan	Solid Waste Revenue Bonds	Compen- sated Absences	Other Post- employment Benefits	Total
Balance beginning of year	\$ 80,000	324,648	1,305,000	178,316	26,150	1,914,114
Increases	-	-	-	208,522	19,159	227,681
Decreases	-	38,193	85,000	164,102	15	287,310
Balance end of year	<u>\$ 80,000</u>	<u>286,455</u>	<u>1,220,000</u>	<u>222,736</u>	<u>45,294</u>	<u>1,854,485</u>
Due within one year	<u>\$ 80,000</u>	<u>41,693</u>	<u>90,000</u>	<u>147,342</u>	<u>-</u>	<u>359,035</u>

Conservation Foundation Loan

On August 27, 2008, the Conservation Foundation borrowed \$90,000 to purchase land. The interest rate on the loan is 6.0% per annum. The initial maturity date of the loan was August 27, 2009, which was extended to August 27, 2012. On October 16, 2012, the Conservation Foundation refinanced the loan with an interest rate of 5.625% per annum and a maturity date of April 15, 2013. The principal balance on the loan at June 30, 2012 totaled \$80,000.

### Honey Creek Loan

In March 2008, the County entered into a loan agreement with Iowa Trust and Savings Bank for \$400,000, of which \$357,250 was remitted to the Iowa Department of Natural Resources and \$42,750 was remitted to Rathbun Lake Resort, Inc. to be deposited in a separate account. Principal and interest is payable in 35 equal quarterly installments of \$13,613 beginning on June 1, 2009. On January 15, 2012, the County refinanced the loan with interest of 3.5% per annum and a maturity date of July 15, 2018.

A summary of the County's June 30, 2012 Honey Creek loan indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	3.50%	\$ 41,693	9,616	51,309
2014	3.50	43,192	8,117	51,309
2015	3.50	44,745	6,564	51,309
2016	3.50	46,342	4,967	51,309
2017	3.50	48,021	3,288	51,309
2018-2019	3.50	62,462	1,673	64,135
Total		\$ 286,455	34,225	320,680

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

### Solid Waste Revenue Bonds

On September 18, 2007, the County issued solid waste revenue bonds of \$1,540,000 for the Rathbun Area Solid Waste Management Commission (RASWMC). The County loaned the bond proceeds to RASWMC to be used to pay costs of acquiring works and facilities useful for collection and disposal of solid waste by the RASWMC on behalf of Appanoose County, including the acquisition of vehicles, rolling stock and other related equipment to be used in connection with the collection, transportation and disposal of solid waste in conformity with a resolution of the Board of Supervisors. The bonds will be paid from the General Fund from the loan repayments from RASWMC, as discussed in Note 7 of the Notes to Financial Statements. The principal balance on the bonds at June 30, 2012 totaled \$1,220,000.

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

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	4.15%	\$ 90,000	53,477	143,477
2014	4.15	90,000	49,743	139,743
2015	4.15	95,000	46,008	141,008
2016	4.15	60,000	42,065	102,065
2017	4.20	65,000	39,575	104,575
2018 - 2022	4.25 - 4.45	365,000	154,320	519,320
2023 - 2027	4.50 - 4.70	455,000	65,150	520,150
Total		\$ 1,220,000	450,338	1,670,338



**(8) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$249,032, \$216,376 and \$196,840, respectively, equal to the required contributions for each year.

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

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 73 active and 1 retired members in the plan.

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

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 21,331
Interest on net OPEB obligation	1,046
Adjustment to annual required contributions	<u>(3,218)</u>
Annual OPEB cost	19,159
Contribution made	<u>(15)</u>
Increase in net OPEB obligation	19,144
Net OPEB obligation beginning of year	<u>26,150</u>
Net OPEB obligation end of year	<u>\$ 45,294</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the County contributed \$15 to the medical plan. Plan members eligible for benefits contributed \$30, or 67% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 21,331	43.8%	\$ 11,998
2011	20,334	30.4	26,150
2012	19,159	0.1	45,294

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$185,166, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$185,166. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,057,000 and the ratio of UAAL to covered payroll was 6.1%. As of June 30, 2012, there were no trust fund assets.

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

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

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

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

Projected claim costs of the medical plan are \$577 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(10) Risk Management**

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

**(11) Employee Health Insurance Plan**

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Auxiant. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$35,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Auxiant from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2012 was \$604,947.

Amounts payable from the Employee Group Health Fund at June 30, 2012 total \$147,380, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at June 30, 2011	\$ 29,913
Incurred claims (including claims incurred but not reported at June 30, 2011)	745,870
Payment on claims during the fiscal year	<u>(628,403)</u>
Unpaid claims at June 30, 2012	<u>\$ 147,380</u>

**(12) Early Childhood Iowa Area Board**

The County is the fiscal agent for the 4 Counties 4 Kids Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2012 is as follows:

	Early Childhood	School Ready	Total
<b>Revenues:</b>			
State grants:			
Early Childhood	\$ 92,149	-	92,149
Family support and parent education	-	256,012	256,012
Preschool support for low-income families	-	112,408	112,408
Quality improvement	-	44,995	44,995
Allocation for administration	4,850	13,631	18,481
Other grant programs	-	27,307	27,307
Total state grants	96,999	454,353	551,352
Interest on investments	23	126	149
Total revenues	97,022	454,479	551,501
<b>Expenditures:</b>			
Program services:			
Early childhood	100,821	-	100,821
Family support and parent education	-	256,152	256,152
Preschool support for low income families	-	104,979	104,979
Quality improvement	-	35,121	35,121
Other program services	-	21,950	21,950
Total program services	100,821	418,202	519,023
Administration	4,163	13,091	17,254
Total expenditures	104,984	431,293	536,277
Change in fund balance	(7,962)	23,186	15,224
Fund balance beginning of year	14,642	19,611	34,253
Fund balance end of year	\$ 6,680	42,797	49,477

Findings related to the operations of the Early Childhood Iowa Area Board are included as items (L), (13) and (14) in the Schedule of Findings.

**(13) Deficit Fund Balance**

The Internal Service, Employee Group Health Fund reported an unrestricted net asset deficit of \$88,556 at June 30, 2012. The County plans to eliminate the deficit through increasing funding levels in fiscal year 2013.

**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, 2012

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 4,771,421	-	4,771,421
Interest and penalty on property tax	91,748	-	91,748
Intergovernmental	5,084,086	2,400	5,081,686
Licenses and permits	2,390	-	2,390
Charges for service	331,869	-	331,869
Use of money and property	21,473	-	21,473
Miscellaneous	157,027	47,067	109,960
Total receipts	10,460,014	49,467	10,410,547
<b>Disbursements:</b>			
Public safety and legal services	1,879,540	-	1,879,540
Physical health and social services	738,824	-	738,824
Mental health	522,571	-	522,571
County environment and education	607,342	47,641	559,701
Roads and transportation	3,789,406	-	3,789,406
Governmental services to residents	406,790	-	406,790
Administration	911,495	-	911,495
Debt service	200,995	4,823	196,172
Capital projects	443,198	-	443,198
Total disbursements	9,500,161	52,464	9,447,697
Excess (deficiency) of receipts over (under) disbursements	959,853	(2,997)	962,850
Other financing sources, net	142,505	-	142,505
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,102,358	(2,997)	1,105,355
Balance beginning of year	7,853,389	24,107	7,829,282
Balance end of year	\$ 8,955,747	21,110	8,934,637

See accompanying independent auditor's report.

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Budgeted Amounts		Final to Net Variance
Original	Final	
4,746,343	4,750,892	20,529
5,500	5,500	86,248
4,569,232	4,984,995	96,691
500	500	1,890
275,251	275,251	56,618
50,050	50,050	(28,577)
135,854	136,862	(26,902)
9,782,730	10,204,050	206,497
1,994,207	2,024,207	144,667
764,896	837,317	98,493
1,205,659	1,205,659	683,088
744,546	744,676	184,975
3,162,000	3,785,000	(4,406)
459,857	459,857	53,067
1,013,286	1,013,286	101,791
197,259	197,259	1,087
825,000	825,000	381,802
10,366,710	11,092,261	1,644,564
(583,980)	(888,211)	1,851,061
142,805	142,805	(300)
(441,175)	(745,406)	1,850,761
6,347,799	6,347,799	1,481,483
5,906,624	5,602,393	3,332,244

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Appanoose County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,460,014	6,991	10,467,005
Expenditures	9,500,161	180,089	9,680,250
Net	959,853	(173,098)	786,755
Other financing sources, net	142,505	(142,505)	-
Beginning fund balances	7,853,389	706,342	8,559,731
Ending fund balances	\$ 8,955,747	390,739	9,346,486

See accompanying independent auditor's report.



Appanoose County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$725,551. 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, 2012, disbursements exceeded the amount budgeted in the roads and transportation function.

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Appanoose County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 185	185	0.0%	\$ 2,950	6.3%
2011	Jul 1, 2009	-	185	185	0.0	3,024	6.1
2012	Jul 1, 2009	-	185	185	0.0	3,057	6.1

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

See accompanying independent auditor's report.

**Supplementary Information**

Appanoose County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2012

	County Recorder's Records Management	Resource Enhancement and Protection	Law Enforcement Forfeiture
<b>Assets</b>			
Cash and pooled investments:			
County Treasurer	\$ 7,090	30,851	1,635
Conservation Foundation	-	-	-
Due from other governments	-	-	-
Land held for resale	-	-	-
<b>Total assets</b>	<b>\$ 7,090</b>	<b>30,851</b>	<b>1,635</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
None	\$ -	-	-
Fund balances:			
Nonspendable:			
Land held for resale	-	-	-
Restricted for other purposes	7,090	30,851	1,635
Total fund balances	7,090	30,851	1,635
<b>Total liabilities and fund balances</b>	<b>\$ 7,090</b>	<b>30,851</b>	<b>1,635</b>

See accompanying independent auditor's report.

Special Revenue					
Economic Development	Honey Creek Loan	Conservation Foundation	HazMat	Flood and Erosion	Total
93,727	2	-	82,614	60,725	276,644
-	-	21,110	-	-	21,110
22,752	-	-	-	-	22,752
87,800	-	-	-	-	87,800
204,279	2	21,110	82,614	60,725	408,306
-	-	-	-	-	-
87,800	-	-	-	-	87,800
116,479	2	21,110	82,614	60,725	320,506
204,279	2	21,110	82,614	60,725	408,306
204,279	2	21,110	82,614	60,725	408,306

Appanoose County

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

Year ended June 30, 2012

	County Recorder's Records Management	Resource Enhancement and Protection	Law Enforcement Forfeiture
<b>Revenues:</b>			
Property and other county tax	\$ -	-	-
Local option sales and services tax	-	-	-
Intergovernmental	-	10,853	-
Charges for service	2,546	-	-
Use of money and property	2	4	-
Miscellaneous	-	-	-
Total revenues	2,548	10,857	-
<b>Expenditures:</b>			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	856	-
Governmental services to residents	3,000	-	-
Administration	-	-	-
Debt service	-	-	-
Total expenditures	3,000	856	-
Excess (deficiency) of revenues over (under) expenditures	(452)	10,001	-
<b>Other financing sources (uses):</b>			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(452)	10,001	-
Fund balances beginning of year	7,542	20,850	1,635
Fund balances end of year	\$ 7,090	30,851	1,635

See accompanying independent auditor's report.

Special Revenue								
Economic Development	Honey Creek Loan	Conservation Foundation	HazMat	Prisoner Room and Board	Emergency Medical Services	Future Tax Payments	Flood and Erosion	Total
21,137	-	-	-	-	65,516	-	-	86,653
103,141	-	-	-	-	-	-	-	103,141
-	-	2,400	11,005	-	-	-	-	24,258
-	-	-	-	-	-	-	-	2,546
-	-	-	-	-	-	-	-	6
-	53,669	47,067	-	-	-	-	-	100,736
124,278	53,669	49,467	11,005	-	65,516	-	-	317,340
-	-	-	1,363	-	65,516	-	-	66,879
165,462	-	47,641	-	-	-	-	4,165	218,124
-	-	-	-	-	-	-	-	3,000
-	-	-	-	-	-	4,052	-	4,052
-	53,667	4,823	-	-	-	-	-	58,490
165,462	53,667	52,464	1,363	-	65,516	4,052	4,165	350,545
(41,184)	2	(2,997)	9,642	-	-	(4,052)	(4,165)	(33,205)
-	-	-	-	-	-	-	64,890	64,890
-	-	-	-	(18,155)	-	-	-	(18,155)
-	-	-	-	(18,155)	-	-	64,890	46,735
(41,184)	2	(2,997)	9,642	(18,155)	-	(4,052)	60,725	13,530
245,463	-	24,107	72,972	18,155	-	4,052	-	394,776
204,279	2	21,110	82,614	-	-	-	60,725	408,306

Appanoose County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	3,223	75,241	181,224	9,144
Other County officials	66,346	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,476	2,913	88,201	3,851
Succeeding year	-	109,000	214,000	6,328,000	283,000
Accrued interest	-	-	-	-	-
Accounts	-	-	-	-	-
<b>Total assets</b>	<b>\$ 66,346</b>	<b>113,699</b>	<b>292,154</b>	<b>6,597,425</b>	<b>295,995</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	261	-	-
Salaries payable	-	-	225	-	-
Due to other governments	100	113,699	285,843	6,597,425	295,995
Trusts payable	66,246	-	-	-	-
Compensated absences	-	-	5,825	-	-
<b>Total liabilities</b>	<b>\$ 66,346</b>	<b>113,699</b>	<b>292,154</b>	<b>6,597,425</b>	<b>295,995</b>

See accompanying independent auditor's report.



Corporations	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
63,749	5,473	238,937	62,369	127,735	89,390	856,485
-	-	-	-	-	-	66,346
58,942	975	-	-	-	16	156,374
2,235,000	202,000	-	-	-	1,000	9,372,000
-	-	-	-	2	1	3
-	-	-	-	-	414	414
2,357,691	208,448	238,937	62,369	127,737	90,821	10,451,622
-	-	-	-	7,555	5,081	12,897
-	-	-	-	-	-	225
2,357,691	208,448	238,937	-	120,182	85,740	10,304,060
-	-	-	62,369	-	-	128,615
-	-	-	-	-	-	5,825
2,357,691	208,448	238,937	62,369	127,737	90,821	10,451,622

Appanoose County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Balances beginning of year	\$ 62,933	117,095	282,377	6,569,632	332,284
Additions:					
Property and other county tax	-	110,530	217,101	6,456,004	287,553
E911 surcharge	-	-	-	-	-
State tax credits	-	5,454	10,671	306,965	15,472
Drivers license fees	-	-	-	-	-
Office fees and collections	252,480	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	83,103	-	-	-	-
Miscellaneous	-	82	864	4,814	229
Total additions	335,583	116,066	228,636	6,767,783	303,254
Deductions:					
Agency remittances:					
To other funds	149,113	-	-	-	-
To other governments	97,479	119,462	218,859	6,739,990	339,543
Trusts paid out	85,578	-	-	-	-
Total deductions	332,170	119,462	218,859	6,739,990	339,543
Balances end of year	\$ 66,346	113,699	292,154	6,597,425	295,995

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
2,253,212	205,508	240,311	31,909	112,797	105,000	10,313,058
2,320,526	201,999	-	-	-	1,148	9,594,861
-	-	-	-	-	75,880	75,880
107,167	9,194	-	-	-	585	455,508
-	-	39,961	-	-	-	39,961
-	-	-	-	-	-	252,480
-	-	3,116,157	-	-	-	3,116,157
-	-	-	-	-	5,401	5,401
-	-	-	271,355	-	36,074	390,532
3,902	-	-	-	551,802	122,909	684,602
2,431,595	211,193	3,156,118	271,355	551,802	241,997	14,615,382
-	-	124,978	-	-	-	274,091
2,327,116	208,253	3,032,514	-	536,862	256,176	13,876,254
-	-	-	240,895	-	-	326,473
2,327,116	208,253	3,157,492	240,895	536,862	256,176	14,476,818
2,357,691	208,448	238,937	62,369	127,737	90,821	10,451,622

Appanoose County

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

For the Last Ten Years

	2012	2011	2010	2009
<b>Revenues:</b>				
Property and other county tax	\$ 4,296,204	3,943,992	4,005,725	3,637,673
Local option sales and services tax	515,706	534,891	497,722	494,887
Interest and penalty on property tax	88,430	78,355	78,520	75,235
Intergovernmental	4,997,948	5,093,975	5,051,548	4,725,998
Licenses and permits	2,375	2,037	1,307	2,790
Charges for service	329,692	331,969	327,598	303,891
Use of money and property	21,828	30,733	38,151	80,878
Miscellaneous	214,822	274,411	235,341	234,417
<b>Total</b>	<b>\$ 10,467,005</b>	<b>10,290,363</b>	<b>10,235,912</b>	<b>9,555,769</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 1,896,588	1,743,618	1,702,446	1,837,930
Physical health and social services	720,646	773,423	697,652	727,099
Mental health	1,211,520	914,098	1,006,529	1,075,797
County environment and education	602,435	695,933	660,543	532,833
Roads and transportation	3,243,128	3,634,672	3,023,143	3,377,865
Governmental services to residents	404,590	414,367	413,383	401,885
Administration	918,495	873,352	956,428	722,593
Debt service	200,995	196,566	203,974	363,354
Capital projects	481,853	931,650	831,500	417,520
<b>Total</b>	<b>\$ 9,680,250</b>	<b>10,177,679</b>	<b>9,495,598</b>	<b>9,456,876</b>

See accompanying independent auditor's report.

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
3,503,441	3,400,281	3,348,920	3,058,156	2,979,791	2,917,055
528,769	524,312	539,546	318,080	-	-
66,110	59,851	125,241	56,042	62,284	56,392
4,519,436	3,906,383	4,200,496	5,542,511	5,480,691	5,590,715
3,115	1,150	1,273	1,095	71,649	2,946
320,864	314,365	305,369	290,879	332,619	312,847
261,837	231,993	229,351	138,687	26,975	37,884
238,469	123,823	164,629	172,245	142,631	94,523
9,442,041	8,562,158	8,914,825	9,577,695	9,096,640	9,012,362
1,463,922	1,393,793	1,398,772	1,317,975	1,342,719	1,427,258
672,941	646,051	672,060	660,911	883,444	584,009
1,166,537	1,232,827	1,239,386	874,074	1,146,711	978,318
701,906	501,580	664,331	381,317	244,308	237,012
3,350,109	3,136,545	3,420,703	3,326,026	2,664,836	2,458,484
342,162	320,105	455,216	307,411	310,280	262,480
689,098	656,539	651,470	630,922	815,365	740,411
92,781	42,513	14,793	23,311	6,440	6,440
122,777	219,196	3,632,037	1,220,545	256,873	381,350
8,602,233	8,149,149	12,148,768	8,742,492	7,670,976	7,075,762

**Appanoose County**



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

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

To the Officials of Appanoose County:

We have audited 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, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated April 24, 2013. 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

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

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (D) through (L) to be significant deficiencies.

## Compliance and Other Matters


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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Appanoose County and other parties to whom Appanoose County may report and 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

April 24, 2013



**Appanoose County**

Appanoose County

Schedule of Findings

Year ended June 30, 2012

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

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

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

Appanoose County

Schedule of Findings

Year ended June 30, 2012

- |      |   |                        |
|------|---|------------------------|
| (7)  | Depositing, reconciling and recording of receipts is done by the custodian of the change funds for which no compensating controls exist.  | Treasurer              |
| (8)  | Daily cash reconciliations for tax, motor vehicle and driver's licenses are not reviewed and approved by an independent person for propriety.   | Treasurer              |
| (9)  | All individuals in tax, motor vehicle and driver's license have the ability to void receipts in Solutions/Arts (DOT system), including individuals who perform daily balancing. No report is maintained or review performed over voided receipts. | Treasurer              |
| (10) | Responsibilities for maintaining detailed accounts receivable records are not segregated from posting receipts.   | Public Health<br>Nurse |

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

Responses -

Recorder – We do the best we can with only two employees in the Recorder's office. It is very hard to segregate duties with the limited number of employees we have. Starting with fiscal year 2013, we will utilize a County employee from another office to reconcile our bank accounts at the end of each month.

Treasurer – Being in a small County office, it is very difficult, if not impossible, to have complete segregation of duties and responsibilities. We each share duties in balancing and daily processing. I fully understand the importance of segregating duties and monitoring of all revenue collections and disbursement of those collections. We will go back to preparing a mail log of checks received and reviewing. Daily cash reconciliations are reviewed and balanced.

Agricultural Extension – Segregation of duties in a small office such as ours is difficult. I plan on having a different Council member review the bank reconciliation.

Public Health Nurse – We have a small office with only two employees handling financial information and accounting.

Sheriff - We will attempt to make modifications. Receipting of funds will continue with the current staff. We will take appropriate measures to deter fraudulent practices.

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

Appanoose County  
Schedule of Findings  
Year ended June 30, 2012

Auditor – We will work at segregating as much as possible.

Conclusions -

Recorder, Agricultural Extension and Sheriff – Responses accepted.

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

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

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

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

Responses -

Auditor – We will work to ensure all are included.

Treasurer – The issue is for collections at the beginning of a new fiscal year and which should indicate if the receipts were generated in the prior fiscal year. In the future, we will not record miscellaneous receipt revenues (during the accrual period) without that department giving us supporting documentation.

Conclusions - Responses accepted.

- (C) County Mental Health Department – The County receives medicaid billings from the Iowa Department of Human Services (DHS) each month. The County Mental Health Department is responsible for reviewing the billings and entering the data into the CoMIS computer system. The CoMIS computer system generates an amount payable to DHS, which is submitted to the County Auditor's Office for payment. The County Mental Health Department did not enter the medicaid data into the CoMIS system or generate payments to DHS in a timely manner. As a result, the County has not paid DHS for medicaid billings dating back as far as September 1997. The amount owed for the billings at June 30, 2012 totals \$1,495,321. These billings are included in the Due to Other Governments liability in the governmental funds Balance Sheet and the Statement of Net Assets.

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

Response – Billings are being caught up by the CPC.

Conclusion – Response accepted.

Appanoose County

Schedule of Findings

Year ended June 30, 2012

- (D) CPC Travel Reimbursements – The County does not have a formal written policy addressing travel reimbursements. The former Central Point Coordinator (CPC) incurred an extensive amount of travel each month for meetings and training in Ames, Des Moines, Davenport and other locations. The requests for reimbursement submitted by the former CPC consisted of dates and a listing of each trip destination, with a brief description and total mileage for each trip being requested for reimbursement at \$0.45 per mile. Since more specific documentation was not provided, the mileage reported on the requests for reimbursement appeared to exceed the ranges determined to be reasonable for the destination and return trip. As indicated by the following table, the round trip mileage from the County CPC office to the corresponding destination city requested for reimbursement exceeded the mileage recalculated using MapQuest. The excess amounts result in potential improper reimbursements totaling \$2,107.35.

Month	Number of Trips	Miles Claimed for Reimbursement	Recalculated Trip Miles per Mapquest	Calculated Improper Excess Reimbursement
June 2011	6	1,145	990	\$ 69.75
July 2011	11	2,700	2,422	125.10
August 2011	9	2,170	1,844	146.70
September 2011	12	2,080	1,728	158.40
October 2011	12	2,655	2,270	173.25
November 2011	16	3,000	2,493	228.15
December 2011	12	2,747	2,080	300.15
January 2012	11	2,270	1,921	157.05
February 2012	12	3,090	2,538	248.40
March 2012	14	3,410	2,871	242.55
April 2012	10	2,375	1,966	184.05
May 2012	5	1,100	936	73.80
Total	130	28,742	24,059	\$ 2,107.35

Recommendation – The County should formalize a travel policy to specifically address reimbursements and required documentation. The County should request additional support for the mileage claimed or seek reimbursement of the calculated improper excess reimbursements. The County should consult legal counsel for disposition of this matter.

Response – We will work on our travel policy for the County. We will also contact the County Attorney.

Conclusion – Response accepted.

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

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

Response – We will work on this.

Conclusion – Response accepted.

Appanoose County

Schedule of Findings

Year ended June 30, 2012

- (F) Timely Deposit – State warrants were not deposited timely with the County Treasurer by the Agricultural Extension department.

Recommendation – All receipts should be deposited timely.

Response – I plan to make deposits more often.

Conclusion – Response accepted.

- (G) State Warrant – During the year ended June 30, 2012, a state warrant for \$2,400 was issued to the Appanoose County Conservation Board. This warrant was to reimburse the County for expenditures related to a FEMA project. The warrant was deposited by the Conservation Foundation instead of the Conservation Board.

Recommendation – The Conservation Board should seek reimbursement of this warrant deposited by the Conservation Foundation.

Response – The Conservation Foundation paid the County for the 10% state share of FEMA expenditures in FY 2011. Therefore, the \$2,400 was deposited directly by the Conservation Foundation.

Conclusion – Response acknowledged. The \$2,400 state warrant issued to the County should have been deposited by the County. The County could have then issued a warrant to the Conservation Foundation.

- (H) Taxable Fringe Benefits - The County purchased \$139 of shoes for a Sheriff's Office employee. The shoes are considered "street wear" under Internal Revenue Service (IRS) Guidelines and, accordingly, are taxable wages to the employee. The cost of the shoes was not reflected in the employee's taxable wages, as required.

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

Response – We will monitor this more closely.

Conclusion – Response accepted.

- (I) Timesheets – Individual timesheets prepared by salaried and non-salaried employees are not approved by a supervisor.

Recommendation – The timesheets should be reviewed and approved by the employee's supervisor.

Response – We will monitor this in the future.

Conclusion – Response accepted.

Appanoose County

Schedule of Findings

Year ended June 30, 2012

- (J) County Engineer – Fuel usage reports are not generated and reviewed by an independent person.

Recommendation – Fuel usage reports should be reviewed by an independent person to determine the propriety of fuel used.

Response – With limited staff, segregation of duties is difficult. Every employee has access to the fuel, so it would be difficult to find an independent person to review this usage.

Conclusion – Response acknowledged. The fuel usage reports should be reviewed to determine propriety of fuel used.

- (K) Conservation Foundation – One individual collects, deposits and records receipts for the Conservation Foundation. A listing of mail receipts is not prepared. Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety. The person who signs checks was not independent of the person preparing checks, approving disbursements and recording cash receipts.

Recommendation – The Conservation Foundation should review the operating procedures in the office to obtain the maximum internal control possible under the circumstances. As a compensating control, the bank reconciliations should be prepared and reviewed monthly by an independent person.

Response – It is very difficult to have good separation of duties with only one person to handle most aspects of receipts, bank reconciliations and disbursements.

Conclusion – Response acknowledged. The Conservation Foundation should utilize Board members to provide additional control through review of transactions and reconciliations.

- (L) Supporting Documentation – During fiscal year 2012, the 4 Counties for Kids Early Childhood Iowa Area Board contracted with several service providers. The provider contracts require detailed monthly invoices be submitted prior to payment as support for the services rendered. The invoices and documentation were to be submitted to the program coordinator, who was to verify the accuracy and adequacy of the documentation and request payment from the fiscal agent. The fiscal agent submits a report of revenues, disbursements, and fund balances to the Area Board monthly. Based upon the activity performed by the service providers, the program coordinator is to allocate the disbursements between the Area Board programs and funding categories.

- For 9 of 19 provider claims tested, adequate supporting documentation was not available.
- For 18 of the 19 provider claims tested, the Area Board did not authorize payment of the claim.
- For 7 of the 19 provider claims tested, adequate documentation for the allocation of the disbursements between programs and categories was not maintained.

Appanoose County

Schedule of Findings

Year ended June 30, 2012

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

Response -

- (1) The Area Board has already started requiring more detailed supporting documentation to support monthly bills. This requirement will be reviewed and strengthened where possible.
- (2) The Area Board has always reviewed the monthly activity report from the Appanoose County Auditor/Fiscal Agent. They have begun approving the expenditures through a motion recorded in the Area Board minutes. Copies of provider invoices will be available for review as needed.
- (3) The Area Board/Area Director will work with program providers concerning how payments are allocated to funding categories and what documentation they need to provide to support this. Some allocations will not have supporting documentation because they do not represent a difference in the services being paid for. This is particularly true where a payment is split between general aid and some other single fund category. This split is generally only needed to ensure there is enough money available to support the program.

Conclusion - Response acknowledged. Supporting documentation for the allocation of costs should be maintained.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

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

- (1) Certified Budget - Disbursements during the year ended June 30, 2012 exceeded the amount budgeted in the roads and transportation function.

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

Response - We will pay close attention to this.

Conclusion - Response accepted.

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



Appanoose County

Schedule of Findings

Year ended June 30, 2012

- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Austin Hoffman, child of Mark Hoffman, Conservation Director	Wages earned as Conservation aide	\$ 12,137
Amber Hoffman, child of Mark Hoffman, Conservation Director	Wages earned as Conservation Naturalist	16,808

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

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

Conservation Board Response – The Appanoose County Conservation Board does all hiring and firing of employees. The employees report to the Conservation Board. We will consult legal counsel for disposition of this matter.

Conclusion – Response accepted.

- (5) County Treasurer - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Appanoose County

Schedule of Findings

Year ended June 30, 2012

Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.

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

Effective December 1, 2010, a monthly salary increase of \$500 for a Conservation employee was approved in lieu of the monthly housing allowance and, during the year ended June 30, 2012, \$6,000 was paid to the Conservation Foundation for rent on the house at Sharon Bluffs.

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

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

Response – The Appanoose County Conservation Board is in the process of transferring ownership back to the Conservation Foundation.

Conclusion – Response acknowledged. The County should consult legal counsel regarding this matter.

- (11) Publications – The County did not publish the County Treasurer’s semi-annual settlement report as required by Chapter 349.16(3) of the Code of Iowa.

Recommendation – The County should comply with Chapter 349.16(3) of the Code of Iowa.

Response – We will monitor this.

Conclusion – Response acknowledged. The semi-annual settlement report should be published in compliance with the Code of Iowa.

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

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

Response – I have contacted the bank to get this done in the future.

Conclusion – Response accepted.

Appanoose County

Schedule of Findings

Year ended June 30, 2012

- (13) 4 Counties for Kids Early Childhood Iowa Area Board Program Coordinator – The Area Board entered into a contract for a program coordinator for the period July 1, 2011 through June 30, 2012 for a fee not to exceed \$20,723. The total amount paid to the coordinator for fiscal year 2012 was \$20,619.

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

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

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

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

Response –

- (1) The coordinator does not present time sheets to Albia Community Schools for any of the projects which support the shared position. The coordinator is presently tracking time spent doing basic activities for the 3 projects being served. A quarterly report of the amount/percentage of time is provided to each of the projects for review.
- (2) The coordinator will attempt to do a time study which provides additional detail. Unsure how much more detail can reliably be included and measured. It continues to be my understanding that splitting the allocation for administration between Early Childhood funds and School Ready funds based on the total amount of each of those 2 funding sources administered is acceptable. The coordinator does not presently provide any direct services to any program or service; all work done is administration and Area Board support.
- (3) The Area Board will be provided with information concerning payments to the Albia Community Schools for reimbursement of coordinator's expenses. A motion approving those expenditures will be entered in the meeting minutes.

Conclusion – Response acknowledged. For internal control, as well as for program compliance, timesheets or similar records provide a record of hours worked and provide appropriate documentation for the payroll charges.

Appanoose County

Schedule of Findings

Year ended June 30, 2012

- (14) 4 Counties for Kids Early Childhood Iowa Area Board – The annual financial report submitted to the Iowa Department of Management for fiscal year 2012 did not reconcile to the Area Board’s financial activity. Accrued expenditures reported for the annual financial report included \$76,566 of fiscal year 2011 expenditures reported for fiscal year 2012. Fiscal year 2012 accrued expenditures of \$68,865 were reported as fiscal year 2013 activity. The net amount of fiscal year 2012 overstatement was \$7,701. Adjustments were subsequently made to properly report expenditures for the fiscal year 2012 annual financial report.

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

Response – The Coordinator/Area Director will work with the Appanoose County Auditor to ensure that appropriate information is included on payment requests in order to properly accrue expenses. The County’s financial records will be used to support the preparation of the Early Childhood Iowa annual report.

Conclusion – Response accepted.

- (15) Financial Condition – Although the Internal Service, Employee Group Health Fund had a positive cash balance at June 30, 2012, a deficit net assets balance of \$88,556 was reported on an accrual basis.

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

Response – We have increased funding levels to help this situation.

Conclusion – Response accepted.

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Appanoose County

Staff

This audit was performed by:

Ronald D. Swanson CPA, Manager  
Selina V. Johnson, CPA, Senior Auditor II  
Michael R. Field, Senior Auditor  
Kayley R. Alexander, Assistant Auditor  
Jessica L. Barloon, Assistant Auditor  
Robert W. Endriss, CPA, Assistant Auditor  
Benjamin P. James, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State