

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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

October 19, 2016

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 \$15,019,270 for the year ended June 30, 2015, which included \$1,418,816 in tax credits from the state. The County forwarded \$10,669,198 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,350,072 of the local tax revenue to finance County operations, a 1.6% increase over the prior year. Other revenues included charges for service of \$765,593, operating grants, contributions and restricted interest of \$3,565,260, capital grants, contributions and restricted interest of \$2,223,932, local option sales and services tax of \$617,942, hotel/motel tax of \$237,651, unrestricted investment earnings of \$15,596 and other general revenues of \$205,497.

Expenses for County operations for the year ended June 30, 2015 totaled \$9,181,723, a 8.8% decrease from the prior year. Expenses included \$3,574,356 for roads and transportation, \$2,045,321 for public safety and legal services and \$893,704 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 <https://auditor.iowa.gov/reports/1510-0004-B00F>.

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**APPANOOSE COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2015**

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**Appanoose County**

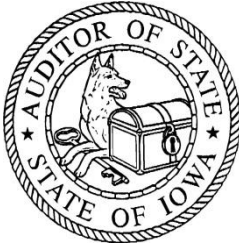
**Appanoose County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2015)</b>		
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 Apr 2014)
Alan Wilson (Appointed Apr 2014)	County Attorney	(Resigned May 2014)
Susan Daniels (Appointed May 2014)	County Attorney	Nov 2014
Michael Barth	County Assessor	Jan 2018
<b>(After January 2015)</b>		
Jody McDanel	Board of Supervisors	Jan 2017
Neil Smith	Board of Supervisors	Jan 2017
Mark Waits	Board of Supervisors	Jan 2019
Linda Demry	County Auditor	Jan 2017
Janet Davis	County Treasurer	Jan 2019
Teddy Walker	County Recorder	Jan 2019
Gary Anderson	County Sheriff	Jan 2017
Susan Daniels	County Attorney	Jan 2019
Michael Barth	County Assessor	Jan 2018

**Appanoose County**





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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, 2015, 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, 2015, 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.

## Emphasis of Matter

As discussed in Note 14, Appanoose County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 11 through 17 and 54 through 64 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, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 October 3, 2016 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

October 3, 2016

**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, 2015. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, during fiscal year 2015. The beginning net position for governmental activities was restated by \$1,877,021 to retroactively report the net pension liability as of July 1, 2014 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Pension expense for fiscal year 2014 and the net pension liability, deferred outflows of resources and deferred inflows of resources at June 30, 2014 were not restated because the information needed to restate those amounts was not available.
- The County's governmental activities revenues increased 13.0%, or approximately \$1,381,000, from fiscal year 2014 to fiscal year 2015. Capital grants, contributions and restricted interest increased approximately \$1,454,000, state tax credits increased approximately \$98,000, local option sales taxes increased approximately \$81,000 and gain on disposition of capital assets increased approximately \$29,000 while charges for service decreased approximately \$318,000, primarily due to the County's switch in January 2014 from fully self-funded health insurance to partially self-funded.
- The County's governmental activities expenses decreased 8.8%, or approximately \$883,000, from fiscal year 2014 to fiscal year 2015. Expenses decreased approximately \$522,000 in the county environment and education function, approximately \$221,000 in the administration function, \$147,000 in the non-program function and \$72,000 in the roads and transportation function.
- The County's net position at June 30, 2015 increased approximately \$2,800,000 over the restated June 30, 2014 balance.

### 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, the County's proportionate share of the net pension liability and related contributions, 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, deferred outflows of resources, 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 financial information on all of the County's assets, deferred outflows of resources, 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 \$27,450,344 at the end of fiscal year 2014 to \$28,382,498 at the end of fiscal year 2015. The analysis that follows focuses on the changes in the net position of governmental activities.

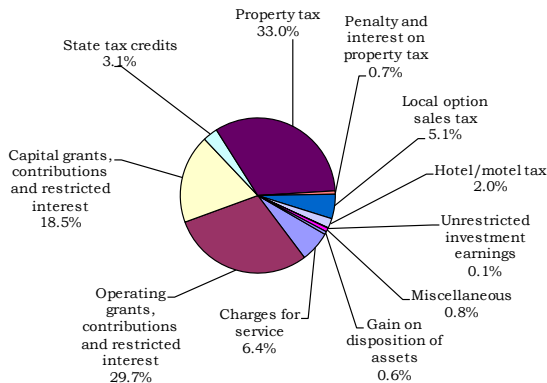
Net Position of Governmental Activities		
	June 30,	
	2015	2014 (Not Restated)
Current and other assets	\$ 14,354,037	15,450,841
Capital assets	21,604,321	19,341,406
Total assets	35,958,358	34,792,247
Deferred outflows of resources	398,969	-
Long-term liabilities	2,965,301	2,562,247
Other liabilities	408,926	885,656
Total liabilities	3,374,227	3,447,903
Deferred inflows of resources	4,600,602	3,894,000
Net position:		
Net investment in capital assets	21,604,321	19,341,406
Restricted	5,438,708	5,117,947
Unrestricted	1,339,469	2,990,991
Total net position	\$ 28,382,498	27,450,344

Prior to restatement, the net position of Appanoose County's governmental activities increased approximately \$932,000 from the previous year. 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 – decreased from approximately \$2,991,000 at June 30, 2014 to approximately \$1,339,000 at June 30, 2015, a decrease of 55.2%, primarily due to recording the net pension liability as of July 1, 2014.

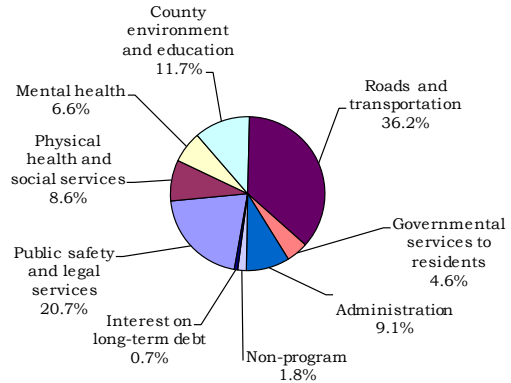
**Changes in Net Position of Governmental Activities**

	Year ended June 30,	
	2015	2014 (Not Restated)
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 765,593	1,083,625
Operating grants, contributions and restricted interest	3,565,260	3,557,609
Capital grants, contributions and restricted interest	2,223,932	769,666
<b>General revenues:</b>		
Property tax	3,979,353	4,010,176
Penalty and interest on property tax	81,448	70,455
State tax credits	370,719	272,803
Local option sales tax	617,942	537,244
Hotel/motel tax	237,651	234,744
Unrestricted investment earnings	15,596	12,643
Gain on disposition of assets	29,213	663
Miscellaneous	94,836	50,451
<b>Total revenues</b>	<b>11,981,543</b>	<b>10,600,079</b>
<b>Program expenses:</b>		
Public safety and legal services	2,045,321	2,012,611
Physical health and social services	850,241	770,679
Mental health	651,786	668,426
County environment and education	469,109	990,745
Roads and transportation	3,574,356	3,646,363
Governmental services to residents	455,277	453,411
Administration	893,704	1,114,400
Non-program	172,718	319,979
Interest on long-term debt	69,211	88,035
<b>Total expenses</b>	<b>9,181,723</b>	<b>10,064,649</b>
<b>Change in net position</b>	<b>2,799,820</b>	<b>535,430</b>
<b>Net position beginning of year, as restated</b>	<b>25,582,678</b>	<b>26,914,914</b>
<b>Net position end of year</b>	<b>\$ 28,382,498</b>	<b>27,450,344</b>

Revenues by Source



Expenses by Program





Appanoose County's net position of governmental activities increased approximately \$2,800,000. Revenues for governmental activities increased approximately \$1,381,000 from the prior year, with capital grants, contributions and restricted revenues up from the prior year approximately \$1,454,000.

For fiscal year 2015, taxable property valuation increased approximately \$4,551,000 and the tax levy rate decreased \$0.02988 per \$1,000 of taxable valuation. Therefore, property tax revenue decreased approximately \$31,000. The total Appanoose County assessed taxable property valuation for property tax payable in fiscal year 2016 increased approximately \$3,666,000. The tax levy rate is set to decrease \$0.07971 per \$1,000 of taxable valuation. Property tax revenue is budgeted to decrease approximately \$22,000 next year.

The cost of all governmental activities this year was approximately \$9.2 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 \$2.6 million because some of the cost was paid by those directly benefited from the programs (approximately \$766,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$5,789,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, increased in fiscal year 2015 from approximately \$5,421,000 to approximately \$6,555,000, principally due to receiving grant proceeds for the completion of several infrastructure projects in fiscal year 2015. 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 \$9.9 million, a decrease of approximately \$541,000 from last year's total of approximately \$10.4 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance decreased \$1,004,118 during the year to \$6,007,520, primarily due to retiring the crossover refunding capital loan bonds.
- The County has continued to look for ways to effectively manage the cost of mental health services. Revenues and expenditures remained consistent when compared to the prior year. The Special Revenue, Mental Health Fund balance decreased \$16,878 during the year to \$575,776.
- Special Revenue, Rural Services Fund revenues increased approximately \$29,000, or 2.6%, from the prior year. Expenditures increased approximately \$30,000, or 6.2%, over the prior year. The fund balance decreased approximately \$77,000 from the prior year to \$685,186.
- Special Revenue, Secondary Roads Fund revenues decreased approximately \$836,000, or 22%, primarily due to a decrease in intergovernmental grant revenues. Expenditures decreased approximately \$1,412,000, or 31.5%, from the prior year primarily due to the completion of two bridge projects during the prior year. The fund balance at June 30, 2015 was \$2,092,039 compared to the prior year ending fund balance of \$1,502,042, an increase of \$589,997.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Appanoose County amended its budget two times. The first amendment resulted in an increase in other county tax, licenses and permits and increases in budgeted disbursements for the public safety and legal services function and the physical health and social services function. The increases are related to public health office programs, first responder grant and the hiring of an additional assistant county attorney. The second amendment resulted in an increase in intergovernmental receipts and increases in budgeted disbursements for the roads and transportation function, the capital projects function and the county environment and education function expenses. The increases are related to the purchase of Secondary Roads equipment, anticipated capital projects and conservation grant disbursements.

The County's total receipts were \$387,620 more than budgeted, a variance of 4.32%. The most significant variance resulted from the County receiving more in local option sales tax than anticipated.

Total disbursements were \$1,340,810 less than the amended budget. Actual disbursements for the roads and transportation, public safety and legal services and governmental services to residents functions were \$493,239, \$245,068 and \$147,231, 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 County did not purchase voting machines during the fiscal year, as originally planned.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2015, Appanoose County had approximately \$20.9 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2015	2014
Land	\$ 510,293	550,293
Buildings and improvements	1,452,712	788,872
Equipment and vehicles	2,719,291	2,578,574
Infrastructure	14,615,833	15,368,914
Construction in progress	2,306,192	54,753
Total	<u>\$ 21,604,321</u>	<u>19,341,406</u>
This year's major additions included:		
Capital assets contributed by the Iowa Department of Transportation	<u>\$ 2,155,273</u>	

The County had depreciation expense of \$1,139,210 in fiscal year 2015 and total accumulated depreciation of \$8,814,440 at June 30, 2015. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

## Long-Term Debt

At June 30, 2015, Appanoose County had \$1,146,825 of long-term debt outstanding, compared to \$2,231,570 at June 30, 2014, as shown below.

	Outstanding Debt of Governmental Activities at Year-End	
	June 30,	
	2015	2014
Honey Creek loan	\$ 156,825	201,570
Solid waste revenue bonds	-	1,040,000
General obligation refunding capital loan notes	990,000	990,000
Total	\$ 1,146,825	2,231,570

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 \$19.5 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 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. From fiscal year 2015 to fiscal year 2016, the countywide property taxable valuation increased approximately \$3,666,000 while the rural services property taxable valuation decreased approximately \$135,000.

These factors were taken into account when adopting the budget for fiscal year 2016. Amounts available for appropriation in the operating budget are approximately \$8,870,000, a 10% decrease from the final fiscal year 2015 budget. Budgeted disbursements decreased approximately \$171,000 from the final fiscal year 2015 budget, primarily in the mental health function. The County has added no major new programs or initiatives to the fiscal year 2016 budget. If these estimates are realized, the County's budgetary operating balance is expected to decrease less than one percent by the close of fiscal year 2016.

## 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, 2015

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 8,337,464
Conservation Foundation	2,586
Receivables:	
Property tax:	
Delinquent	30,373
Succeeding year	3,816,000
Interest and penalty on property tax	45,326
Accounts	4,500
Loan	990,000
Accrued interest	1,548
Due from other governments	465,990
Land held for resale	87,800
Inventories	451,808
Prepaid expenses	120,642
Capital assets, net of accumulated depreciation	<u>21,604,321</u>
<b>Total assets</b>	<u>35,958,358</u>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	<u>398,969</u>
<b>Liabilities</b>	
Accounts payable	338,815
Salaries and benefits payable	49,146
Accrued interest payable	2,133
Due to other governments	18,832
Long-term liabilities:	
Portion due or payable within one year:	
Honey Creek loan	46,342
General obligation refunding capital loan notes	80,000
Foundation bank loans	178,000
Compensated absences	164,259
Portion due or payable after one year:	
Honey Creek loan	110,483
General obligation refunding capital loan notes	910,000
Compensated absences	95,144
Net OPEB liability	72,800
Net pension liability	<u>1,308,273</u>
<b>Total liabilities</b>	<u>3,374,227</u>
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	3,816,000
Pension related deferred inflows	<u>784,602</u>
<b>Total deferred inflows of resources</b>	<u>4,600,602</u>
<b>Net Position</b>	
Net investment in capital assets	21,604,321
Restricted for:	
Supplemental levy purposes	1,921,275
Mental health purposes	579,381
Rural services purposes	669,402
Secondary roads purposes	1,953,932
Other purposes	314,718
Unrestricted	<u>1,339,469</u>
<b>Total net position</b>	<u>\$ 28,382,498</u>

See notes to financial statements.

Appanoose County  
Statement of Activities  
Year ended June 30, 2015

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		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	\$ 2,045,321	139,005	93,785	-	(1,812,531)
Physical health and social services	850,241	103,603	482,919	-	(263,719)
Mental health	651,786	-	21,627	-	(630,159)
County environment and education	469,109	11,450	269,848	-	(187,811)
Roads and transportation	3,574,356	108,147	2,639,866	2,223,932	1,397,589
Governmental services to residents	455,277	224,923	-	-	(230,354)
Administration	893,704	21,385	1,060	-	(871,259)
Non-program	172,718	157,080	2,357	-	(13,281)
Interest on long-term debt	69,211	-	53,798	-	(15,413)
<b>Total</b>	<b>\$ 9,181,723</b>	<b>765,593</b>	<b>3,565,260</b>	<b>2,223,932</b>	<b>(2,626,938)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					3,979,353
Penalty and interest on property tax					81,448
State tax credits					370,719
Local option sales and services tax					617,942
Hotel/motel tax					237,651
Unrestricted investment earnings					15,596
Gain on disposition of capital assets					29,213
Miscellaneous					94,836
<b>Total general revenues</b>					<b>5,426,758</b>
Change in net position					2,799,820
Net position beginning of year, as restated					25,582,678
Net position end of year					<b>\$ 28,382,498</b>

See notes to financial statements.

Appanoose County  
Balance Sheet  
Governmental Funds

June 30, 2015

	Special Revenue		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 4,981,284	606,750	631,265
Conservation Foundation	-	-	-
Receivables:			
Property tax:			
Delinquent	22,131	4,676	3,566
Succeeding year	2,657,000	450,000	709,000
Interest and penalty on property tax	45,326	-	-
Accounts	3,145	-	-
Loan	990,000	-	-
Accrued interest	1,548	-	-
Due from other governments	88,891	3,714	57,264
Land held for resale	-	-	-
Inventories	-	-	-
Prepaid expenditures	120,642	-	-
<b>Total assets</b>	<b>\$ 8,909,967</b>	<b>1,065,140</b>	<b>1,401,095</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 75,253	34,302	525
Salaries and benefits payable	15,967	386	2,818
Due to other governments	18,832	-	-
Total liabilities	110,052	34,688	3,343
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	2,657,000	450,000	709,000
Other	135,395	4,676	3,566
Total deferred inflows of resources	2,792,395	454,676	712,566
Fund balances:			
Nonspendable:			
Land held for resale	-	-	-
Inventories	-	-	-
Prepaid expenditures	120,642	-	-
Restricted for:			
Supplemental levy purposes	1,930,342	-	-
Mental health purposes	-	575,776	-
Rural services purposes	-	-	685,186
Secondary roads purposes	-	-	-
Debt service	990,000	-	-
Other purposes	-	-	-
Unassigned	2,966,536	-	-
Total fund balances	6,007,520	575,776	685,186
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 8,909,967</b>	<b>1,065,140</b>	<b>1,401,095</b>

See notes to financial statements.



Secondary		
Roads	Nonmajor	Total
1,597,098	405,733	8,222,130
-	2,586	2,586
-	-	30,373
-	-	3,816,000
-	-	45,326
1,355	-	4,500
-	-	990,000
-	-	1,548
292,787	23,334	465,990
-	87,800	87,800
451,808	-	451,808
-	-	120,642
<u>2,343,048</u>	<u>519,453</u>	<u>14,238,703</u>
192,810	26,735	329,625
29,975	-	49,146
-	-	18,832
<u>222,785</u>	<u>26,735</u>	<u>397,603</u>
-	-	3,816,000
28,224	4,246	176,107
<u>28,224</u>	<u>4,246</u>	<u>3,992,107</u>
-	87,800	87,800
451,808	-	451,808
-	-	120,642
-	-	1,930,342
-	-	575,776
-	-	685,186
1,640,231	-	1,640,231
-	-	990,000
-	400,672	400,672
-	-	2,966,536
<u>2,092,039</u>	<u>488,472</u>	<u>9,848,993</u>
<u>2,343,048</u>	<u>519,453</u>	<u>14,238,703</u>

**Appanoose County**

Appanoose County

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

June 30, 2015

<b>Total governmental fund balances (page 23)</b>		\$ 9,848,993
<b>Amounts reported for governmental activities in the Statement of Net Position are different because:</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 \$30,418,761 and the accumulated depreciation is \$8,814,440.		21,604,321
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.		176,107
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.		106,144
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:		
Deferred outflows of resources	\$ 398,969	
Deferred inflows of resources	<u>(784,602)</u>	(385,633)
Long-term liabilities, including loans, bonds, notes, compensated absences, other postemployment benefits, net pension liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(2,967,434)</u>
<b>Net position of governmental activities (page 20)</b>		<u><u>\$ 28,382,498</u></u>

See notes to financial statements.

Appanoose County

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

Year ended June 30, 2015

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 2,906,052	554,984	680,557	-
Local option sales and services tax	-	-	370,420	123,473
Interest and penalty on property tax	74,798	-	-	-
Intergovernmental	933,919	70,960	90,701	2,766,497
Licenses and permits	225	-	-	2,310
Charges for service	357,444	-	3,207	423
Use of money and property	18,068	-	-	-
Miscellaneous	116,611	9,377	-	70,529
<b>Total revenues</b>	<b>4,407,117</b>	<b>635,321</b>	<b>1,144,885</b>	<b>2,963,232</b>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	1,622,511	-	419,401	-
Physical health and social services	840,227	-	38,200	-
Mental health	-	652,199	-	-
County environment and education	469,212	-	64,461	-
Roads and transportation	-	-	-	3,066,876
Governmental services to residents	456,775	-	-	-
Administration	915,899	-	-	-
Debt service	161,611	-	-	-
Capital projects	-	-	-	6,447
<b>Total expenditures</b>	<b>4,466,235</b>	<b>652,199</b>	<b>522,062</b>	<b>3,073,323</b>
Excess (deficiency) of revenues over (under) expenditures	(59,118)	(16,878)	622,823	(110,091)
Other financing sources (uses):				
Payments of refunding bonds	(945,000)	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	700,088
Transfers out	-	-	(700,088)	-
<b>Total other financing sources (uses)</b>	<b>(945,000)</b>	<b>-</b>	<b>(700,088)</b>	<b>700,088</b>
Change in fund balances	(1,004,118)	(16,878)	(77,265)	589,997
Fund balances beginning of year	7,011,638	592,654	762,451	1,502,042
Fund balances end of year	\$ 6,007,520	575,776	685,186	2,092,039

See notes to financial statements.

Nonmajor	Total
82,647	4,224,240
124,049	617,942
-	74,798
75,555	3,937,632
-	2,535
5,921	366,995
36,451	54,519
182,418	378,935
507,041	9,657,596
70,064	2,111,976
-	878,427
-	652,199
595,462	1,129,135
-	3,066,876
1,001	457,776
-	915,899
51,309	212,920
-	6,447
717,836	9,431,655
(210,795)	225,941
-	(945,000)
178,000	178,000
-	700,088
-	(700,088)
178,000	(767,000)
(32,795)	(541,059)
521,267	10,390,052
488,472	9,848,993

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, 2015

**Change in fund balances - Total governmental funds (page 27)** \$ (541,059)

**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	\$ 1,217,639	
Capital assets contributed by the Iowa Department of Transportation	2,155,273	
Depreciation expense	(1,139,210)	2,233,702

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. 29,213

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	(7,236)	
Other	(10,394)	(17,630)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. 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. Current year repayments exceeded issuances, as follows:

Issued	(178,000)	
Repaid	1,084,745	906,745

The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 291,071

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	(726)	
Other postemployment benefits	(800)	
Pension expense	(107,956)	
Interest on long-term debt	3,964	(105,518)

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. 3,296

**Change in net position of governmental activities (page 21)** \$2,799,820

See notes to financial statements.

Appanoose County  
Statement of Net Position  
Proprietary Fund  
June 30, 2015

	<u>Internal Service - Employee Group Health</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 115,334
<b>Liabilities</b>	
Accounts payable	<u>9,190</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$ 106,144</u></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, 2015

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Contributions from operating funds		\$ 667,455
Reimbursements from employees and others		117,793
Refunds		160
Total operating revenues		<u>785,408</u>
Operating expenses:		
Medical and health services	\$ 766,134	
Supplemental insurance	15,960	
Miscellaneous	29	
	<u>                    </u>	<u>782,123</u>
Operating income		3,285
Non-operating revenues:		
Interest income		11
Net income		<u>3,296</u>
Net position beginning of year		<u>102,848</u>
Net position end of year		<u><u>\$ 106,144</u></u>

See notes to financial statements.



Appanoose County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2015

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 667,455
Cash received from employees and others	117,793
Cash received from refunds	160
Cash paid to suppliers for services	(777,998)
Net cash provided by operating activities	7,410
Cash flows from investing activities:	
Interest on investments	11
Net increase in cash and cash equivalents	7,421
Cash and cash equivalents beginning of year	107,913
Cash and cash equivalents end of year	\$ 115,334
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 3,285
Adjustment to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	4,125
Net cash provided by operating activities	\$ 7,410

See notes to financial statements.

Appanoose County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2015

**Assets**

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 1,125,297
Other County officials	63,647

Receivables:

Property tax:

Delinquent	88,065
Succeeding year	9,562,000

Due from other governments

66,113**Total assets**10,905,122**Liabilities**

Salaries and benefits payable

190

Due to other governments

10,790,399

Trusts payable

105,973

Compensated absences

8,560**Total liabilities**10,905,122**Net position**\$ -

See notes to financial statements.

Appanoose County

Notes to Financial Statements

June 30, 2015

**(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, deferred outflows of resources, 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.

*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, Deferred Outflows of Resources, 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2014.

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.

Asset Class	Amount
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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the County’s reporting period.

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 \$4,000 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, 2015. 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.



Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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.

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

The County's deposits in banks at June 30, 2015 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 ensure 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, 2015, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,522,034 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, 2015 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 700,088

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, 2015 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	-	(40,000)	510,293
Construction in progress, road network	54,753	2,251,439	-	2,306,192
Total capital assets not being depreciated	605,046	2,251,439	(40,000)	2,816,485
Capital assets being depreciated:				
Buildings	1,224,561	646,600	-	1,871,161
Improvements other than buildings	-	54,400	-	54,400
Equipment and vehicles	5,651,547	503,638	(280,586)	5,874,599
Infrastructure, other	1,109,642	-	-	1,109,642
Infrastructure, road network	18,692,474	-	-	18,692,474
Total capital assets being depreciated	26,678,224	1,204,638	(280,586)	27,602,276
Less accumulated depreciation for:				
Buildings	435,689	33,533	-	469,222
Improvements other than buildings	-	3,627	-	3,627
Equipment and vehicles	3,072,973	348,969	(266,634)	3,155,308
Infrastructure, other	349,755	26,752	-	376,507
Infrastructure, road network	4,083,447	726,329	-	4,809,776
Total accumulated depreciation	7,941,864	1,139,210	(266,634)	8,814,440
Total capital assets being depreciated, net	18,736,360	65,428	(13,952)	18,787,836
Governmental activities capital assets, net	\$19,341,406	2,316,867	(53,952)	21,604,321

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 85,590
Physical health and social services	323
County environment and education	54,823
Roads and transportation	989,883
Administration	8,591
Total depreciation expense - governmental activities	<u>\$ 1,139,210</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, 2015 is as follows:

Fund	Description	Amount
General	Services	\$ 18,832
Agency:		
Agricultural Extension Education	Collections	\$ 110,475
County Assessor		333,635
Schools		6,418,797
Community Colleges		346,817
Corporations		2,376,305
Townships		321,652
Auto License and Use Tax		277,256
ADLM Empowerment		170,891
All other		348,097
Total for agency funds		<u>\$ 10,703,925</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Honey Creek Loan	Solid Waste Revenue Bonds	General Obligation Refunding Capital Loan Notes	Conservation Foundation Loans	Compensated Absences	Other Post-employment Benefits	Net Pension Liability	Total
Balance beginning of year, as restated	\$ 201,570	1,040,000	990,000	-	258,677	72,000	2,147,971	4,710,218
Increases	-	-	-	178,000	148,170	24,800	-	350,970
Decreases	44,745	1,040,000	-	-	147,444	24,000	839,698	2,095,887
Balance end of year	<u>\$ 156,825</u>	<u>-</u>	<u>990,000</u>	<u>178,000</u>	<u>259,403</u>	<u>72,800</u>	<u>1,308,273</u>	<u>2,965,301</u>
Due within one year	<u>\$ 46,342</u>	<u>-</u>	<u>80,000</u>	<u>178,000</u>	<u>164,259</u>	<u>-</u>	<u>-</u>	<u>468,601</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, 2015 Honey Creek loan indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
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		\$ 156,825	9,928	166,753

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 the Financial Statements. In June 2015, the County paid the final accrued interest and principal on the bonds, retiring the obligation.

#### 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 refunding was undertaken to reduce total debt service payments by \$100,352 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$80,836. 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 was used to pay the callable portion of the revenue bonds, \$1,040,000, on June 1, 2015.

A summary of the County's June 30, 2015 refunding capital loan note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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	156,590	1,146,590

### Conservation Foundation Bank Loans

On August 22, 2014, the Conservation Foundation borrowed \$178,000 for construction of two cabins at Lelah Bradley Park. The interest rate on the loans is 4.0% per annum with an initial maturity date of March 1, 2015. The maturity date for the loans was extended to July 22, 2015. The principal balance on the loans at June 30, 2015 totaled \$178,000.

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

The County entered into an agreement with RASWMC for the loan of note proceeds detailed in Note 6 of the Notes to the Financial Statements. Under the agreement, the RASWMC is to make annual payments to the County equal to the annual note payments required on the revenue notes. The annual principal and interest payments from RASWMC are credited to the General Fund.

#### **(8) Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Sheriffs, deputies and protection occupation members may retire at normal retirement age which is generally at age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff's, deputies and protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1%. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the County contributed 8.93% for a total rate of 14.88%. The Sheriff and deputies and the County both contributed 9.88% of pay for a total rate of 19.76%. Protection occupation members contributed 6.76% of pay and the County contributed 10.14% for a total rate of 16.90%.

The County's contributions to IPERS for the year ended June 30, 2015 were \$291,071.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the County reported a liability of \$1,308,273 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the County's collective proportion was .032988%, which was a decrease of .004422% from its collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$107,956. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,089	20,958
Changes of assumptions	61,273	18,367
Net difference between projected and actual earnings on pension plan investments	-	726,878
Changes in proportion and differences between County contributions and proportionate share of contributions	31,536	18,399
County contributions subsequent to the measurement date	291,071	-
Total	\$ 398,969	784,602

\$291,071 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2016	\$ (169,997)
2017	(169,997)
2018	(169,997)
2019	(169,997)
2020	3,284
Total	\$ (676,704)

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability (asset):	\$ 2,965,920	1,308,273	(89,525)

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to IPERS - All legally required County and employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2015.



**(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 70 active and 1 retired members in the plan.

The medical/prescription drug coverage is provided through a partially self-funded plan administered by Auxiant. Retirees under age 65 pay the same premium for the medical/prescription drug 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, 2015, 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	2,900
Adjustment to annual required contributions	<u>(2,800)</u>
Annual OPEB cost	24,800
Contribution made	<u>(24,000)</u>
Increase in net OPEB obligation	800
Net OPEB obligation beginning of year	<u>72,000</u>
Net OPEB obligation end of year	<u>\$ 72,800</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, 2015.

For the year ended June 30, 2015, the County contributed \$24,000 to the medical plan. Plan members eligible for benefits contributed \$125, or 0.52% 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
2013	24,706	3.2%	69,200
2014	24,800	88.7	72,000
2015	24,800	96.8	72,800

Funded Status and Funding Progress – As of July 1, 2012 the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$245,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$245,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,342,000 and the ratio of UAAL to covered payroll was 7.3%. As of June 30, 2015, 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 9.0%. 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 between \$500 and \$5,000 for single coverage and \$1,000 and \$10,000 for family coverage. Claims in excess of the deductibles 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, 2015 was \$667,455.

Amounts payable from the Employee Group Health Fund at June 30, 2015 total \$9,190, 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 \$106,144 at June 30, 2015 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	\$ 5,065
Incurred claims (including claims incurred but not reported at June 30, 2015)	766,134
Payments on claims during the fiscal year	<u>(762,009)</u>
Unpaid claims end of year	<u><u>\$ 9,190</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, 2015 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	68,050	-	68,050
Family support and parent education	-	260,374	260,374
Preschool support for low-income families	-	114,322	114,322
Quality improvement	-	54,354	54,354
Allocation for administration	3,582	14,121	17,703
Other grant programs	-	28,041	28,041
Total state grants	71,632	471,212	542,844
Interest on investments	4	19	23
Total revenues	71,636	471,231	542,867
Expenditures:			
Program services:			
Early childhood	72,918	-	72,918
Family support and parent education	-	276,074	276,074
Preschool support for low income families	-	109,453	109,453
Quality improvement	-	59,675	59,675
Other program services	-	28,357	28,357
Total program services	72,918	473,559	546,477
Administration	3,366	13,460	16,826
Total expenditures	76,284	487,019	563,303
Change in fund balance	(4,648)	(15,788)	(20,436)
Fund balance beginning of year	16,888	77,277	94,165
Fund balance end of year	12,240	61,489	73,729

Findings related to the operations of the Early Childhood Iowa Area Board are included as items (G), (11) and (12) in the Schedule of Findings.

**(13) Appanoose County Financial Information Included in the South Central Behavioral Health Region**

South Central Behavioral Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 1, 2013, included the following member counties: Appanoose, Davis and Wapello County. Mahaska County was added to the region in October 2015. The financial activity of Appanoose County's Special Revenue, Mental Health Fund is included in the South Central Behavioral Health Region for the year ended June 30, 2015 as follows:

Revenues:		
Property and other county tax		\$ 554,984
Intergovernmental revenues:		
State tax credits	\$ 54,894	
Social services block grant	15,578	
Other	488	70,960
Miscellaneous		9,377
Total revenues		<u>635,321</u>
Expenditures:		
Services to persons with:		
Mental illness	333,629	
Intellectual disability	16,090	
Other developmental disabilities	5,304	355,023
General administration		
Direct administration	36,658	
Purchased administration	6,108	
Distribution to regional fiscal agent	254,410	297,176
Total expenditures		<u>652,199</u>
Excess of expenditures over revenues		(16,878)
Fund balance beginning of the year		592,654
Fund balance end of the year		<u>\$ 575,776</u>

**(14) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, was implemented during fiscal year 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, GASB Statement No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning of net pension liability which is required by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>
Net position June 30, 2014, as previously reported	\$ 27,459,699
Net pension liability at June 30, 2014	(2,147,971)
Deferred outflows of resources	
related to prior year contributions made after	
the June 30, 2013 measurement date	<u>270,950</u>
Net position July 1, 2014, as restated	<u>\$ 25,582,678</u>

**Required Supplementary Information**

Appanoose County

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

Required Supplementary Information

Year ended June 30, 2015

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 4,835,122	-	4,835,122
Interest and penalty on property tax	74,771	-	74,771
Intergovernmental	3,976,888	51,584	3,925,304
Licenses and permits	2,445	-	2,445
Charges for service	364,913	3,468	361,445
Use of money and property	51,267	36,445	14,822
Miscellaneous	280,357	131,109	149,248
Total receipts	<u>9,585,763</u>	<u>222,606</u>	<u>9,363,157</u>
Disbursements:			
Public safety and legal services	2,118,266	-	2,118,266
Physical health and social services	909,951	-	909,951
Mental health	790,799	-	790,799
County environment and education	1,102,138	447,560	654,578
Roads and transportation	3,298,261	-	3,298,261
Governmental services to residents	457,472	-	457,472
Administration	922,028	-	922,028
Debt service	212,920	-	212,920
Capital projects	155,767	-	155,767
Total disbursements	<u>9,967,602</u>	<u>447,560</u>	<u>9,520,042</u>
Excess (deficiency) of receipts over (under) disbursements	(381,839)	(224,954)	(156,885)
Other financing sources, net	<u>(625,492)</u>	<u>178,000</u>	<u>(803,492)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,007,331)	(46,954)	(960,377)
Balance beginning of year	<u>9,229,461</u>	<u>49,540</u>	<u>9,179,921</u>
Balance end of year	<u>\$ 8,222,130</u>	<u>2,586</u>	<u>8,219,544</u>

See accompanying independent auditor's report.



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Budgeted Amounts		Final to
Original	Final	Net
		Variance
4,583,886	4,594,386	240,736
4,500	4,500	70,271
3,903,340	3,910,721	14,583
3,050	19,050	(16,605)
323,715	339,715	21,730
20,005	28,005	(13,183)
71,160	79,160	70,088
8,909,656	8,975,537	387,620
2,318,055	2,363,334	245,068
933,665	1,018,165	108,214
836,709	836,709	45,910
762,912	764,293	109,715
3,573,500	3,791,500	493,239
604,703	604,703	147,231
1,031,838	1,039,838	117,810
215,310	215,310	2,390
125,000	227,000	71,233
10,401,692	10,860,852	1,340,810
(1,492,036)	(1,885,315)	1,728,430
164,000	918,088	(1,721,580)
(1,328,036)	(967,227)	6,850
6,179,798	6,179,798	3,000,123
4,851,762	5,212,571	3,006,973

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Appanoose County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
Required Supplementary Information

Year ended June 30, 2015

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 9,585,763	71,833	9,657,596
Expenditures	9,967,602	(535,947)	9,431,655
Net	(381,839)	607,780	225,941
Other financing sources, net	(625,492)	(141,508)	(767,000)
Beginning fund balances	9,229,461	1,160,591	10,390,052
Ending fund balances	\$ 8,222,130	1,626,863	9,848,993

See accompanying independent auditor's report.

Appanoose County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2015

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 Fund 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 \$459,160. 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, 2015, disbursements did not exceed the amounts budgeted.

**Appanoose County**

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Appanoose County

Schedule of the County's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
Last Fiscal Year\*  
(In Thousands)

Required Supplementary Information

	<u>2015</u>
County's collective proportion of the net pension liability (asset)	0.032988%
County's collective proportionate share of the net pension liability (asset)	\$ 1,308
County's covered-employee payroll	\$ 2,934
County's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll	44.58%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

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Appanoose County

Schedule of County Contributions

Iowa Public Employees' Retirement System  
Last Ten Fiscal Years  
(In Thousands)

Required Supplementary Information

	2015	2014	2013	2012
Statutorily required contribution	\$ 291	271	258	249
Contributions in relation to the statutorily required contribution	(291)	(271)	(258)	(249)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered-employee payroll	\$ 3,177	2,934	2,873	2,939
Contributions as a percentage of covered-employee payroll	9.16%	9.24%	8.98%	8.47%

See accompanying independent auditor's report.

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2011	2010	2009	2008	2007	2006
216	197	180	167	163	157
(216)	(197)	(180)	(167)	(163)	(157)
-	-	-	-	-	-
2,887	2,813	2,699	2,683	2,613	2,612
7.48%	7.00%	6.67%	6.22%	6.24%	6.01%

Appanoose County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

*Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

*Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.



The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs, deputies and protection occupation members.

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
2015	Jul 1, 2012	-	245	245	0.0	3,342	7.3

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, 2015

	County Recorder's Records Management	Resource Enhancement and Protection	Law Enforcement Forfeiture
<b>Assets</b>			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 8,846	18,812	1,635
Conservation Foundation	-	-	-
Due from other governments	-	-	-
Land held for resale	-	-	-
<b>Total assets</b>	<b>\$ 8,846</b>	<b>18,812</b>	<b>1,635</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	400	-
Deferred inflows of resources:			
Unavailable revenues:			
Other	-	-	-
Fund balances:			
Nonspendable:			
Land held for resale	-	-	-
Restricted for other purposes	8,846	18,412	1,635
Total fund balances	8,846	18,412	1,635
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 8,846</b>	<b>18,812</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	
261,721	-	96,064	-	18,655	405,733	
-	2,586	-	-	-	2,586	
23,334	-	-	-	-	23,334	
87,800	-	-	-	-	87,800	
<u>372,855</u>	<u>2,586</u>	<u>96,064</u>	<u>-</u>	<u>18,655</u>	<u>519,453</u>	
19,047	-	-	-	7,288	26,735	
4,246	-	-	-	-	4,246	
87,800	-	-	-	-	87,800	
261,762	2,586	96,064	-	11,367	400,672	
349,562	2,586	96,064	-	11,367	488,472	
<u>372,855</u>	<u>2,586</u>	<u>96,064</u>	<u>-</u>	<u>18,655</u>	<u>519,453</u>	

Appanoose County

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

Year ended June 30, 2015

	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	-	13,661	-
Charges for service	2,453	-	-
Use of money and property	1	5	-
Miscellaneous	-	-	-
Total revenues	2,454	13,666	-
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	36,745	-
Governmental services to residents	1,001	-	-
Debt service	-	-	-
Total expenditures	1,001	36,745	-
Excess (deficiency) of revenues over (under) expenditures	1,453	(23,079)	-
Other financing uses:			
Loan proceeds	-	-	-
Change in fund balances	1,453	(23,079)	-
Fund balances beginning of year	7,393	41,491	1,635
Fund balances end of year	\$ 8,846	18,412	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	
14,147	-	-	-	68,500	-	82,647	
124,049	-	-	-	-	-	124,049	
-	-	51,584	10,310	-	-	75,555	
-	-	3,468	-	-	-	5,921	
-	-	36,445	-	-	-	36,451	
-	51,309	131,109	-	-	-	182,418	
138,196	51,309	222,606	10,310	68,500	-	507,041	
-	-	-	964	69,100	-	70,064	
88,323	-	447,560	-	-	22,834	595,462	
-	-	-	-	-	-	1,001	
-	51,309	-	-	-	-	51,309	
88,323	51,309	447,560	964	69,100	22,834	717,836	
49,873	-	(224,954)	9,346	(600)	(22,834)	(210,795)	
-	-	178,000	-	-	-	178,000	
49,873	-	(46,954)	9,346	(600)	(22,834)	(32,795)	
299,689	-	49,540	86,718	600	34,201	521,267	
349,562	-	2,586	96,064	-	11,367	488,472	

Appanoose County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2015

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	2,462	96,989	157,972	7,782
Other County officials	63,647	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	897	1,784	53,998	2,377
Succeeding year	-	108,000	228,000	6,260,000	339,000
Due from other governments	-	-	16,086	-	-
<b>Total assets</b>	<b>\$ 63,647</b>	<b>111,359</b>	<b>342,859</b>	<b>6,471,970</b>	<b>349,159</b>
<b>Liabilities</b>					
Salaries payable	\$ -	-	190	-	-
Due to other governments	350	111,359	335,393	6,471,970	349,159
Trusts payable	63,297	-	-	-	-
Compensated absences	-	-	7,276	-	-
<b>Total liabilities</b>	<b>\$ 63,647</b>	<b>111,359</b>	<b>342,859</b>	<b>6,471,970</b>	<b>349,159</b>

See accompanying independent auditor's report.



Corporations	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
67,616	3,649	277,256	42,676	170,891	298,004	1,125,297
-	-	-	-	-	-	63,647
27,852	1,147	-	-	-	10	88,065
2,308,000	318,000	-	-	-	1,000	9,562,000
-	-	-	-	-	50,027	66,113
<b>2,403,468</b>	<b>322,796</b>	<b>277,256</b>	<b>42,676</b>	<b>170,891</b>	<b>349,041</b>	<b>10,905,122</b>
-	-	-	-	-	-	190
2,403,468	322,796	277,256	-	170,891	347,757	10,790,399
-	-	-	42,676	-	-	105,973
-	-	-	-	-	1,284	8,560
<b>2,403,468</b>	<b>322,796</b>	<b>277,256</b>	<b>42,676</b>	<b>170,891</b>	<b>349,041</b>	<b>10,905,122</b>

Appanoose County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2015

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Balances beginning of year	\$ 63,944	112,056	320,265	6,529,341	353,265
Additions:					
Property and other county tax	-	108,453	228,783	6,309,104	339,404
E911 surcharge	-	-	-	-	-
State tax credits	-	10,739	24,162	642,175	33,952
Drivers license fees	-	-	-	-	-
Office fees and collections	317,424	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	63,728	-	-	-	-
Miscellaneous	-	96	16,844	6,089	302
Total additions	381,152	119,288	269,789	6,957,368	373,658
Deductions:					
Agency remittances:					
To other funds	125,742	-	-	-	-
To other governments	116,804	119,985	247,195	7,014,739	377,764
Trusts paid out	138,903	-	-	-	-
Total deductions	381,449	119,985	247,195	7,014,739	377,764
Balances end of year	\$ 63,647	111,359	342,859	6,471,970	349,159

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
2,478,281	201,731	266,862	61,081	212,859	261,639	10,861,324
2,315,951	318,226	-	-	-	1,180	9,621,101
-	-	-	-	-	250,565	250,565
321,808	14,610	-	-	-	651	1,048,097
-	-	80,612	-	-	-	80,612
-	-	-	-	-	-	317,424
-	-	3,383,880	-	-	-	3,383,880
-	-	-	-	-	3,899	3,899
-	-	-	301,239	-	15,051	380,018
5,772	-	-	-	546,078	125,538	700,719
2,643,531	332,836	3,464,492	301,239	546,078	396,884	15,786,315
-	-	134,443	-	-	-	260,185
2,718,344	211,771	3,319,655	-	588,046	309,482	15,023,785
-	-	-	319,644	-	-	458,547
2,718,344	211,771	3,454,098	319,644	588,046	309,482	15,742,517
2,403,468	322,796	277,256	42,676	170,891	349,041	10,905,122

Appanoose County

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

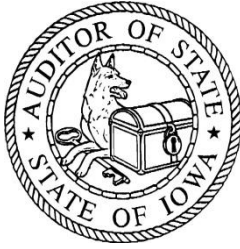
For the Last Ten Years

	2015	2014	2013	2012
<b>Revenues:</b>				
Property and other county tax	\$ 4,224,240	4,240,825	3,790,795	4,296,204
Local option sales and services tax	617,942	537,244	605,534	515,706
Interest and penalty on property tax	74,798	79,906	75,668	88,430
Intergovernmental	3,937,632	4,822,728	4,109,315	4,997,948
Licenses and permits	2,535	2,195	2,620	2,375
Charges for service	366,995	372,690	374,804	329,692
Use of money and property	54,519	15,149	17,031	21,828
Miscellaneous	378,935	257,297	408,303	214,822
<b>Total</b>	<b>\$ 9,657,596</b>	<b>10,328,034</b>	<b>9,384,070</b>	<b>10,467,005</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 2,111,976	2,001,614	1,950,127	1,896,588
Physical health and social services	878,427	777,826	690,490	720,646
Mental health	652,199	668,395	600,136	1,211,520
County environment and education	1,129,135	951,392	574,827	602,435
Roads and transportation	3,066,876	3,737,613	3,413,239	3,243,128
Governmental services to residents	457,776	464,875	440,916	404,590
Administration	915,899	1,116,712	965,137	918,495
Debt service	212,920	221,934	304,978	200,995
Capital projects	6,447	747,768	337,204	481,853
<b>Total</b>	<b>\$ 9,431,655</b>	<b>10,688,129</b>	<b>9,277,054</b>	<b>9,680,250</b>

See accompanying independent auditor's report.

Modified Accrual Basis					
2011	2010	2009	2008	2007	2006
3,943,992	4,005,725	3,637,673	3,503,441	3,400,281	3,348,920
534,891	497,722	494,887	528,769	524,312	539,546
78,355	78,520	75,235	66,110	59,851	125,241
5,093,975	5,051,548	4,725,998	4,519,436	3,906,383	4,200,496
2,037	1,307	2,790	3,115	1,150	1,273
331,969	327,598	303,891	320,864	314,365	305,369
30,733	38,151	80,878	261,837	231,993	229,351
274,411	235,341	234,417	238,469	123,823	164,629
<b>10,290,363</b>	<b>10,235,912</b>	<b>9,555,769</b>	<b>9,442,041</b>	<b>8,562,158</b>	<b>8,914,825</b>
1,743,618	1,702,446	1,837,930	1,463,922	1,393,793	1,398,772
773,423	697,652	727,099	672,941	646,051	672,060
914,098	1,006,529	1,075,797	1,166,537	1,232,827	1,239,386
695,933	660,543	532,833	701,906	501,580	664,331
3,634,672	3,023,143	3,377,865	3,350,109	3,136,545	3,420,703
414,367	413,383	401,885	342,162	320,105	455,216
873,352	956,428	722,593	689,098	656,539	651,470
196,566	203,974	363,354	92,781	42,513	14,793
931,650	831,500	417,520	122,777	219,196	3,632,037
<b>10,177,679</b>	<b>9,495,598</b>	<b>9,456,876</b>	<b>8,602,233</b>	<b>8,149,149</b>	<b>12,148,768</b>

**Appanoose County**



**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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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, 2015, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 3, 2016.

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, 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 the accompanying Schedule of Findings as items (A) through (C) to be material weaknesses.

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

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2015 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. 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

October 3, 2016



Appanoose County

Schedule of Findings

Year ended June 30, 2015

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

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

	<u>Applicable Offices</u>
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	Treasurer, Public Health Nurse, 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)
(3) A listing of mail receipts is not prepared.	Engineer, Conservation and Auditor Employee Group Health)
(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, 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

Year ended June 30, 2015

- |      |  |                                  |
|------|--|----------------------------------|
| (7)  | Cash drawers are shared between employees.   | Treasurer                        |
| (8)  | 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                        |
| (9)  | Responsibilities for maintaining detailed accounts receivable records are not segregated from collecting and posting receipts.   | Public Health Nurse and Engineer |
| (10) | Journal entries are not reviewed and approved.   | Auditor                          |

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel 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 – We will work on our segregation of duties to the best of our ability. We are a small office, which makes segregation difficult.

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 – We will do our best to try and improve on this.

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. We will continue to have two employees handle financial information and documentation.

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 have made changes as much as possible to comply with recommendations.

Conclusions –

Treasurer, Public Health Nurse – Responses accepted.

Appanoose County

Schedule of Findings

Year ended June 30, 2015

Recorder, Agricultural Extension, 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.

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

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

Responses –

Auditor – We are working on this.

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

Conclusion – Responses accepted.

- (C) Conservation Foundation – One individual collects and records receipts for the Conservation Foundation. A listing of mail receipts is not prepared. Bank reconciliations are not prepared. 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 – A response was requested; however, one was not provided.

Conclusion – The recommendation should be implemented.

- (D) 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.

Appanoose County

Schedule of Findings

Year ended June 30, 2015

- (E) 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.

- (F) 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.

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 are working on developing a policy.

Conclusion – Response accepted.

- (G) Supporting Documentation – During the year ended June 30, 2015, 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 two 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.

Appanoose County

Schedule of Findings

Year ended June 30, 2015

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.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Appanoose County  
Schedule of Findings  
Year ended June 30, 2015

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2015 did not exceed the amount budgeted.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – No business transactions between the County and County officials or employees were noted.
- (5) 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.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.  
  
Disbursements during the year ended June 30, 2015 for the County Extension Office did not exceed the amount budgeted.
- (10) 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 for the first half of the year.

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

Response – We have implemented this procedure.

Conclusion – Response accepted.

Appanoose County

Schedule of Findings

Year ended June 30, 2015

- (11) 4 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, 2014 through June 30, 2015 for a fee not to exceed \$23,224. The total amount paid to the coordinator for fiscal year 2015 was \$21,466.

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.

- (12) 4 Counties 4 Kids Early Childhood Iowa Area Board – The annual financial report submitted to the Iowa Department of Management for fiscal year 2015 did not reconcile to the Area Board's financial activity. Accrued expenditures reported for the annual financial report included \$114,810 of fiscal year 2014 expenditures reported for fiscal year 2015. Fiscal year 2015 accrued expenditures of \$67,023 were reported as fiscal year 2016 activity. The net amount of the fiscal year 2015 overstatement was \$47,787.

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.

Appanoose County

Schedule of Findings

Year ended June 30, 2015

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.

- (13) Employee Group Health – The County provides employees health insurance and other benefits through a self-insured benefit plan. Chapter 509A.15 of the Code of Iowa requires the County to obtain an actuarial opinion issued by a fellow of the Society of Actuaries which attests to the adequacy of reserves, rates and the financial condition of the plan. The County did not obtain an actuarial opinion for fiscal year 2015.

Recommendation – The County should obtain an actuarial opinion, issued by a fellow of the Society of Actuaries, as required.

Response – We are acquiring one.

Conclusion – Response accepted.

- (14) Special Report – The Office of Auditor of State is conducting additional procedures related to the commingling of operations, collections and disbursements of the Appanoose County Conservation Board and the Appanoose Conservation Foundation. A separate report will be released at a later date addressing these issues.

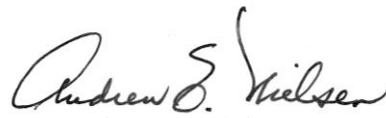


Appanoose County

Staff

This audit was performed by:

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A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA  
Deputy Auditor of State