



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

Mary Mosiman, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE

June 16, 2015

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$14,533,634 for the year ended June 30, 2014, which included \$933,125 in tax credits from the state. The County forwarded \$10,250,655 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,282,979 of the local tax revenue to finance County operations, an 11.8% increase over the prior year. Other revenues included charges for service of \$1,083,625, operating grants, contributions and restricted interest of \$3,557,609, capital grants, contributions and restricted interest of \$769,666, local option sales and services tax of \$537,244, hotel/motel tax of \$234,744, unrestricted investment earnings of \$12,643 and other general revenues of \$121,569.

Expenses for County operations for the year ended June 30, 2014 totaled \$10,064,649, a less than 1% decrease from the prior year. Expenses included \$3,646,363 for roads and transportation, \$2,012,611 for public safety and legal services and \$1,114,400 for administration.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1410-0004-B00F.pdf>.

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**APPANOOSE COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2014**

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**Appanoose County**

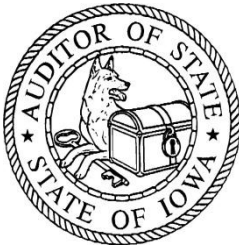
**Appanoose County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dean Kaster	Board of Supervisors	Jan 2015
Jody McDanel	Board of Supervisors	Jan 2017
Neil Smith	Board of Supervisors	Jan 2017
Linda Demry	County Auditor	Jan 2017
Debra Davidson (Appointed Mar 2013)	County Treasurer	Nov 2014
Teddy Walker	County Recorder	Jan 2015
Gary Anderson	County Sheriff	Jan 2017
Richard Scott	County Attorney	(Deceased April 2014)
Alan Willson (Appointed Apr 2014)	County Attorney	(Resigned May 2014)
Susan Daniels (Appointed May 2014)	County Attorney	Nov 2014
Michael Barth	County Assessor	Jan 2018

**Appanoose County**





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

Independent Auditor's Report

To the Officials of Appanoose County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Appanoose County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Appanoose County as of June 30, 2014, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 11 through 17 and 50 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


### *Supplementary Information*

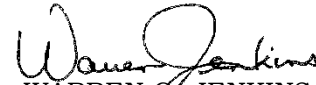
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Appanoose County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 5, 2015 on our consideration of Appanoose County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Appanoose County's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 5, 2015

**Appanoose County**

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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, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2014 FINANCIAL HIGHLIGHTS

- The County's governmental activities revenues increased 3.5%, or approximately \$359,000, from fiscal year 2013 to fiscal year 2014. Property tax increased approximately \$394,000, capital grants, contributions and restricted interest increased approximately \$237,000, operating grants, contribution and restricted interest increased approximately \$117,000 while charges for service decreased approximately \$83,000 and gain on disposition of capital assets decreased approximately \$267,000.
- The County's governmental activities expenses decreased less than 1%, or approximately \$1,000, from fiscal year 2013 to fiscal year 2014. Expenses decreased approximately \$699,000 in the roads and transportation function and \$111,000 in the non-program function. Expenses increased approximately \$375,000 in the county environment and education function, \$204,000 in the administration function, \$75,000 in the public safety and legal services function, \$76,000 in the physical health and social services function and \$71,000 in the mental health function.
- The County's net position increased 2%, or approximately \$535,000, from June 30, 2013 to June 30, 2014.

### USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Appanoose County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide 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. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

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

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has three kinds of funds:

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

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

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

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Appanoose County's net position increased from \$26,914,914 at the end of fiscal year 2013 to \$27,450,344 at the end of fiscal year 2014. The analysis that follows focuses on the changes in the net position of governmental activities.

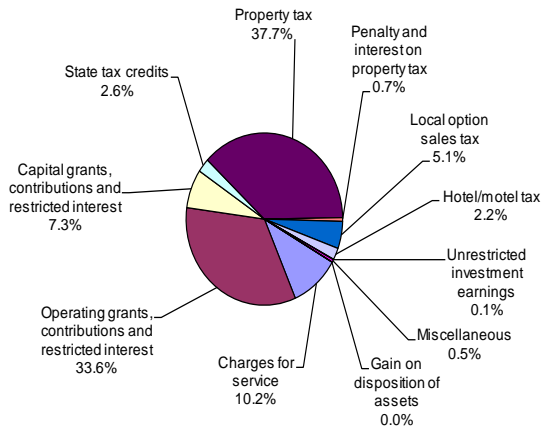
Net Position of Governmental Activities		
	June 30,	
	2014	2013
Current and other assets	\$ 15,450,841	15,942,892
Capital assets	19,341,406	18,512,695
Total assets	<u>34,792,247</u>	<u>34,455,587</u>
Long-term liabilities	2,562,247	2,718,998
Other liabilities	885,656	851,675
Total liabilities	<u>3,447,903</u>	<u>3,570,673</u>
Deferred inflows of resources	3,894,000	3,970,000
Net position:		
Net investment in capital assets	19,341,406	18,512,695
Restricted	5,117,947	5,944,315
Unrestricted	2,990,991	2,457,904
Total net position	<u>\$ 27,450,344</u>	<u>26,914,914</u>

Net position of Appanoose County's governmental activities increased 2% (approximately \$26.9 million compared to approximately \$27.5 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from approximately \$2,458,000 at June 30, 2013 to approximately \$2,991,000 at June 30, 2014, an increase of 21.7%.

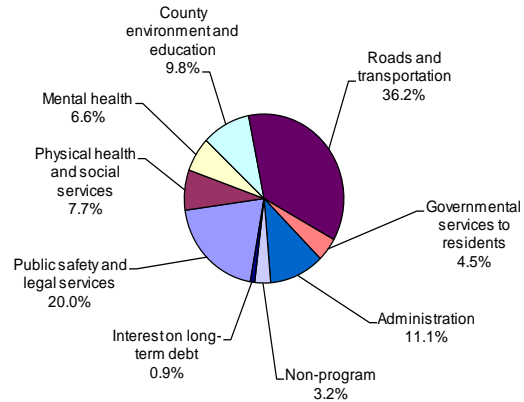
**Changes in Net Position of Governmental Activities**

	Year ended June 30,	
	2014	2013
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 1,083,625	1,166,284
Operating grants, contributions and restricted interest	3,557,609	3,440,990
Capital grants, contributions and restricted interest	769,666	532,748
<b>General revenues:</b>		
Property tax	4,010,176	3,616,662
Penalty and interest on property tax	70,455	66,313
State tax credits	272,803	212,872
Local option sales tax	537,244	605,534
Hotel/motel tax	234,744	230,633
Unrestricted investment earnings	12,643	16,828
Gain on disposition of assets	663	267,876
Miscellaneous	50,451	83,845
<b>Total revenues</b>	<b>10,600,079</b>	<b>10,240,585</b>
<b>Program expenses:</b>		
Public safety and legal services	2,012,611	1,937,343
Physical health and social services	770,679	694,568
Mental health	668,426	597,682
County environment and education	990,745	615,606
Roads and transportation	3,646,363	4,345,852
Governmental services to residents	453,411	443,633
Administration	1,114,400	910,183
Non-program	319,979	430,816
Interest on long-term debt	88,035	89,996
<b>Total expenses</b>	<b>10,064,649</b>	<b>10,065,679</b>
<b>Change in net position</b>	<b>535,430</b>	<b>174,906</b>
<b>Net position beginning of year</b>	<b>26,914,914</b>	<b>26,740,008</b>
<b>Net position end of year</b>	<b>\$ 27,450,344</b>	<b>26,914,914</b>

**Revenues by Source**



**Expenses by Program**





Appanoose County's net position of governmental activities increased approximately \$535,000. Revenues for governmental activities increased approximately \$359,000 from the prior year, with property tax revenue up from the prior year approximately \$394,000, or 10.9%.

For fiscal year 2014, taxable property valuation increased approximately \$7,307,000 and the tax levy rate increased \$0.9634 per \$1,000 of taxable valuation. Therefore, property tax revenue increased approximately \$394,000. The total Appanoose County assessed taxable property valuation for property tax payable in fiscal year 2015 increased approximately \$4,551,000. The tax levy rate is set to decrease \$0.02988 per \$1,000 of taxable valuation. Property tax revenue is budgeted to increase approximately \$11,000 next year.

The cost of all governmental activities this year was approximately \$10.1 million compared to approximately \$10.1 million last year. However, as shown in the Statement of Activities on page 21, the amount taxpayers ultimately financed for these projects was approximately \$4.7 million because some of the cost was paid by those directly benefited from the programs (approximately \$1,084,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$4,337,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, increased in fiscal year 2014 from approximately \$5,140,000 to approximately \$5,421,000, principally due to receiving grant proceeds for the completion of several infrastructure projects in fiscal year 2014. The County paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

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

As Appanoose County completed the year, its governmental funds reported a combined fund balance of approximately \$10.4 million, a decrease of approximately \$360,000 from last year's total of approximately \$10.7 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 \$183,000, or 4.3%, primarily due to an increase in intergovernmental revenues. Expenditures increased approximately \$337,000, or 8.2%. The ending fund balance increased slightly over the prior year to \$7,011,638.
- The County has continued to look for ways to effectively manage the cost of mental health services. Expenditures increased approximately \$68,000, or 11.4%, over the prior year. Revenues increased approximately \$397,000, primarily due to an increase in property tax. The Special Revenue, Mental Health Fund balance decreased approximately \$27,000 during the year to \$592,654.
- Special Revenue, Rural Services Fund revenues decreased approximately \$26,000, or 2.3%, from the prior year. Expenditures remained consistent when compared to the prior year. The fund balance decreased approximately \$95,000 from the prior year to \$762,451.
- Special Revenue, Secondary Roads Fund revenues increased approximately \$535,000, or 16.4%, over the prior year and expenditures increased approximately \$735,000, or 19.6%, over the prior year. The County completed two bridge projects during the year. The fund balance at June 30, 2014 was \$1,502,042 compared to the prior year ending fund balance of \$1,469,695, an increase of \$32,347.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, Appanoose County amended its budget two times. The first amendment resulted in an increase in intergovernmental receipts and increases in budgeted disbursements for the mental health function, the roads and transportation function and the administration function. The increases are related to mental health expenses, purchase of Secondary Roads equipment and health insurance. The second amendment resulted in an increase in long-term debt proceeds and increases in budgeted disbursements for debt service function expenses.

The County’s total receipts were \$852,833 more than budgeted, a variance of 9.04%. The most significant variance resulted from the County receiving more intergovernmental receipts for federal programs than anticipated.

Total disbursements were \$1,213,738 less than the amended budget. Actual disbursements for the roads and transportation, public safety and legal services and county environment and education functions were \$263,886, \$239,181 and \$221,524, respectively, less than budgeted. This was primarily due to construction projects not being completed as anticipated during the fiscal year, the County budgeting for more inmates than were actually incarcerated and the Conservation Department’s FEMA project crossing between fiscal years.

Even with the budget amendments, the County exceeded the budgeted amount in the debt service function.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2014, Appanoose County had approximately \$19.3 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,	
	2014	2013
Land	\$ 550,293	550,293
Buildings and improvements	788,872	809,474
Equipment and vehicles	2,578,574	2,203,155
Infrastructure	15,368,914	14,864,120
Construction in progress	54,753	85,653
Total	<u>\$ 19,341,406</u>	<u>18,512,695</u>

This year's major additions included:

Capital assets contributed by the	
Iowa Department of Transportation	<u>\$ 158,385</u>

The County had depreciation expense of \$1,056,407 in fiscal year 2014 and total accumulated depreciation of \$7,941,864 at June 30, 2014. More detailed information about the County’s capital assets is presented in Note 4 to the financial statements.

## Long-Term Debt

At June 30, 2014, Appanoose County had \$2,231,570 of long-term debt outstanding, compared to \$2,364,762 at June 30, 2013, as shown below.

	Outstanding Debt of Governmental Activities at Year-End	
	June 30,	
	2014	2013
Honey Creek loan	\$ 201,570	244,762
Solid waste revenue bonds	1,040,000	1,130,000
General obligation refunding capital loan notes	990,000	990,000
Total	\$ 2,231,570	2,364,762

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Appanoose County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$19 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

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

From fiscal year 2013 to fiscal year 2014, the countywide and the rural services property taxable valuations increased approximately \$7,307,000 and \$3,698,000, respectively. From fiscal year 2014 to fiscal year 2015, the countywide property taxable valuation increased approximately \$4,551,000 while the rural services property taxable valuation decreased approximately \$3,704,000.

These factors were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget are approximately \$8,910,000, a 5% decrease from the final fiscal year 2014 budget. Budgeted disbursements decreased approximately \$960,000 from the final fiscal year 2014 budget, primarily in the capital projects function. The County has added no major new programs or initiatives to the fiscal year 2015 budget. If these estimates are realized, the County's budgetary operating balance is expected to increase 11% by the close of fiscal year 2015.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

**Appanoose County**

## **Basic Financial Statements**

**Exhibit A**

Appanoose County  
Statement of Net Position  
June 30, 2014

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 8,325,220
U.S. Treasury securities on deposit with escrow agent	962,614
Conservation Foundation	49,540
Receivables:	
Property tax:	
Delinquent	33,379
Succeeding year	3,894,000
Interest and penalty on property tax	38,676
Accounts	2,383
Loan	1,040,000
Accrued interest	786
Due from other governments	503,053
Land held for resale	87,800
Inventories	369,623
Prepaid expenses	143,767
Capital assets, net of accumulated depreciation	<u>19,341,406</u>
<b>Total assets</b>	<u>34,792,247</u>
<b>Liabilities</b>	
Accounts payable	680,452
Salaries and benefits payable	57,261
Accrued interest payable	6,097
Due to other governments	141,846
Long-term liabilities:	
Portion due or payable within one year:	
Honey Creek loan	44,745
Solid waste revenue bonds	1,040,000
Compensated absences	183,101
Portion due or payable after one year:	
Honey Creek loan	156,825
General obligation refunding capital loan notes	990,000
Compensated absences	75,576
Net OPEB liability	72,000
<b>Total liabilities</b>	<u>3,447,903</u>
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	<u>3,894,000</u>
<b>Net Position</b>	
Net investment in capital assets	19,341,406
Restricted for:	
Supplemental levy purposes	1,872,834
Mental health purposes	596,777
Rural services purposes	750,348
Secondary roads purposes	1,381,254
Other purposes	526,089
Unrestricted	<u>2,990,991</u>
<b>Total net position</b>	<u>\$ 27,459,699</u>

See notes to financial statements.

Appanoose County  
Statement of Activities  
Year ended June 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	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	\$ 2,012,611	144,174	98,951	-	(1,769,486)
Physical health and social services	770,679	162,205	513,902	-	(94,572)
Mental health	668,426	-	30,819	-	(637,607)
County environment and education	990,745	11,955	88,960	-	(889,830)
Roads and transportation	3,646,363	75,158	2,767,607	769,666	(33,932)
Governmental services to residents	453,411	255,841	-	-	(197,570)
Administration	1,114,400	50,750	872	-	(1,062,778)
Non-program	319,979	383,542	2,673	-	66,236
Interest on long-term debt	88,035	-	53,825	-	(34,210)
<b>Total</b>	<b>\$ 10,064,649</b>	<b>1,083,625</b>	<b>3,557,609</b>	<b>769,666</b>	<b>(4,653,749)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					4,010,176
Penalty and interest on property tax					70,455
State tax credits					272,803
Local option sales and services tax					537,244
Hotel/motel tax					234,744
Unrestricted investment earnings					12,643
Gain on disposition of capital assets					663
Miscellaneous					50,451
<b>Total general revenues</b>					<b>5,189,179</b>
Change in net position					535,430
Net position beginning of year					26,914,914
Net position end of year					<b>\$ 27,450,344</b>

See notes to financial statements.

Appanoose County

Balance Sheet  
Governmental Funds

June 30, 2014

	Special Revenue		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 4,957,762	765,943	691,188
U.S. Treasury securities on deposit with escrow agent Conservation Foundation	962,614 -	- -	- -
Receivables:			
Property tax:			
Delinquent	25,033	5,188	3,158
Succeeding year	2,666,000	553,000	675,000
Interest and penalty on property tax	38,676	-	-
Accounts	1,136	-	-
Loan	1,040,000	-	-
Accrued interest	786	-	-
Due from other governments	144,772	-	77,686
Land held for resale	-	-	-
Inventories	-	-	-
Prepaid expenditures	143,767	-	-
<b>Total assets</b>	<b>\$ 9,980,546</b>	<b>1,324,131</b>	<b>1,447,032</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 95,706	81,414	1,287
Salaries and benefits payable	25,310	1,210	5,136
Due to other governments	51,181	90,665	-
Total liabilities	172,197	173,289	6,423
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	2,666,000	553,000	675,000
Other	130,711	5,188	3,158
Total deferred inflows of resources	2,796,711	558,188	678,158
Fund balances:			
Nonspendable:			
Land held for resale	-	-	-
Inventories	-	-	-
Prepaid expenditures	143,767	-	-
Restricted for:			
Supplemental levy purposes	1,880,260	-	-
Mental health purposes	-	592,654	-
Rural services purposes	-	-	762,451
Secondary roads purposes	-	-	-
Debt service	2,002,614	-	-
Other purposes	-	-	-
Unassigned	2,984,997	-	-
Total fund balances	7,011,638	592,654	762,451
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 9,980,546</b>	<b>1,324,131</b>	<b>1,447,032</b>

See notes to financial statements.



Secondary Roads	Nonmajor	Total
1,434,883	367,531	8,217,307
-	-	962,614
-	49,540	49,540
-	-	33,379
-	-	3,894,000
-	-	38,676
1,247	-	2,383
-	-	1,040,000
-	-	786
258,097	22,498	503,053
-	87,800	87,800
369,623	-	369,623
-	-	143,767
2,063,850	527,369	15,342,928
495,700	1,280	675,387
25,605	-	57,261
-	-	141,846
521,305	1,280	874,494
-	-	3,894,000
40,503	4,822	184,382
40,503	4,822	4,078,382
-	87,800	87,800
369,623	-	369,623
-	-	143,767
-	-	1,880,260
-	-	592,654
-	-	762,451
1,132,419	-	1,132,419
-	-	2,002,614
-	433,467	433,467
-	-	2,984,997
1,502,042	521,267	10,390,052
2,063,850	527,369	15,342,928

**Appanoose County**

Appanoose County

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

June 30, 2014

<b>Total governmental fund balances (page 23)</b>	\$ 10,390,052
<b><i>Amounts reported for governmental activities in the Statement of Net Position 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 \$27,283,270 and the accumulated depreciation is \$7,941,864.	19,341,406
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	184,382
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 with governmental activities in the Statement of Net Position.	102,848
Long-term liabilities, including loans, bonds, notes, compensated absences, other postemployment benefits and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(2,568,344)</u>
<b>Net position of governmental activities (page 20)</b>	<u><u>\$ 27,450,344</u></u>

See notes to financial statements.

Appanoose County

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

Year ended June 30, 2014

	General	Special Revenue	
		Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 2,886,459	567,161	689,559
Local option sales and services tax	-	-	322,347
Interest and penalty on property tax	79,906	-	-
Intergovernmental	965,775	70,973	102,061
Licenses and permits	200	-	-
Charges for service	368,686	-	1,424
Use of money and property	15,144	-	-
Miscellaneous	110,827	2,933	-
<b>Total revenues</b>	<b>4,426,997</b>	<b>641,067</b>	<b>1,115,391</b>
<b>Expenditures:</b>			
<b>Operating:</b>			
Public safety and legal services	1,523,360	-	406,557
Physical health and social services	743,826	-	34,000
Mental health	-	668,395	-
County environment and education	413,762	-	51,127
Roads and transportation	-	-	-
Governmental services to residents	462,875	-	-
Administration	1,116,712	-	-
Debt service	170,625	-	-
Capital projects	-	-	-
<b>Total expenditures</b>	<b>4,431,160</b>	<b>668,395</b>	<b>491,684</b>
Excess (deficiency) of revenues over (under) expenditures	(4,163)	(27,328)	623,707
<b>Other financing sources (uses):</b>			
Transfers in	12,822	-	-
Transfers out	-	-	(718,215)
<b>Total other financing sources (uses)</b>	<b>12,822</b>	<b>-</b>	<b>(718,215)</b>
Change in fund balances	8,659	(27,328)	(94,508)
Fund balances beginning of year	7,002,979	619,982	856,959
<b>Fund balances end of year</b>	<b>\$ 7,011,638</b>	<b>592,654</b>	<b>762,451</b>

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	97,646	4,240,825
107,448	107,449	537,244
-	-	79,906
3,659,675	24,244	4,822,728
1,995	-	2,195
145	2,435	372,690
-	5	15,149
30,250	113,287	257,297
3,799,513	345,066	10,328,034
-	71,697	2,001,614
-	-	777,826
-	-	668,395
-	486,503	951,392
3,737,613	-	3,737,613
-	2,000	464,875
-	-	1,116,712
-	51,309	221,934
747,768	-	747,768
4,485,381	611,509	10,688,129
(685,868)	(266,443)	(360,095)
718,215	-	731,037
-	(12,822)	(731,037)
718,215	(12,822)	-
32,347	(279,265)	(360,095)
1,469,695	800,532	10,750,147
1,502,042	521,267	10,390,052

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, 2014

**Change in fund balances - Total governmental funds (page 27)** \$ (360,095)

***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	\$ 1,726,070	
Capital assets contributed by the Iowa Department of	158,385	
Depreciation expense	<u>(1,056,407)</u>	828,048

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 663

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:

Property tax	(3,301)	
Other	<u>(256,053)</u>	(259,354)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 133,192

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	26,359	
Other postemployment benefits	(2,800)	
Interest on long-term debt	<u>707</u>	24,266

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. 168,710

**Change in net position of governmental activities (page 21)** \$ 535,430

See notes to financial statements.

Appanoose County  
Statement of Net Position  
Proprietary Fund  
June 30, 2014

	<u>Internal Service - Employee Group Health</u>
<b>Current Assets</b>	
Cash and cash equivalents	\$ 107,913
<b>Current Liabilities</b>	
Accounts payable	<u>5,065</u>
<b>Net Position</b>	
Unrestricted	<u>\$ 102,848</u>

See notes to financial statements.

**Exhibit H**

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

Year ended June 30, 2014

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Contributions and reimbursements from operating funds		\$ 675,304
Reimbursements from employees and others		342,103
Refunds		537
Total operating revenues		<u>1,017,944</u>
Operating expenses:		
Medical and health services	\$ 706,744	
Supplemental insurance	142,393	
Miscellaneous	<u>106</u>	<u>849,243</u>
Operating income		168,701
Non-operating revenues:		
Interest income		<u>9</u>
Net income		168,710
Net position (deficit) beginning of year		<u>(65,862)</u>
Net position end of year		<u>\$ 102,848</u>

See notes to financial statements.



Appanoose County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2014

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 675,304
Cash received from employees and others	342,103
Cash received from refunds	537
Cash paid to suppliers for services	(1,002,283)
Net cash provided by operating activities	15,661
Cash flows from investing activities:	
Interest on investments	9
Net increase in cash and cash equivalents	15,670
Cash and cash equivalents beginning of year	92,243
Cash and cash equivalents end of year	\$ 107,913
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 168,701
Adjustment to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts payable	(153,040)
Net cash provided by operating activities	\$ 15,661

See notes to financial statements.

Appanoose County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2014

**Assets**

Cash, cash equivalents and pooled investments:

County Treasurer \$ 1,069,756

Other County officials 63,944

Receivables:

Property tax:

Delinquent 107,202

Succeeding year 9,562,000

Accounts 1,591

Due from other governments 56,831

**Total assets** 10,861,324**Liabilities**

Accounts payable 17,397

Salaries and benefits payable 173

Due to other governments 10,708,459

Trusts payable 124,675

Compensated absences 10,620

**Total liabilities** 10,861,324**Net position**\$ -

See notes to financial statements.

Appanoose County

Notes to Financial Statements

June 30, 2014

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

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

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

B. Basis of Presentation

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

The Statement of Net Position presents the County’s nonfiduciary assets, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

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

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints 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, the proprietary fund and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for the Internal Service Fund 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, Deferred Inflows of Resources and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2013.

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, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is generally paid upon retirement and shall not exceed 90 days or a total of \$2,000 for noncontract employees at least age 62 and \$3,000 for Secondary Roads contract employees. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Deferred Inflows of Resources – 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 inflows of resources in the governmental fund financial statements represent 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 inflows of resources consist of



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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, disbursements exceeded the amount budgeted in the debt service function.

### **(2) Cash, Cash Equivalents and Pooled Investments**

The County's deposits in banks at June 30, 2014 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, 2014, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$5,387,380 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Economic Development	\$ 12,822
Special Revenue: Secondary Roads	Special Revenue: Rural Services	718,215
Total		<u>\$ 731,037</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, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 550,293	-	-	550,293
Construction in progress, road network	85,653	1,201,585	(1,232,485)	54,753
Total capital assets not being depreciated	635,946	1,201,585	(1,232,485)	605,046
Capital assets being depreciated:				
Buildings	1,224,561	-	-	1,224,561
Equipment and vehicles	5,004,297	702,070	(54,820)	5,651,547
Infrastructure, other	1,109,642	-	-	1,109,642
Infrastructure, road network	17,459,989	1,232,485	-	18,692,474
Total capital assets being depreciated	24,798,489	1,934,555	(54,820)	26,678,224
Less accumulated depreciation for:				
Buildings	415,087	20,602	-	435,689
Equipment and vehicles	2,801,142	308,114	(36,283)	3,072,973
Infrastructure, other	323,003	26,752	-	349,755
Infrastructure, road network	3,382,508	700,939	-	4,083,447
Total accumulated depreciation	6,921,740	1,056,407	(36,283)	7,941,864
Total capital assets being depreciated, net	17,876,749	878,148	(18,537)	18,736,360
Governmental activities capital assets, net	<u>\$18,512,695</u>	<u>2,079,733</u>	<u>(1,251,022)</u>	<u>19,341,406</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 70,261
Physical health and social services	323
County environment and education	38,265
Roads and transportation	936,832
Administration	10,726
Total depreciation expense - governmental activities	<u>\$ 1,056,407</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, 2014 is as follows:

Fund	Description	Amount
General	Services	\$ 51,181
Special Revenue:		
Mental Health	Services	90,665
Total for governmental funds		<u>\$ 141,846</u>
Agency:		
Agricultural Extension Education	Collections	\$ 112,056
County Assessor		299,821
Schools		6,529,341
Community Colleges		353,265
Corporations		2,478,281
Townships		201,731
Auto License and Use Tax		266,862
ADLM Empowerment		210,815
All other		256,287
Total for agency funds		<u>\$ 10,708,459</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Honey Creek Loan	Solid Waste Revenue Bonds	General Obligation Refunding Capital Loan Notes	Compen-sated Absences	Other Post-employment Benefits	Total
Balance beginning of year	\$ 244,762	1,130,000	990,000	285,036	69,200	2,718,998
Increases	-	-	-	118,642	24,800	143,442
Decreases	43,192	90,000	-	145,001	22,000	300,193
Balance end of year	<u>\$ 201,570</u>	<u>1,040,000</u>	<u>990,000</u>	<u>258,677</u>	<u>72,000</u>	<u>2,562,247</u>
Due within one year	\$ 44,745	1,040,000	-	183,101	-	<u>1,267,846</u>

### Honey Creek Loan

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

A summary of the County's June 30, 2014 Honey Creek loan indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2015	3.50%	\$ 44,745	6,564	51,309
2016	3.50	46,342	4,967	51,309
2017	3.50	48,021	3,288	51,309
2018	3.50	49,747	1,561	51,308
2019	3.50	12,715	112	12,827
Total		\$ 201,570	16,492	218,062

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. A summary of the County's June 30, 2014 solid waste revenue bond indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	4.15-4.70%	\$ 1,040,000	46,008	1,096,008

Refunding Capital Loan Notes

On May 2, 2013, the County issued \$990,000 of general obligation refunding capital loan notes, with interest at rates ranging from 0.80% to 3.30% per annum, for a crossover refunding of the callable portion of the \$1,540,000 of solid waste revenue bonds dated September 1, 2007. The County entered into an escrow agreement whereby the proceeds from the general obligation refunding capital loan notes were converted to U.S. Treasury securities. This escrow account, with a June 30, 2014 balance of \$962,614, will be used to pay the callable portion of the revenue bonds on June 1, 2015. The refunding was undertaken to reduce total debt service payments by \$100,352 and resulted in an economic gain of \$80,836.

A summary of the County's June 30, 2014 refunding capital loan note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	0.80%	\$ -	20,102	20,102
2016	0.80	80,000	20,102	100,102
2017	0.80	85,000	19,463	104,463
2018	1.25	80,000	18,782	98,782
2019	1.70 - 3.30	85,000	17,783	102,783
2020 - 2024	3.30	440,000	68,085	508,085
2025 - 2027	3.30	220,000	12,375	232,375
Total		\$ 990,000	176,692	1,166,692

**(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.

**(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 5.95% of their annual covered salary and the County is required to contribute 8.93% 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, 2014, 2013 and 2012 were \$266,738, \$258,275 and \$249,032, respectively, equal to the required contributions for each year.

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

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 64 active and 5 retired members in the plan.

The medical/prescription drug coverage is provided through a partially self-funded plan administered by Auxiant. Retirees under age 65 pay the same premium for the medical/prescription drug benefits 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, 2014, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 24,700
Interest on net OPEB obligation	2,800
Adjustment to annual required contributions	(2,700)
Annual OPEB cost	<u>24,800</u>
Contribution made	<u>(22,000)</u>
Increase in net OPEB obligation	2,800
Net OPEB obligation beginning of year	<u>69,200</u>
Net OPEB obligation end of year	<u>\$ 72,000</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, 2014.

For the year ended June 30, 2014, the County contributed \$22,000 to the medical plan. Plan members eligible for benefits contributed \$6,500, or 23% 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
2012	\$ 19,159	0.1%	\$ 45,294
2013	24,706	3.2	69,200
2014	24,800	88.7	72,000

Funded Status and Funding Progress – As of July 1, 2012 the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$245,071, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$245,071. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,951,000 and the ratio of UAAL to covered payroll was 8.3%. As of June 30, 2014, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 9.5%. 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 Group Annuity Mortality Table, fully generational using Scale AA. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2012 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2012.

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

#### **(10) Risk Management**

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

**(11) Employee Health Insurance Plan**

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

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Auxiant from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2014 was \$675,304.

Amounts payable from the Employee Group Health Fund at June 30, 2014 total \$5,065, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$102,848 at June 30, 2014 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 158,105
Incurred claims (including claims incurred but not reported at June 30, 2014)	706,744
Payment on claims during the fiscal year	<u>(859,784)</u>
Unpaid claims end of year	<u><u>\$ 5,065</u></u>



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

Appanoose 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 Agency Funds because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2014 is as follows:

	Early Childhood		School	Total
	Federal	State	Ready	
Revenues:				
State grants:				
Early childhood	\$ -	79,706	-	79,706
Family support and parent education	-	-	259,975	259,975
Preschool support for low-income families	-	-	114,148	114,148
Quality improvement	-	-	54,482	54,482
Allocation for administration	-	4,195	14,105	18,300
Other grant programs	-	-	27,907	27,907
Total state grants	-	83,901	470,617	554,518
Interest on investments	4	3	12	19
Total revenues	4	83,904	470,629	554,537
Expenditures:				
Program services:				
Early childhood	19,402	26,458	-	45,860
Family support and parent education	-	-	237,905	237,905
Preschool support for low income families	-	-	139,634	139,634
Quality improvement	-	8,090	66,236	74,326
Other program services	-	29,111	16,205	45,316
Total program services	19,402	63,659	459,980	543,041
Administration	985	3,357	13,918	18,260
Total expenditures	20,387	67,016	473,898	561,301
Change in fund balance	(20,383)	16,888	(3,269)	(6,764)
Fund balance beginning of year	20,383	-	80,546	100,929
Fund balance end of year	\$ -	16,888	77,277	94,165

Findings related to the operations of the Early Childhood Iowa Area Board are included as items II-I-14, IV-K-14 and IV-L-14 in the Schedule of Findings and Questioned Costs.

**(13) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the County's proportionate share of the employee pension plan.

**Appanoose County**

**Required Supplementary Information**

Appanoose County  
 Budgetary Comparison Schedule of  
 Receipts, Disbursements and Changes in Balances –  
 Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2014

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 4,781,816	-	4,781,816
Interest and penalty on property tax	82,474	-	82,474
Intergovernmental	4,873,376	-	4,873,376
Licenses and permits	2,150	-	2,150
Charges for service	381,870	-	381,870
Use of money and property	12,638	-	12,638
Miscellaneous	213,794	61,978	151,816
Total receipts	<u>10,348,118</u>	<u>61,978</u>	<u>10,286,140</u>
<b>Disbursements:</b>			
Public safety and legal services	1,990,089	-	1,990,089
Physical health and social services	761,129	-	761,129
Mental health	790,066	-	790,066
County environment and education	919,890	402,674	517,216
Roads and transportation	3,556,094	-	3,556,094
Governmental services to residents	464,278	-	464,278
Administration	1,119,118	-	1,119,118
Debt service	221,934	-	221,934
Capital projects	728,797	-	728,797
Total disbursements	<u>10,551,395</u>	<u>402,674</u>	<u>10,148,721</u>
Excess (deficiency) of receipts over (under) disbursements	(203,277)	(340,696)	137,419
Other financing sources, net	137,521	-	137,521
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(65,756)	(340,696)	274,940
Balance beginning of year	<u>9,295,217</u>	<u>390,236</u>	<u>8,904,981</u>
Balance end of year	<u>\$ 9,229,461</u>	<u>49,540</u>	<u>9,179,921</u>

See accompanying independent auditor's report.

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Budgeted Amounts		Final to Net Variance
Original	Final	
4,800,569	4,802,546	(20,730)
5,500	5,500	76,974
4,210,366	4,244,168	629,208
3,050	3,050	(900)
280,041	287,041	94,829
20,010	20,010	(7,372)
70,992	70,992	80,824
9,390,528	9,433,307	852,833
2,139,182	2,229,270	239,181
826,541	852,541	91,412
576,200	976,200	186,134
673,214	738,740	221,524
3,569,980	3,819,980	263,886
518,287	518,287	54,009
1,060,504	1,260,504	141,386
192,937	216,937	(4,997)
750,000	750,000	21,203
10,306,845	11,362,459	1,213,738
(916,317)	(1,929,152)	2,066,571
140,745	164,745	(27,224)
(775,572)	(1,764,407)	2,039,347
6,132,069	6,132,069	2,772,912
5,356,497	4,367,662	4,812,259

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Appanoose County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,348,118	(20,084)	10,328,034
Expenditures	10,551,395	136,734	10,688,129
Net	(203,277)	(156,818)	(360,095)
Other financing sources, net	137,521	(137,521)	-
Beginning fund balances	9,295,217	1,454,930	10,750,147
Ending fund balances	\$ 9,229,461	1,160,591	10,390,052

See accompanying independent auditor's report.

Appanoose County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2014

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, the Internal Service and the Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,055,614. 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, 2014, disbursements exceeded the amount budgeted in the debt service function.

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 185	185	0.0%	\$ 2,950	6.3%
2011	Jul 1, 2009	-	185	185	0.0	3,024	6.1
2012	Jul 1, 2009	-	185	185	0.0	3,057	6.1
2013	Jul 1, 2012	-	245	245	0.0	2,645	9.3
2014	Jul 1, 2012	-	245	245	0.0	2,951	8.3

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, 2014

	County Recorder's Records Management	Resource Enhancement and Protection	Law Enforcement Forfeiture
<b>Assets</b>			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 7,393	41,491	1,635
Conservation Foundation	-	-	-
Due from other governments	-	-	-
Land held for resale	-	-	-
<b>Total assets</b>	<b>\$ 7,393</b>	<b>41,491</b>	<b>1,635</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Other	-	-	-
Fund balances:			
Nonspendable:			
Land held for resale	-	-	-
Restricted for other purposes	7,393	41,491	1,635
Total fund balances	7,393	41,491	1,635
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 7,393</b>	<b>41,491</b>	<b>1,635</b>

See accompanying independent auditor's report.

Special Revenue					
Economic Development	Conservation Foundation	HazMat	Emergency Medical Services	Flood and Erosion	Total
195,173	-	87,038	600	34,201	367,531
-	49,540	-	-	-	49,540
22,498	-	-	-	-	22,498
87,800	-	-	-	-	87,800
305,471	49,540	87,038	600	34,201	527,369
960	-	320	-	-	1,280
4,822	-	-	-	-	4,822
87,800	-	-	-	-	87,800
211,889	49,540	86,718	600	34,201	433,467
299,689	49,540	86,718	600	34,201	521,267
305,471	49,540	87,038	600	34,201	527,369

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

Year ended June 30, 2014

	County Recorder's Records Management	Resource Enhancement and Protection	Law Enforcement Forfeiture
Revenues:			
Property and other county tax	\$ -	-	-
Local option sales and services tax	-	-	-
Intergovernmental	-	13,934	-
Charges for service	2,435	-	-
Use of money and property	1	4	-
Miscellaneous	-	-	-
Total revenues	2,436	13,938	-
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	6,745	-
Governmental services to residents	2,000	-	-
Debt service	-	-	-
Total expenditures	2,000	6,745	-
Excess (deficiency) of revenues over (under) expenditures	436	7,193	-
Other financing uses:			
Transfers out	-	-	-
Change in fund balances	436	7,193	-
Fund balances beginning of year	6,957	34,298	1,635
Fund balances end of year	\$ 7,393	41,491	1,635

See accompanying independent auditor's report.

Special Revenue							
Economic Development	Honey Creek Loan	Conservation Foundation	HazMat	Emergency Medical Services	Flood and Erosion	Total	
25,669	-	-	-	71,977	-	97,646	
107,449	-	-	-	-	-	107,449	
-	-	-	10,310	-	-	24,244	
-	-	-	-	-	-	2,435	
-	-	-	-	-	-	5	
-	51,309	61,978	-	-	-	113,287	
133,118	51,309	61,978	10,310	71,977	-	345,066	
-	-	-	320	71,377	-	71,697	
55,098	-	402,674	-	-	21,986	486,503	
-	-	-	-	-	-	2,000	
-	51,309	-	-	-	-	51,309	
55,098	51,309	402,674	320	71,377	21,986	611,509	
78,020	-	(340,696)	9,990	600	(21,986)	(266,443)	
(12,822)	-	-	-	-	-	(12,822)	
65,198	-	(340,696)	9,990	600	(21,986)	(279,265)	
234,491	-	390,236	76,728	-	56,187	800,532	
299,689	-	49,540	86,718	600	34,201	521,267	

Appanoose County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	3,041	74,982	173,220	8,056
Other County officials	63,944	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,015	2,283	62,121	3,209
Succeeding year	-	108,000	243,000	6,294,000	342,000
Accounts	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 63,944</b>	<b>112,056</b>	<b>320,265</b>	<b>6,529,341</b>	<b>353,265</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	10,556	-	-
Salaries payable	-	-	173	-	-
Due to other governments	350	112,056	299,821	6,529,341	353,265
Trusts payable	63,594	-	-	-	-
Compensated absences	-	-	9,715	-	-
<b>Total liabilities</b>	<b>\$ 63,944</b>	<b>112,056</b>	<b>320,265</b>	<b>6,529,341</b>	<b>353,265</b>

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
61,729	5,720	266,862	61,081	212,859	202,206	1,069,756
-	-	-	-	-	-	63,944
37,552	1,011	-	-	-	11	107,202
2,379,000	195,000	-	-	-	1,000	9,562,000
-	-	-	-	-	1,591	1,591
-	-	-	-	-	56,831	56,831
<u>2,478,281</u>	<u>201,731</u>	<u>266,862</u>	<u>61,081</u>	<u>212,859</u>	<u>261,639</u>	<u>10,861,324</u>
-	-	-	-	2,044	4,797	17,397
-	-	-	-	-	-	173
2,478,281	201,731	266,862	-	210,815	255,937	10,708,459
-	-	-	61,081	-	-	124,675
-	-	-	-	-	905	10,620
<u>2,478,281</u>	<u>201,731</u>	<u>266,862</u>	<u>61,081</u>	<u>212,859</u>	<u>261,639</u>	<u>10,861,324</u>

Appanoose County  
Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Balances beginning of year	\$ 56,108	113,011	300,839	6,554,842	300,508
Additions:					
Property and other county tax	-	107,724	242,429	6,280,229	340,552
E911 surcharge	-	-	-	-	-
State tax credits	-	7,597	15,104	437,900	20,126
Drivers license fees	-	-	-	-	-
Office fees and collections	267,531	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	171,923	-	-	-	-
Miscellaneous	-	108	816	6,874	287
Total additions	439,454	115,429	258,349	6,725,003	360,965
Deductions:					
Agency remittances:					
To other funds	155,521	-	-	-	-
To other governments	107,880	116,384	238,923	6,750,504	308,208
Trusts paid out	168,217	-	-	-	-
Total deductions	431,618	116,384	238,923	6,750,504	308,208
Balances end of year	\$ 63,944	112,056	320,265	6,529,341	353,265

See accompanying independent auditor's report.



Corporations	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
2,480,427	228,519	228,839	23,690	194,019	161,173	10,641,975
2,427,393	190,824	-	-	-	1,182	9,590,333
-	-	-	-	-	130,459	130,459
165,217	13,764	-	-	-	614	660,322
-	-	90,086	-	-	-	90,086
-	-	-	-	-	-	267,531
-	-	3,174,130	-	-	-	3,174,130
-	-	-	-	-	7,748	7,748
-	-	-	291,052	-	11,724	474,699
6,201	-	-	-	554,923	152,941	722,150
2,598,811	204,588	3,264,216	291,052	554,923	304,668	15,117,458
-	-	134,019	-	-	-	289,540
2,600,957	231,376	3,092,174	-	536,083	204,202	14,186,691
-	-	-	253,661	-	-	421,878
2,600,957	231,376	3,226,193	253,661	536,083	204,202	14,898,109
2,478,281	201,731	266,862	61,081	212,859	261,639	10,861,324

Appanoose County

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

For the Last Ten Years

	2014	2013	2012	2011
<b>Revenues:</b>				
Property and other county tax	\$ 4,240,825	3,790,795	4,296,204	3,943,992
Local option sales and services tax	537,244	605,534	515,706	534,891
Interest and penalty on property tax	79,906	75,668	88,430	78,355
Intergovernmental	4,822,728	4,109,315	4,997,948	5,093,975
Licenses and permits	2,195	2,620	2,375	2,037
Charges for service	372,690	374,804	329,692	331,969
Use of money and property	15,149	17,031	21,828	30,733
Miscellaneous	257,297	408,303	214,822	274,411
<b>Total</b>	<b>\$ 10,328,034</b>	<b>9,384,070</b>	<b>10,467,005</b>	<b>10,290,363</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 2,001,614	1,950,127	1,896,588	1,743,618
Physical health and social services	777,826	690,490	720,646	773,423
Mental health	668,395	600,136	1,211,520	914,098
County environment and education	951,392	574,827	602,435	695,933
Roads and transportation	3,737,613	3,413,239	3,243,128	3,634,672
Governmental services to residents	464,875	440,916	404,590	414,367
Administration	1,116,712	965,137	918,495	873,352
Debt service	221,934	304,978	200,995	196,566
Capital projects	747,768	337,204	481,853	931,650
<b>Total</b>	<b>\$ 10,688,129</b>	<b>9,277,054</b>	<b>9,680,250</b>	<b>10,177,679</b>

See accompanying independent auditor's report.

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
4,005,725	3,637,673	3,503,441	3,400,281	3,348,920	3,058,156
497,722	494,887	528,769	524,312	539,546	318,080
78,520	75,235	66,110	59,851	125,241	56,042
5,051,548	4,725,998	4,519,436	3,906,383	4,200,496	5,542,511
1,307	2,790	3,115	1,150	1,273	1,095
327,598	303,891	320,864	314,365	305,369	290,879
38,151	80,878	261,837	231,993	229,351	138,687
235,341	234,417	238,469	123,823	164,629	172,245
10,235,912	9,555,769	9,442,041	8,562,158	8,914,825	9,577,695
1,702,446	1,837,930	1,463,922	1,393,793	1,398,772	1,317,975
697,652	727,099	672,941	646,051	672,060	660,911
1,006,529	1,075,797	1,166,537	1,232,827	1,239,386	874,074
660,543	532,833	701,906	501,580	664,331	381,317
3,023,143	3,377,865	3,350,109	3,136,545	3,420,703	3,326,026
413,383	401,885	342,162	320,105	455,216	307,411
956,428	722,593	689,098	656,539	651,470	630,922
203,974	363,354	92,781	42,513	14,793	23,311
831,500	417,520	122,777	219,196	3,632,037	1,220,545
9,495,598	9,456,876	8,602,233	8,149,149	12,148,768	8,742,492

Appanoose County  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2014

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of the Interior:			
Payments in Lieu of Taxes	15.226		<u>\$ 66,254</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>6,620</u>
U.S. Department of Defense:			
Treasurer of State:			
Payments to States in Lieu of Real Estate Taxes	12.112		<u>11,348</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C004 (85)--8J-04	309,532
Highway Planning and Construction	20.205	BROS-C004 (97)--8J-04	<u>232,670</u>
			<u>542,202</u>
Iowa Department of Homeland Security and Emergency Management:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		<u>10,396</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP)	93.069	5883BT04	<u>4,920</u>
Aligned Cooperative Agreements	93.074	5884BT03	<u>32,661</u>
Immunization Cooperative Agreements	93.268	5883I404	2,215
Immunization Cooperative Agreements	93.268	5884I404	<u>1,316</u>
			<u>3,531</u>
Centers for Disease Control and Prevention_			
Investigations and Technical Assistance	93.283	5884NB01	<u>13,147</u>

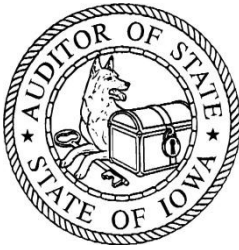
Appanoose County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2014

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance State Administered Programs	93.566		14
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		1,926
Foster Care Title IV-E	93.658		2,539
Adoption Assistance	93.659		856
Children's Health Insurance Program	93.767		28
Medical Assistance Program	93.778		10,998
Social Services Block Grant	93.667		2,092
Social Services Block Grant	93.667		15,105
			<u>17,197</u>
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4119-DR-IA	65,169
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4126-DR-IA	45,658
			<u>110,827</u>
Emergency Management Performance Grants	97.042	EMPG-PT-04	34,921
			<u>804,131</u>
Total indirect			<u>804,131</u>
Total			<u>\$ 870,385</u>

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

See accompanying independent auditor's report.

**Appanoose County**



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

Mary Mosiman, CPA  
Auditor of State

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

To the Officials of Appanoose County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Appanoose County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 5, 2015.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-14 through II-C-14 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 Part II of the accompanying Schedule of Findings and Questioned Costs as items II-D-14 through II-J-14 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## Appanoose County's Responses to the Findings


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

## Purpose of this Report

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

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

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 5, 2015



**Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133**

**Appanoose County**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133

To the Officials of Appanoose County:

Report on Compliance for Each Major Federal Program

We have audited Appanoose County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2014. Appanoose County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Appanoose County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Appanoose County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Appanoose County's compliance.

Opinion on Each Major Federal Program

In our opinion, Appanoose County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of Appanoose County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Appanoose County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal


program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Appanoose County's internal control over compliance.


Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-14 to be a material weakness.

Appanoose County's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Appanoose County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 5, 2015

Appanoose County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2014

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Appanoose County did not qualify as a low-risk auditee.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-14 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

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

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

- |      |  |                                  |
|------|--|----------------------------------|
| (7)  | Cash drawers are shared between employees.   | 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 and no review is performed over voided receipts. | Treasurer                        |
| (10) | Responsibilities for maintaining detailed accounts receivable records are not segregated from collecting and posting receipts.   | Public Health Nurse and Engineer |
| (11) | Journal entries are not reviewed and approved.   | Auditor and Treasurer            |

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 documented by the signature or initials of the reviewer and the date of the review.

Responses –

Recorder – With the limited number of employees in the Recorder's Office (the Recorder and the Deputy Recorder), we do the best we can to segregate duties. We try to segregate as many duties as we can.

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

Agricultural Extension – Being a small office with very few employees, we segregate duties as much as possible. We will request a council member who does not sign checks review the bank reconciliations.

Public Health Nurse – We have a small office with two office employees handling financial information and documentation. We will attempt to segregate duties as much as possible and establish a cross check with monies received, recorded and deposited.

Sheriff – Items are noted. We will attempt to have an independent review of the bank reconciliations. A lack of staff prohibits an initial listing being done.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Engineer – With limited staff, segregation of duties is difficult. We will immediately identify ways to segregate duties over receipts.

Conservation – With limited staff, segregation of duties is difficult. We will look into ways to segregate duties.

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

Conclusions –

Treasurer, Agricultural Extension, Public Health Nurse and Sheriff – Responses accepted.

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

- II-B-14 Financial Reporting – During the audit, we identified material amounts of receivables, payables and capital asset additions and deletions not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

Responses –

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

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

Conclusion – Responses accepted.

- II-C-14 Conservation Foundation – One individual collects and records receipts for the Conservation Foundation. A listing of mail receipts is not prepared. Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety. The person who signs checks was not independent of the person preparing checks, approving disbursements and recording cash receipts.

Recommendation – The Conservation Foundation should review its operating procedures 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, with the reviews being documented by the signature or initials of the reviewer and the date of the review.

Response – With limited members, segregation of duties is difficult. We will consider preparing bank reconciliation and having a Board member review the reconciliations and document this review.



Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Conclusion – Response acknowledged. The Conservation Foundation should review its operating procedures to obtain the maximum internal control possible under the circumstances and utilize Board members to provide additional control through review of transactions and reconciliations.

- II-D-14 Computer Systems – The County does not have a written disaster recovery plan for its computer systems. The County does not have written policies for password privacy and confidentiality.

Recommendation – The County should develop a written disaster recovery plan in order to improve the County's control over its computer systems. Also, the County should develop written policies to address password privacy and confidentiality.

Response – We will work to develop these policies.

Conclusion – Response accepted.

- II-E-14 Timely Deposit – State warrants were not deposited timely with the County Treasurer by Agricultural Extension and the Public Health Nurse.

Recommendation – All receipts should be deposited timely.

Responses –

Agricultural Extension – We will strive to get deposits made in a timely manner.

Public Health Nurse – We will deposit checks timely in the future.

Conclusion – Responses accepted.

- II-F-14 Timesheets – Timesheets prepared by the County Conservation Director and the Veterans Affairs Director are not approved by a Supervisor.

Recommendation – Timesheets should be reviewed and approved by an independent individual.

Response – We will have a member of the Board of Supervisors approve the timesheets.

Conclusion – Response accepted.

- II-G-14 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 – We will perform an independent review of monthly fuel reports.

Conclusion – Response accepted.

- II-H-14 Credit Card Policy – The County has credit cards for use by various employees while on County business. The County has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Recommendation - The County should adopt a formal written policy regulating the use of County credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purpose, as well as the types of supporting documentation required to substantiate charges.

Response - We will develop a written credit card policy.

Conclusion - Response accepted.

- II-I-14 Supporting Documentation - During the year ended June 30, 2014, 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 on the activity reported by the service providers, the program coordinator is to allocate the disbursements between the Area Board programs and funding categories.

For one of fifteen provider claims tested, adequate supporting documentation was not available.

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

Response - The Board is striving very hard to get sufficient documentation from program providers. Providers are being very cooperative. The Board will continue to work with the program providers to provide sufficient documentation to verify all invoices being presented. The Board will continue to review all disbursements at the next regular scheduled meeting following the month the disbursement is made.

Conclusion - Response accepted.

- II-J-14 Public Health Nurse - Reconciliations of nursing service billings and collections were not prepared each month.

Recommendation - A reconciliation of nursing service billings and collections should be prepared monthly.

Response - We will prepare monthly reconciliations of billings and collections.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

**CFDA Number 20.205: Highway Planning and Construction**

**Pass-through Agency Number: BROS-C004(85)-8J-04, BROS-C004(97)-8J-04**

**Federal Award Year: 2014**

**U.S. Department of Transportation**

**Passed through the Iowa Department of Transportation**

III-A-14 (2014-001) Segregation of Duties over Federal Revenues – The County Engineer did not properly segregate custody, record-keeping and reconciling functions for revenues, including those related to federal programs. See item II-A-14.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

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

IV-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amount budgeted in the debt service function.

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

Response – We will monitor budgets and disbursements closer.

Conclusion – Response accepted.

IV-B-14 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-14 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-14 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-E-14 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-14 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

IV-H-14 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).

IV-I-14 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2014 for the County Extension Office did not exceed the amount budgeted.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

- IV-J-14 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The image of the back of each cancelled check was not obtained by the County Auditor for the Employee Group Health account.

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

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

Conclusion – Response accepted.

- IV-K-14 Counties 4 Kids Early Childhood Iowa Area Board Program Coordinator – The Area Board entered into a contract for a program coordinator for the period July 1, 2013 through June 30, 2014 for a fee not to exceed \$21,396. The total amount paid to the coordinator for fiscal year 2014 was \$21,396.

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

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

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 program coordinator should prepare a time study or other support for the allocation of salary between programs and funding categories.

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

The Area Director is keeping a time study. He puts together a regular report from that time study to be reviewed and approved by the three projects which “employ” him. His activity is approved after the fact of any salary payment, but will not be the basis used for reimbursement by the three “employing” projects.

Conclusion – Response acknowledged. 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, a time study should be prepared to support the allocation of salary between programs and funding categories.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

- IV-L-14 4 Counties 4 Kids Early Childhood Iowa Area Board – The annual financial report submitted to the Iowa Department of Management for fiscal year 2014 did not reconcile to the Area Board’s financial activity. Accrued expenditures reported for the annual financial report included \$81,944 of fiscal year 2013 expenditures reported for fiscal year 2014. Fiscal year 2014 accrued expenditures of \$114,810 were reported as fiscal year 2015 activity. The net amount of the fiscal year 2014 understatement was \$32,865.

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

The Director will work with the Appanoose County Auditor to ensure previous year accruals and current year activities are entered correctly in the County books.

Conclusion – Response accepted.

- IV-M-14 Transfers of Property to the Appanoose Conservation Foundation (the Foundation) – The County Conservation Board owned property, including a building known as the Sharon Bluffs House. The house is the residence of the County Conservation Naturalist and contains classrooms used to hold programs open to the public. On May 20, 2013, the County Board of Supervisors transferred ownership of the property and house to the Foundation.

In addition, on March 18, 2013, the County transferred another County owned property to the Foundation. This property is known as the Fuller Wildlife Area. The Foundation later sold this property, along with other properties owned by the Foundation, for \$280,000.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 states, “No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly.”

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

Responses –

County Conservation Board and Appanoose Conservation Foundation – The Board of Supervisors transferred the land, not the Appanoose County Conservation Board.

The house does not contain classrooms used to hold public programs open to the public. Center 2000 is used for public programs. The land the Foundation holds title to, which the house sits on, is used for public programs.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

The Foundation paid to build the residence in 1995, not the taxpayers of Appanoose County. The Foundation has paid for all expenses to maintain the house since 1995, not the taxpayers of Appanoose County.

The land the house sits on was donated by Carl Peel for the purpose of building a park residence.

County Board of Supervisors – We will consult legal counsel on this matter.

Conclusions –

County Conservation Board and Appanoose Conservation Foundation – Response acknowledged.

County Board of Supervisors – Response accepted.

IV-N-14 County Conservation and Appanoose Conservation Foundation (the Foundation) – The County Conservation Board has collections and disbursements which are commingled with the Foundation, making it difficult to distinguish between County and Foundation operations. During the year, the following items were noted:

- a) During the year ended June 30, 2014, the Foundation paid the Conservation Director \$6,953 for 280 hours of unused vacation, comp time and personal leave accrued as a County employee.
- b) During the year ended June 30, 2014, the Foundation recorded revenues from the Conservation Reserve Program (CRP). A property search on the Assessor's web site indicates the Foundation does not own any farmland. However, the County Conservation Board does own farm land.
- c) During the year ended June 30, 2014, the Foundation recorded revenues from "Naturalist programming, Naturalist summer camps and boat permits". The Conservation Naturalist is a County employee and any revenues generated from these programs should be recorded as County revenues.
- d) The Foundation paid for the construction of a park ranger house. The bills were in the name of the following: Appanoose County Conservation, Appanoose County Conservation Board and Appanoose County Foundation. Sales tax was not paid on these bills. While the County Conservation Board is a tax exempt entity, the Foundation is not and should have paid the required sales tax.
- e) The Foundation paid for the construction of cabins at the Lelah Bradley Park. Beginning in December 2014, the cabins were available for public use. The rental revenues will be deposited by the Foundation, but the cabin reservations will be handled by County Conservation employees. The Foundation does not have any employees. The cabin rental agreements are in the name of the Foundation but require approval of Conservation Board personnel. The cabins are built on land owned by the City of Centerville.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

- f) The County transferred the property known as “Sharon Bluffs” or the naturalist house to the Foundation during the year ended June 30, 2013. Although the Foundation is identified as the owner of the property, the Foundation is not paying property taxes on this house.

Recommendation – The County Conservation Board should not commingle operations with the Foundation. The County should consult legal counsel for the disposition of this matter.

Responses –

County Board of Supervisors – We will consult legal counsel to resolve these matters.

County Conservation Board and Appanoose Conservation Foundation – The purpose of the Foundation is to raise funds for the Appanoose County Conservation Board, as approved by the IRS 501(c) 3 determination. Paying for items the County Conservation Board budget can’t cover is the sole purpose of the Foundation.

Conclusions –

County Board of Supervisors – Response accepted.

County Conservation Board and Appanoose Conservation Foundation – Response acknowledged. The County Conservation Board should not commingle operations with the Foundation and should consult legal counsel for the disposition of this matter.

- IV-O-14 Appanoose Conservation Foundation Vacation Payout – During the year ended June 30, 2014, the Foundation paid the Conservation Director \$6,953 for 280 hours of unused vacation, comp time and personal leave accrued as a County employee. It is unclear why the Foundation would pay a County employee for unused leave time. In addition, the Conservation Director tracks his leave balances separately from the County Auditor.

The current County policy states, “Vacation time must be taken during the 12 month period following the anniversary date of qualifying employment. Unless approved in writing by the office head or elected official, vacation time cannot be carried over from one year to the next.” The current policy also states, “Employees shall be allowed two days paid personal leave per year.” The County does not have written policies regarding comp time.

Recommendation – The County should consult legal counsel for the disposition of this matter. Leave balances should be tracked by the County Auditor. The County should develop a written policy regarding comp time.

Responses –

County Board of Supervisors – We will consult legal counsel to resolve this matter.



Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

County Conservation Board and Appanoose Conservation Foundation – The Appanoose Conservation Foundation has paid the Conservation Director for unused leave balances for the past several years. These balances are approved at both the County Conservation Board meetings and the Foundation meetings. The Conservation Director tracks his leave balances according to standard accrual accounting methods, same as the County Auditor, for an employee that would leave employment before their anniversary date.

Conclusion – Responses acknowledged. Leave balances should be tracked by the County Auditor and the County should develop a written policy regarding comp time.

IV-P-14 Appanoose Conservation Foundation Restroom Project – During the year ended June 30, 2014, the Foundation billed the County \$35,000 for one half of the new restroom construction at the Lelah Bradley Park. However, work on the restroom project had not occurred and has been delayed until October 2015.

Recommendation – The County should establish procedures to ensure claims are paid based on actual expenditures.

Responses –

County Board of Supervisors – In the future, the County will not pay claims before expenditures have occurred.

County Conservation Board and Appanoose Conservation Foundation – This claim is for less than 50% of the cost to build a new restroom/shower building at Lelah Bradley Park and Reserve. When construction is finished, the claims for the actual expenses will prove this point. The Appanoose Conservation Foundation will raise all remaining funds needed.

Conclusions –

County Board of Supervisors – Response accepted.

County Conservation Board and Appanoose Conservation Foundation – Response acknowledged. The County should establish procedures to ensure claims are paid based on actual expenditures.

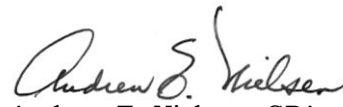
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Appanoose County

Staff

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