



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

July 3, 2018

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$14,463,609 for the year ended June 30, 2017, which included \$1,707,276 in tax credits from the state. The County forwarded \$10,308,413 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,155,196 of the local tax revenue to finance County operations, a 4.3% decrease from the prior year. Other revenues included charges for service of \$902,251, operating grants, contributions and restricted interest of \$3,737,356, capital grants, contributions and restricted interest of \$433,351, local option sales and services tax of \$600,555, hotel/motel tax of \$252,674, unrestricted investment earnings of \$23,820 and other general revenues of \$96,594.

Expenses for County operations for the year ended June 30, 2017 totaled \$9,912,860, a 7.2% decrease from the prior year. Expenses included \$4,199,508 for roads and transportation, \$2,262,875 for public safety and legal services and \$985,398 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/1710-0004-B00F>.

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APPANOOSE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2017

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Appanoose County

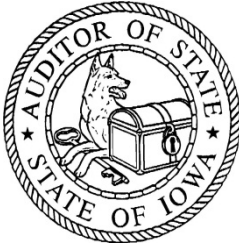
Officials

(Before January 2017)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jody McDanel	Board of Supervisors	Jan 2017
Neal 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

(After January 2017)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mark Waits	Board of Supervisors	Jan 2019
Linda Demry	Board of Supervisors	Jan 2021
Neal Smith	Board of Supervisors	Jan 2021
Kelly Howard	County Auditor	Jan 2021
Janet Davis	County Treasurer	Jan 2019
Teddy Walker	County Recorder	Jan 2019
Gary Anderson	County Sheriff	Jan 2021
Susan Daniels	County Attorney	Jan 2019
Michael Barth	County Assessor	Jan 2018



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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, 2017, 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, 2017, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, 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 9 through 15 and 54 through 63 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, 2016 (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 June 29, 2018 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 solely 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 effectiveness of the County's 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

June 29, 2018

Appanoose County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Appanoose County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- The County's governmental activities revenues decreased 9.4%, or \$1,059,733, from fiscal year 2016 to fiscal year 2017. Property tax decreased \$195,846, capital grants, contributions and restricted interest decreased \$364,095 and operating grants, contributions and restricted interest decreased \$616,624.
- The County's governmental activities expenses decreased 7.2%, or \$769,272, from fiscal year 2016 to fiscal year 2017. Expenses decreased \$394,459 in the mental health function, \$334,036 in the roads and transportation function and \$188,897 in the county environment and education function.
- The County's net position increased 1.0%, or \$288,937, from June 30, 2016 to June 30, 2017.

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.

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 \$28,961,896 at the end of fiscal year 2016 to \$29,250,833 at the end of fiscal year 2017. The analysis that follows focuses on the changes in the net position of governmental activities.

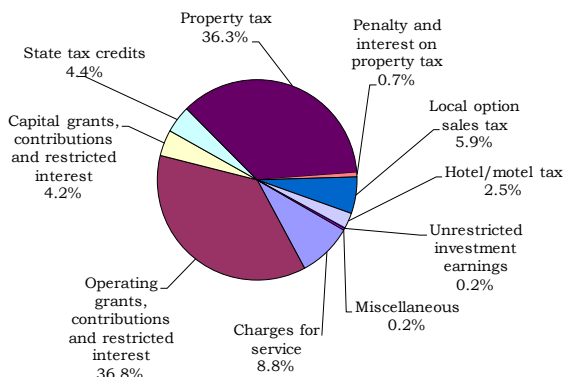
Net Position of Governmental Activities		
	June 30,	
	2017	2016
Current and other assets	\$ 14,890,193	14,399,698
Capital assets	21,187,778	21,524,638
Total assets	36,077,971	35,924,336
Deferred outflows of resources	896,161	479,469
Long-term liabilities	3,652,376	3,177,644
Other liabilities	324,669	393,315
Total liabilities	3,977,045	3,570,959
Deferred inflows of resources	3,746,254	3,870,950
Net position:		
Net investment in capital assets	21,187,778	21,524,638
Restricted	6,474,848	5,867,219
Unrestricted	1,588,207	1,570,039
Total net position	\$ 29,250,833	28,961,896

Net position of Appanoose County's governmental activities increased 1.0% (approximately \$29.3 million compared to approximately \$29 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from approximately \$1,570,000 at June 30, 2016 to approximately \$1,588,000 at June 30, 2017, an increase of 1.2%.

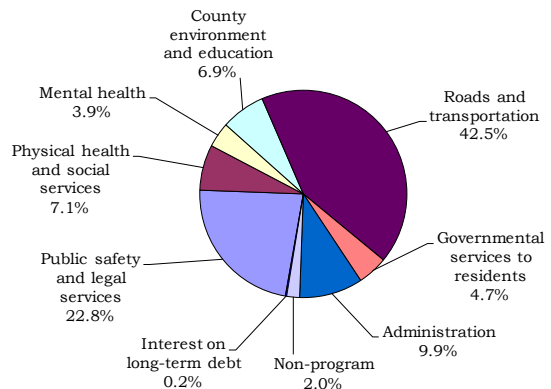
Changes in Net Position of Governmental Activities

	Year ended June 30,	
	2017	2016
Revenues:		
Program revenues:		
Charges for service	\$ 902,251	813,407
Operating grants, contributions and restricted interest	3,737,356	4,353,980
Capital grants, contributions and restricted interest	433,351	797,446
General revenues:		
Property tax	3,702,243	3,898,089
Penalty and interest on property tax	72,749	74,270
State tax credits	452,953	442,608
Local option sales tax	600,555	561,228
Hotel/motel tax	252,674	264,016
Unrestricted investment earnings	23,820	21,424
Gain on disposition of assets	-	3,675
Miscellaneous	23,845	31,387
Total revenues	10,201,797	11,261,530
Program expenses:		
Public safety and legal services	2,262,875	2,156,285
Physical health and social services	705,043	717,613
Mental health	381,765	776,224
County environment and education	686,662	875,559
Roads and transportation	4,199,508	4,533,544
Governmental services to residents	467,602	559,176
Administration	985,398	868,467
Non-program	200,953	167,415
Interest on long-term debt	23,054	27,849
Total expenses	9,912,860	10,682,132
Change in net position	288,937	579,398
Net position beginning of year	28,961,896	28,382,498
Net position end of year	\$ 29,250,833	28,961,896

Revenues by Source



Expenses by Program



Appanoose County's governmental activities net position increased approximately \$289,000. Revenues for governmental activities decreased approximately \$1,060,000 from the prior year. Property tax decreased approximately \$196,000 from the prior year, capital grants, contributions and restricted revenues decreased approximately \$364,000 from the prior year and operating grants, contributions and restricted revenues decreased approximately \$617,000 from the prior year.

For fiscal year 2017, taxable property valuation decreased approximately \$12,773,000. The tax levy rate is set to decrease \$0.09229 per \$1,000 of taxable valuation. Therefore, property tax revenue decreased approximately \$196,000. The total Appanoose County assessed taxable property valuation for property tax payable in fiscal year 2018 increased approximately \$10,180,000. The tax levy rate is set to increase \$0.33005 per \$1,000 of taxable valuation. Property tax revenue is budgeted to increase approximately \$208,000 next year.

The cost of all governmental activities this year was approximately \$9.9 million compared to approximately \$10.7 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these projects was approximately \$4.8 million because some of the cost was paid by those directly benefited from the programs (approximately \$902,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$4,171,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, decreased in fiscal year 2017 from approximately \$5,965,000 to approximately \$5,073,000, principally due to receiving grant proceeds for the completion of several infrastructure projects in fiscal year 2016. The County paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Appanoose County completed the year, its governmental funds reported a combined fund balance of approximately \$10.4 million, an increase of approximately \$494,000 over last year's total of approximately \$9.9 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased when compared to the prior year, while expenditures slightly increased. Revenues decreased approximately \$159,000, or 3.6%, from the prior year. Expenditures increased approximately \$70,000, or 1.6%, over the prior year. The ending fund balance decreased \$176,162 during the year to \$5,885,034.
- The County has continued to look for ways to effectively manage the cost of mental health services. Revenues decreased approximately \$36,000, or 7.1%, from the prior year. Expenditures decreased approximately \$395,000, or 50.9%, from the prior year. The Special Revenue, Mental Health Fund balance increased \$94,033 during the year to \$404,976.
- Special Revenue, Rural Services Fund revenues and expenditures remained consistent when compared to the prior year. The fund balance decreased \$33,475 from the prior year to \$601,268.
- Special Revenue, Secondary Roads Fund revenues increased approximately \$65,000, or 1.9%, over the prior year. Expenditures decreased approximately \$164,000, or 4.4%, from the prior year. The fund balance at June 30, 2017 was \$2,969,747 compared to the prior year ending fund balance of \$2,431,518, an increase of \$538,229.

BUDGETARY HIGHLIGHTS

Over the course of the year, Appanoose County amended its budget two times. The first amendment resulted in an increase in licenses and permits receipts and increases in budgeted disbursements for the public safety and legal services and physical health and social services functions, as well as an increase to transfers out. The increases are related to increased public safety and legal services requirements. The second amendment resulted in increases in budgeted disbursements for the roads and transportation function. The increase is related to the expectation of additional disbursements in the Secondary Roads Department.

The County's total receipts were \$144,260 less than budgeted, a variance of 1.5%. The most significant variance resulted from the County receiving less intergovernmental receipts than anticipated.

Total disbursements were \$2,560,669 less than the amended budget. Actual disbursements for the roads and transportation, capital projects and public safety and legal services were \$1,117,804, \$553,062 and \$330,584, respectively, less than budgeted. This was primarily due to construction and capital projects not being completed as anticipated during the fiscal year and the County budgeting for more inmates than were actually incarcerated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, Appanoose County had approximately \$21.2 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,	
	2017	2016
Land	\$ 598,093	598,093
Buildings and improvements	1,480,909	1,520,205
Equipment and vehicles	2,465,396	2,563,760
Infrastructure	16,258,406	16,778,802
Construction in progress	384,974	63,778
Total	<u>\$ 21,187,778</u>	<u>21,524,638</u>
This year's major additions included:		
Capital assets contributed by the Iowa Department of Transportation	<u>\$ 384,974</u>	

The County had depreciation expense of \$1,248,336 in fiscal year 2017 and total accumulated depreciation of \$11,135,908 at June 30, 2017. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2017, Appanoose County had \$887,462 of long-term debt outstanding, compared to \$1,020,483 at June 30, 2016, as shown below.

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2017	2016
Honey Creek loan	\$ 62,462	110,483
General obligation refunding capital loan notes	825,000	910,000
Total	\$ 887,462	1,020,483

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 \$33 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 2016 to fiscal year 2017, the countywide property taxable valuation decreased approximately \$12,773,000 while the rural services property taxable valuation decreased approximately \$10,073,000. From fiscal year 2017 to fiscal year 2018, the countywide property taxable valuation increased approximately \$10,180,000 while the rural services property taxable valuation decreased approximately \$7,320,000.

These factors were taken into account when adopting the budget for fiscal year 2018. Amounts available for appropriation in the operating budget are approximately \$9,551,000, a 0.2% decrease from the final fiscal year 2017 budget. Budgeted disbursements decreased approximately \$1,095,000 from the final fiscal year 2017 budget, primarily in the roads and transportation function. The County has added no major new programs or initiatives to the fiscal year 2018 budget. If these estimates are realized, the County's budgetary operating balance is expected to increase 40.6 percent by the close of fiscal year 2018.

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 Street, Centerville, Iowa 52544.

Appanoose County

Basic Financial Statements

Appanoose County
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 8,671,830
Conservation Foundation	49,899
Receivables:	
Property tax:	
Delinquent	34,670
Succeeding year	3,663,000
Interest and penalty on property tax	60,872
Accounts	38,158
Loans	1,020,215
Accrued interest	881
Due from other governments	730,038
Inventories	517,845
Prepaid expenses	102,785
Capital assets, net of accumulated depreciation	21,187,778
Total assets	36,077,971
Deferred Outflows of Resources	
Pension related deferred outflows	896,161
Liabilities	
Accounts payable	229,812
Salaries and benefits payable	39,299
Accrued interest payable	1,747
Due to other governments	53,811
Long-term liabilities:	
Portion due or payable within one year:	
Honey Creek loan	49,747
General obligation refunding capital loan notes	80,000
Compensated absences	126,515
Portion due or payable after one year:	
Honey Creek loan	12,715
General obligation refunding capital loan notes	745,000
Compensated absences	91,814
Net OPEB liability	134,400
Net pension liability	2,412,185
Total liabilities	3,977,045
Deferred Inflows of Resources	
Unavailable property tax revenue	3,663,000
Pension related deferred inflows	83,254
Total deferred inflows of resources	3,746,254
Net Position	
Net investment in capital assets	21,187,778
Restricted for:	
Supplemental levy purposes	1,945,334
Mental health purposes	408,085
Rural services purposes	587,593
Secondary roads purposes	2,969,758
Other purposes	564,078
Unrestricted	1,588,207
Total net position	\$ 29,250,833

See notes to financial statements.

Appanoose County
Statement of Activities
Year ended June 30, 2017

	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	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,262,875	155,525	94,976	-	(2,012,374)
Physical health and social services	705,043	116,690	347,875	-	(240,478)
Mental health	381,765	22,481	-	-	(359,284)
County environment and education	686,662	14,288	76,306	-	(596,068)
Roads and transportation	4,199,508	106,422	3,165,116	433,351	(494,619)
Governmental services to residents	467,602	241,161	27	-	(226,414)
Administration	985,398	15,640	1,736	-	(968,022)
Non-program	200,953	230,044	11	-	29,102
Interest on long-term debt	23,054	-	51,309	-	28,255
Total	\$ 9,912,860	902,251	3,737,356	433,351	(4,839,902)
General Revenues:					
Property and other county tax levied for general purposes					3,702,243
Penalty and interest on property tax					72,749
State tax credits					452,953
Local option sales and services tax					600,555
Hotel/motel tax					252,674
Unrestricted investment earnings					23,820
Miscellaneous					23,845
Total general revenues					5,128,839
Change in net position					288,937
Net position beginning of year					28,961,896
Net position end of year					\$ 29,250,833

See notes to financial statements.

Appanoose County
Balance Sheet
Governmental Funds

June 30, 2017

	General	Mental Health	Special Rural Services
Assets			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 4,877,302	433,836	535,312
Conservation Foundation	-	-	-
Receivables:			
Property tax:			
Delinquent	25,795	4,502	4,373
Succeeding year	2,526,000	441,000	696,000
Interest and penalty on property tax	60,872	-	-
Accounts	26,706	-	-
Loan	825,000	-	-
Accrued interest	864	-	-
Due from other governments	132,535	-	67,849
Inventories	-	-	-
Prepaid expenditures	102,785	-	-
Total assets	\$ 8,577,859	879,338	1,303,534
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 37,508	4,007	893
Salaries and benefits payable	16,090	237	1,000
Due to other governments	26,560	24,616	-
Total liabilities	80,158	28,860	1,893
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	2,526,000	441,000	696,000
Other	86,667	4,502	4,373
Total deferred inflows of resources	2,612,667	445,502	700,373
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid expenditures	102,785	-	-
Restricted for:			
Supplemental levy purposes	1,849,756	-	-
Mental health purposes	-	404,976	-
Rural services purposes	-	-	601,268
Secondary roads purposes	-	-	-
Debt service	825,000	-	-
Other purposes	-	-	-
Unassigned	3,107,493	-	-
Total fund balances	5,885,034	404,976	601,268
Total liabilities, deferred inflows of resources and fund balances	\$ 8,577,859	879,338	1,303,534

See notes to financial statements.

<u>Revenue</u>		
<u>Secondary</u>		
<u>Roads</u>	<u>Nonmajor</u>	<u>Total</u>
2,327,726	296,103	8,470,279
-	49,899	49,899
-	-	34,670
-	-	3,663,000
-	-	60,872
7,695	3,757	38,158
-	195,215	1,020,215
-	17	881
510,420	19,234	730,038
517,845	-	517,845
-	-	102,785
<u>3,363,686</u>	<u>564,225</u>	<u>14,688,642</u>
174,856	147	217,411
21,972	-	39,299
<u>2,635</u>	<u>-</u>	<u>53,811</u>
<u>199,463</u>	<u>147</u>	<u>310,521</u>
-	-	3,663,000
<u>194,476</u>	<u>-</u>	<u>290,018</u>
<u>194,476</u>	<u>-</u>	<u>3,953,018</u>
517,845	-	517,845
-	-	102,785
-	-	1,849,756
-	-	404,976
-	-	601,268
2,451,902	-	2,451,902
-	-	825,000
-	564,078	564,078
-	-	3,107,493
<u>2,969,747</u>	<u>564,078</u>	<u>10,425,103</u>
<u>3,363,686</u>	<u>564,225</u>	<u>14,688,642</u>

Appanoose County

Appanoose County

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

June 30, 2017

Total governmental fund balances (page 21) \$ 10,425,103

Amounts reported for governmental activities in the Statement of Net Position are different because:

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 \$32,323,686 and the accumulated depreciation is \$11,135,908. 21,187,778

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. 290,018

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. 189,150

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	\$ 896,161	
Deferred inflows of resources	<u>(83,254)</u>	812,907

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. (3,654,123)

Net position of governmental activities (page 18) \$ 29,250,833

See notes to financial statements.

Appanoose County

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

Year ended June 30, 2017

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 2,857,247	399,990	677,473	-
Local option sales and services tax	-	-	355,609	118,536
Interest and penalty on property tax	61,433	-	-	-
Intergovernmental	880,293	53,085	118,947	3,251,830
Licenses and permits	212	-	-	6,390
Charges for service	357,032	-	2,718	66
Use of money and property	23,820	-	-	-
Miscellaneous	45,063	22,481	-	73,082
Total revenues	4,225,100	475,556	1,154,747	3,449,904
Expenditures:				
Operating:				
Public safety and legal services	1,708,167	-	425,714	-
Physical health and social services	660,355	-	45,000	-
Mental health	-	381,523	-	-
County environment and education	463,090	-	47,271	-
Roads and transportation	-	-	-	3,222,181
Governmental services to residents	482,129	-	-	-
Administration	982,558	-	-	-
Debt service	104,963	-	-	-
Capital projects	-	-	-	359,731
Total expenditures	4,401,262	381,523	517,985	3,581,912
Excess (deficiency) of revenues over (under) expenditures	(176,162)	94,033	636,762	(132,008)
Other financing sources (uses):				
Transfers in	-	-	-	670,237
Transfers out	-	-	(670,237)	-
Total other financing sources (uses)	-	-	(670,237)	670,237
Change in fund balances	(176,162)	94,033	(33,475)	538,229
Fund balances beginning of year	6,061,196	310,943	634,743	2,431,518
Fund balances end of year	\$ 5,885,034	404,976	601,268	2,969,747

See notes to financial statements.

Nonmajor	Total
84,612	4,019,322
126,410	600,555
-	61,433
24,168	4,328,323
-	6,602
50,143	409,959
5,021	28,841
55,649	196,275
<u>346,003</u>	<u>9,651,310</u>
73,246	2,207,127
-	705,355
-	381,523
150,103	660,464
-	3,222,181
-	482,129
-	982,558
51,309	156,272
-	359,731
<u>274,658</u>	<u>9,157,340</u>
<u>71,345</u>	<u>493,970</u>
-	670,237
-	<u>(670,237)</u>
-	-
71,345	493,970
<u>492,733</u>	<u>9,931,133</u>
<u>564,078</u>	<u>10,425,103</u>

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, 2017

Change in fund balances - Total governmental funds (page 25) \$ 493,970

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	\$ 541,278	
Capital assets contributed by the Iowa Department of Transportation	384,974	
Depreciation expense	<u>(1,248,336)</u>	(322,084)

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (14,776)

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

Property tax	3,018	
Other	<u>(67,560)</u>	(64,542)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 133,021

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. 310,944

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	27,108	
Other postemployment benefits	(27,800)	
Pension expense	(336,617)	
Interest on long-term debt	<u>197</u>	(337,112)

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. 89,516

Change in net position of governmental activities (page 19) \$ 288,937

See notes to financial statements.

Appanoose County
Statement of Net Position
Proprietary Fund
June 30, 2017

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 201,551
Liabilities	
Accounts payable	<u>12,401</u>
Net Position	
Unrestricted	<u>\$ 189,150</u>

See notes to financial statements.

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

Year ended June 30, 2017

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Contributions from operating funds		\$ 680,321
Reimbursements from employees and others		192,381
Refunds		<u>338</u>
Total operating revenues		873,040
Operating expenses:		
Medical and health services	\$ 759,579	
Supplemental insurance	14,981	
Miscellaneous	<u>8,975</u>	<u>783,535</u>
Operating income		89,505
Non-operating revenues:		
Interest income		<u>11</u>
Net income		89,516
Net position beginning of year		<u>99,634</u>
Net position end of year		<u>\$ 189,150</u>

See notes to financial statements.

Appanoose County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2017

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 680,321
Cash received from employees and others	192,381
Cash received from refunds	338
Cash paid to suppliers for services	(777,205)
Net cash provided by operating activities	95,835
Cash flows from investing activities:	
Interest on investments	11
Increase in cash and cash equivalents	95,846
Cash and cash equivalents beginning of year	105,705
Cash and cash equivalents end of year	\$ 201,551
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 89,505
Adjustment to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	6,330
Net cash provided by operating activities	\$ 95,835

See notes to financial statements.

Appanoose County

Appanoose County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2017

Assets

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 1,169,011
Other County officials	63,192
Receivables:	
Property tax:	
Delinquent	102,824
Succeeding year	9,044,000
Accounts	231
Assessments	15,740
Due from other governments	9,860
Total assets	10,404,858

Liabilities

Accounts payable	50,287
Salaries and benefits payable	855
Due to other governments	10,253,604
Trusts payable	93,592
Compensated absences	6,520
Total liabilities	10,404,858
Net position	\$ -

See notes to financial statements.

Appanoose County

Notes to Financial Statements

June 30, 2017

(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 E-911 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 and reduced by outstanding balances for bonds, notes and other debt attributes to the acquisition, construction or improvement of those assets.

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, 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 amortized cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2016.

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, furniture, and equipment and intangibles acquired after July 1, 1980 are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire the capital asset with equivalent service potential. 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. Capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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, the unamortized portion of the net difference between projected and actual earnings on IPERS’ investments 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, 2017. 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 applicable governmental activities or proprietary fund 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. The net pension liability attributable to governmental activities will be paid primarily by the General Fund and Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and the unrecognized items not yet credited to pension expense.

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2017, disbursements exceeded the amount budgeted in the debt service function.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2017 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, 2017, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,012,811 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT is unrated.

The County had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement. No. 72.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>\$ 670,237</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 598,093	-	-	598,093
Construction in progress, road network	63,778	744,705	423,509	384,974
Total capital assets not being depreciated	661,871	744,705	423,509	983,067
Capital assets being depreciated:				
Buildings	1,977,950	-	-	1,977,950
Improvements other than buildings	54,400	-	-	54,400
Equipment and vehicles	6,027,250	290,325	170,788	6,146,787
Infrastructure, other	21,692,109	359,731	-	22,051,840
Infrastructure, road network	1,109,642	-	-	1,109,642
Total capital assets being depreciated	30,861,351	650,056	170,788	31,340,619
Less accumulated depreciation for:				
Buildings	504,891	35,669	-	540,560
Improvements other than buildings	7,254	3,627	-	10,881
Equipment and vehicles	3,463,490	328,913	111,012	3,681,391
Infrastructure, other	5,619,690	853,375	-	6,473,065
Infrastructure, road network	403,259	26,752	-	430,011
Total accumulated depreciation	9,998,584	1,248,336	111,012	11,135,908
Total capital assets being depreciated, net	20,862,767	(598,280)	59,776	20,204,711
Governmental activities capital assets, net	\$ 21,524,638	146,425	483,285	21,187,778

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 64,754
Physical health and social services	323
County environment and education	60,423
Roads and transportation	1,113,020
Administration	9,816
Total depreciation expense - governmental activities	\$ 1,248,336

(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, 2017 is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	<u>\$ 26,560</u>
Special Revenue:		
Mental Health	Services	24,616
Secondary Roads	Services	<u>2,635</u>
		<u>27,251</u>
Total for governmental funds		<u>\$ 53,811</u>
Agency:		
Agricultural Extension Education	Collections	\$ 105,386
County Assessor		339,752
Schools		5,828,790
Community Colleges		339,703
Corporations		2,399,869
Townships		426,891
Auto License and Use Tax		303,022
ADLM Empowerment		77,114
All other		<u>433,077</u>
Total for agency funds		<u>\$ 10,253,604</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	<u>Honey Creek Loan</u>	<u>General Obligation Refunding Capital Loan Notes</u>	<u>Compensated Absences</u>	<u>Other Post-employment Benefits</u>	<u>Net Pension Liability</u>	<u>Total</u>
Balance beginning of year	\$ 110,483	910,000	245,437	106,600	1,805,124	3,177,644
Increases	-	-	141,152	34,000	607,061	782,213
Decreases	<u>48,021</u>	<u>85,000</u>	<u>168,260</u>	<u>6,200</u>	-	<u>307,481</u>
Balance end of year	<u>\$ 62,462</u>	<u>825,000</u>	<u>218,329</u>	<u>134,400</u>	<u>2,412,185</u>	<u>3,652,376</u>
Due within one year	<u>\$ 49,747</u>	<u>80,000</u>	<u>126,515</u>	-	-	<u>256,262</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, 2017 Honey Creek loan indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2018	3.50%	\$ 49,747	1,561	51,308
2019	3.50	12,715	112	12,827
Total		\$ 62,462	1,673	64,135

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

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 the Rathbun Area Solid Waste Management Commission (RASWMC). The notes 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. A summary of the County's June 30, 2017 refunding capital loan note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2018	1.25%	\$ 80,000	18,782	98,782
2019	1.25	85,000	17,783	102,783
2020	1.70	85,000	16,720	101,720
2021	1.70	85,000	15,275	100,275
2022	2.00	90,000	13,830	103,830
2023-2027	2.00-3.30	400,000	34,635	434,635
Total		\$ 825,000	117,025	942,025

(7) Loans 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.

The County entered into an economic development agreement with RMA Armament, Inc. on April 18, 2016 for a loan of \$150,000. Under the agreement, RMA Armament, Inc. is to repay the loan at a rate of 3.00% per annum over ten years, based on the following schedule:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2018	3.00%	\$ 13,458	3,924	17,382
2019	3.00	13,867	3,515	17,382
2020	3.00	14,281	3,102	17,383
2021	3.00	14,723	2,659	17,382
2022	3.00	15,171	2,211	17,382
2023-2026	3.00	65,439	4,092	69,531
Total		\$ 136,939	19,503	156,442

The County entered into an economic development agreement with S&L on February 7, 2017 for a loan of \$60,000. Under the agreement, S&L is to repay the loan at a rate of 3.00% per annum over ten years, based on the following schedule:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2018	3.00%	\$ 5,263	1,689	6,952
2019	3.00	5,423	1,529	6,952
2020	3.00	5,588	1,364	6,952
2021	3.00	5,758	1,194	6,952
2022	3.00	5,933	1,019	6,952
2023-2027	3.00	30,311	2,281	32,592
Total		\$ 58,276	9,076	67,352

(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 the 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.

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, except members with service before June 30, 2012 will use the highest three-year average salary as of that date 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, deputy's or protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service 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 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 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 – Contributions 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 percentage point. IPERS Contribution Rate Funding Policy requires 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 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll, for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.63% of covered payroll, for a total rate of 19.26%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2017 totaled \$310,944.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the County reported a liability of \$2,412,185 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the County's proportion was 0.038329%, which was an increase of 0.001792% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$336,617. At June 30, 2017, 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	\$ 19,729	51,250
Changes of assumptions	34,058	10,760
Net difference between projected and actual earnings on IPERS' investments	448,292	-
Changes in proportion and differences between County contributions and proportionate share of contributions	83,138	21,244
County contributions subsequent to the measurement date	310,944	-
Total	<u>\$ 896,161</u>	<u>83,254</u>

\$310,944 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. 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
2018	\$ 63,081
2019	63,081
2020	245,153
2021	133,748
2022	(3,100)
Total	<u>\$ 501,963</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 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.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 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
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	<u>100%</u>	

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 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 to 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 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):	\$ 4,291,806	2,412,185	827,382

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.

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2017.

(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 66 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, 2017, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 33,800
Interest on net OPEB obligation	4,300
Adjustment to annual required contributions	<u>(4,100)</u>
Annual OPEB cost	34,000
Contribution made	<u>(6,200)</u>
Increase in net OPEB obligation	27,800
Net OPEB obligation beginning of year	<u>106,600</u>
Net OPEB obligation end of year	<u>\$ 134,400</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, 2017.

For the year ended June 30, 2017, the County contributed \$6,200 to the medical plan. Plan members eligible for benefits contributed \$269, or 4% 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
2015	\$ 24,800	96.8%	\$ 72,800
2016	33,800	0.0	106,600
2017	34,000	18.0	134,400

Funded Status and Funding Progress – As of July 1, 2016 the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was approximately \$225,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$225,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,562,000 and the ratio of UAAL to covered payroll was 6.3%. As of June 30, 2017, 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, 2016 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 RP2015 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, 2016 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2016.

Projected claim costs of the medical plan are \$1,350 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 \$1,500 for single coverage and \$1,000 and \$3,000 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, 2017 was \$680,321.

Amounts payable from the Employee Group Health Fund at June 30, 2017 total \$12,401, 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 \$189,150 at June 30, 2017 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	\$ 6,071
Incurred claims (including claims incurred but not reported at June 30, 2017)	758,112
Payments on claims during the fiscal year	<u>(751,782)</u>
Unpaid claims end of year	<u>\$ 12,401</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, 2017 is as follows:

	<u>Early Childhood</u>	<u>School Ready</u>	<u>Total</u>
Revenues:			
State grants:			
Early childhood	\$ 67,670	-	67,670
Family support and parent education	-	240,929	240,929
Preschool support for low-income families	-	105,785	105,785
Quality improvement	-	52,824	52,824
Allocation for administration	3,751	13,142	16,893
Other grant programs	-	25,705	25,705
Total state grants	71,421	438,385	509,806
Interest on investments	8	86	94
Total revenues	<u>71,429</u>	<u>438,471</u>	<u>509,900</u>
Expenditures:			
Program services:			
Family support and parent education	-	244,732	244,732
Preschool support for low income families	-	104,753	104,753
Quality improvement	-	49,008	49,008
Other program services	62,313	51,821	114,134
Total program services	62,313	450,314	512,627
Administration	3,601	11,585	15,186
Total expenditures	<u>65,914</u>	<u>461,899</u>	<u>527,813</u>
Change in fund balance	5,515	(23,428)	(17,913)
Fund balance beginning of year	2,517	54,751	57,268
Fund balance end of year	<u>\$ 8,032</u>	<u>31,323</u>	<u>39,355</u>

Findings related to the operations of the Early Childhood Iowa Area Board are included as items (10) and (11) 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, 2017 as follows:

Revenues:		
Property and other county tax		\$ 399,990
Intergovernmental revenues:		
State tax credits	\$ 52,613	
Other	472	53,085
Miscellaneous		22,481
Total revenues		<u>475,556</u>
Expenditures:		
Services to persons with:		
Mental illness	132,687	
Intellectual disability	1,000	
Other developmental disabilities	1,000	
Brain injury	1,546	136,233
General administration		
Direct administration	16,956	
Distribution to regional fiscal agent	228,334	245,290
Total expenditures		<u>381,523</u>
Excess of expenditures over revenues		94,033
Fund balance beginning of the year		<u>310,943</u>
Fund balance end of the year		<u>\$ 404,976</u>

(14) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the County's other postemployment benefits.

Appanoose County

Required Supplementary Information

Appanoose County

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

Required Supplementary Information

Year ended June 30, 2017

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 4,561,994	-	4,561,994
Interest and penalty on property tax	61,433	-	61,433
Intergovernmental	4,243,565	-	4,243,565
Licenses and permits	7,143	-	7,143
Charges for service	407,522	47,590	359,932
Use of money and property	24,644	-	24,644
Miscellaneous	169,092	4,340	164,752
Total receipts	9,475,393	51,930	9,423,463
Disbursements:			
Public safety and legal services	2,213,276	-	2,213,276
Physical health and social services	698,521	-	698,521
Mental health	355,765	-	355,765
County environment and education	768,934	68,868	700,066
Roads and transportation	3,370,390	-	3,370,390
Governmental services to residents	482,076	-	482,076
Administration	936,165	-	936,165
Debt service	156,272	-	156,272
Capital projects	358,938	-	358,938
Total disbursements	9,340,337	68,868	9,271,469
Excess (deficiency) of receipts over (under) disbursements	135,056	(16,938)	151,994
Other financing sources, net	104,963	-	104,963
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	240,019	(16,938)	256,957
Balance beginning of year	8,280,159	66,837	8,213,322
Balance end of year	\$ 8,520,178	49,899	8,470,279

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
4,468,652	4,468,652	93,342
7,000	7,000	54,433
4,634,621	4,634,621	(391,056)
1,650	2,810	4,333
358,580	358,580	1,352
15,000	15,000	9,644
81,060	81,060	83,692
<u>9,566,563</u>	<u>9,567,723</u>	<u>(144,260)</u>
2,525,860	2,543,860	330,584
904,522	905,682	207,161
367,203	367,203	11,438
889,103	889,103	189,037
3,517,000	4,488,194	1,117,804
553,290	553,290	71,214
1,017,033	1,017,033	80,868
155,773	155,773	(499)
912,000	912,000	553,062
<u>10,841,784</u>	<u>11,832,138</u>	<u>2,560,669</u>
(1,275,221)	(2,264,415)	2,416,409
<u>104,463</u>	<u>96,463</u>	<u>8,500</u>
(1,170,758)	(2,167,952)	2,424,909
<u>6,426,970</u>	<u>6,426,970</u>	<u>1,786,352</u>
<u>5,256,212</u>	<u>4,259,018</u>	<u>4,211,261</u>

Appanoose County

Appanoose County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2017

	<u>Governmental Funds</u>		
	Cash	Accrual	Modified
	Basis	Adjustments	Accrual
			Basis
Revenues	\$ 9,475,393	175,917	9,651,310
Expenditures	9,340,337	(182,997)	9,157,340
Net	135,056	358,914	493,970
Other financing sources, net	104,963	(104,963)	-
Beginning fund balances	8,280,159	1,650,974	9,931,133
Ending fund balances	<u>\$ 8,520,178</u>	<u>1,904,925</u>	<u>10,425,103</u>

See accompanying independent auditor's report.

Appanoose County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2017

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 \$990,354. 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 E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2017, disbursements exceeded the amount budgeted in the debt service function.

Appanoose County

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

Iowa Public Employees' Retirement System
For the Last Three Years*
(In Thousands)

Required Supplementary Information

	2017	2016	2015
County's proportion of the net pension liability	0.038329%	0.036537%	0.032988%
County's proportionate share of the net pension liability	\$ 2,412	1,805	1,308
County's covered-employee payroll	\$ 3,292	3,177	2,934
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	73.27	56.81%	44.58%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

Appanoose County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 311	301	291	271
Contributions in relation to the statutorily required contribution	<u>(311)</u>	<u>(301)</u>	<u>(291)</u>	<u>(271)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 3,416	3,292	3,177	2,934
Contributions as a percentage of covered-employee payroll	9.10%	9.14%	9.16%	9.24%

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
258	249	216	197	180	167
(258)	(249)	(216)	(197)	(180)	(167)
-	-	-	-	-	-
2,873	2,939	2,887	2,813	2,699	2,683
8.98%	8.47%	7.48%	7.00%	6.67%	6.22%

Appanoose County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2017

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for 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.

Legislative action in 2008 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.

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 (unfunded actuarial liability) 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.

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
2016	Jul 1, 2016	-	225	225	0.0	3,444	6.5
2017	Jul 1, 2016	-	225	225	0.0	3,562	6.3

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.

Appanoose County

Supplementary Information

Appanoose County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2017

			<u>Special</u>
	<u>County Recorder's Records Management</u>	<u>Resource Enhancement and Protection</u>	<u>Law Enforcement Forfeiture</u>
Assets			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 11,756	35,103	1,639
Conservation Foundation	-	-	-
Receivables:			
Accounts	237	-	-
Loan	-	-	-
Accrued interest	-	17	-
Due from other governments	-	-	-
Total assets	\$ 11,993	35,120	1,639
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	-	-
Fund balance:			
Restricted for other purposes	11,993	35,120	1,639
Total liabilities and fund balances	\$ 11,993	35,120	1,639

See accompanying independent auditor's report.

 Revenue

<u>Economic Development</u>	<u>Conservation Foundation</u>	<u>HazMat</u>	<u>Flood and Erosion</u>	<u>Total</u>
107,581	-	116,685	23,339	296,103
-	49,899	-	-	49,899
3,520	-	-	-	3,757
195,215	-	-	-	195,215
-	-	-	-	17
19,234	-	-	-	19,234
<u>325,550</u>	<u>49,899</u>	<u>116,685</u>	<u>23,339</u>	<u>564,225</u>
147	-	-	-	147
<u>325,403</u>	<u>49,899</u>	<u>116,685</u>	<u>23,339</u>	<u>564,078</u>
<u>325,550</u>	<u>49,899</u>	<u>116,685</u>	<u>23,339</u>	<u>564,225</u>

Appanoose County

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

Year ended June 30, 2017

	<u>Special</u>		
	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	-	13,858	-
Charges for service	2,553	-	-
Use of money and property	27	74	4
Miscellaneous	-	-	-
Total revenues	<u>2,580</u>	<u>13,932</u>	<u>4</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	-	-
Debt service	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	2,580	13,932	4
Fund balances beginning of year	<u>9,413</u>	<u>21,188</u>	<u>1,635</u>
Fund balances end of year	<u>\$ 11,993</u>	<u>35,120</u>	<u>1,639</u>

See accompanying independent auditor's report.

Revenue

Economic Development	Honey Creek Loan	Conservation Foundation	HazMat	Emergency Medical Services	Flood and Erosion	Total
11,366	-	-		73,246	-	84,612
126,410	-	-	-	-	-	126,410
-	-	-	10,310	-	-	24,168
-	-	47,590	-	-	-	50,143
4,916	-	-	-	-	-	5,021
-	51,309	4,340	-	-	-	55,649
142,692	51,309	51,930	10,310	73,246	-	346,003
-	-	-	-	73,246	-	73,246
81,235	-	68,868	-	-	-	150,103
-	51,309	-	-	-	-	51,309
81,235	51,309	68,868	-	73,246	-	274,658
61,457	-	(16,938)	10,310	-	-	71,345
263,946	-	66,837	106,375	-	23,339	492,733
325,403	-	49,899	116,685	-	23,339	564,078

Appanoose County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	2,340	115,188	121,010	7,359
Other County officials	63,192	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,046	2,350	59,780	3,344
Succeeding year	-	102,000	230,000	5,648,000	329,000
Accounts	-	-	-	-	-
Assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 63,192	105,386	347,538	5,828,790	339,703
Liabilities					
Accounts payable	\$ -	-	1,787	-	-
Salaries payable	-	-	779	-	-
Due to other governments	350	105,386	339,752	5,828,790	339,703
Trusts payable	62,842	-	-	-	-
Compensated absences	-	-	5,220	-	-
Total liabilities	\$ 63,192	105,386	347,538	5,828,790	339,703

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
52,685	3,782	303,022	30,750	123,117	409,758	1,169,011
-	-	-	-	-	-	63,192
35,184	1,109	-	-	-	11	102,824
2,312,000	422,000	-	-	-	1,000	9,044,000
-	-	-	-	83	148	231
-	-	-	-	-	15,740	15,740
-	-	-	-	-	9,860	9,860
<u>2,399,869</u>	<u>426,891</u>	<u>303,022</u>	<u>30,750</u>	<u>123,200</u>	<u>436,517</u>	<u>10,404,858</u>
-	-	-	-	46,086	2,414	50,287
-	-	-	-	-	76	855
2,399,869	426,891	303,022	-	77,114	432,727	10,253,604
-	-	-	30,750	-	-	93,592
-	-	-	-	-	1,300	6,520
<u>2,399,869</u>	<u>426,891</u>	<u>303,022</u>	<u>30,750</u>	<u>123,200</u>	<u>436,517</u>	<u>10,404,858</u>

Appanoose County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Balances beginning of year	\$ 61,947	106,487	348,250	5,589,498	335,962
Additions:					
Property and other county tax	-	102,391	230,238	5,659,362	329,230
E-911 surcharge	-	-	-	-	-
State tax credits	-	13,589	33,446	728,596	42,742
Drivers license fees	-	-	-	-	-
Office fees and collections	279,025	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	104,422	-	-	-	-
Miscellaneous	-	122	925	15,227	384
Total additions	383,447	116,102	264,609	6,403,185	372,356
Deductions:					
Agency remittances:					
To other funds	155,872	-	-	-	-
To other governments	117,084	117,203	265,321	6,163,893	368,615
Trusts paid out	109,246	-	-	-	-
Total deductions	382,202	117,203	265,321	6,163,893	368,615
Balances end of year	\$ 63,192	105,386	347,538	5,828,790	339,703

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
2,355,486	362,945	284,677	63,106	124,684	433,717	10,066,759
2,302,606	246,391	-	-	-	183,872	9,054,090
-	-	-	-	-	230,890	230,890
416,449	17,368	-	-	-	2,133	1,254,323
-	-	54,291	-	-	-	54,291
-	-	-	-	-	-	279,025
-	-	3,503,463	-	-	-	3,503,463
-	-	-	-	-	22,498	22,498
-	-	-	286,725	-	15,440	406,587
6,985	-	-	-	512,123	124,038	659,804
2,726,040	263,759	3,557,754	286,725	512,123	578,871	15,464,971
-	-	133,687	-	-	-	289,559
2,681,657	199,813	3,405,722	-	513,607	576,071	14,408,986
-	-	-	319,081	-	-	428,327
2,681,657	199,813	3,539,409	319,081	513,607	576,071	15,126,872
2,399,869	426,891	303,022	30,750	123,200	436,517	10,404,858

Appanoose County

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

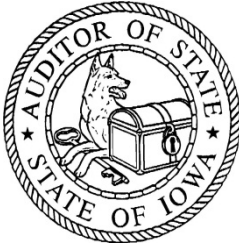
For the Last Ten Years

	2017	2016	2015	Modified 2014
Revenues:				
Property and other county tax	\$ 4,019,322	4,159,544	4,224,240	4,240,825
Local option sales and services tax	600,555	561,228	617,942	537,244
Interest and penalty on property tax	61,433	70,040	74,798	79,906
Intergovernmental	4,328,323	4,462,362	3,937,632	4,822,728
Licenses and permits	6,602	4,190	2,535	2,195
Charges for service	409,959	463,989	366,995	372,690
Use of money and property	28,841	24,431	54,519	15,149
Miscellaneous	196,275	427,361	378,935	257,297
Total	\$ 9,651,310	10,173,145	9,657,596	10,328,034
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,207,127	2,136,494	2,111,976	2,001,614
Physical health and social services	705,355	731,769	878,427	777,826
Mental health	381,523	776,487	652,199	668,395
County environment and education	660,464	912,655	1,129,135	951,392
Roads and transportation	3,222,181	3,629,236	3,066,876	3,737,613
Governmental services to residents	482,129	577,376	457,776	464,875
Administration	982,558	877,579	915,899	1,116,712
Debt service	156,272	332,380	212,920	221,934
Capital projects	359,731	117,029	6,447	747,768
Total	\$ 9,157,340	10,091,005	9,431,655	10,688,129

See accompanying independent auditor's report.

Accrual Basis					
2013	2012	2011	2010	2009	2008
3,790,795	4,296,204	3,943,992	4,005,725	3,637,673	3,503,441
605,534	515,706	534,891	497,722	494,887	528,769
75,668	88,430	78,355	78,520	75,235	66,110
4,109,315	4,997,948	5,093,975	5,051,548	4,725,998	4,519,436
2,620	2,375	2,037	1,307	2,790	3,115
374,804	329,692	331,969	327,598	303,891	320,864
17,031	21,828	30,733	38,151	80,878	261,837
408,303	214,822	274,411	235,341	234,417	238,469
9,384,070	10,467,005	10,290,363	10,235,912	9,555,769	9,442,041
1,950,127	1,896,588	1,743,618	1,702,446	1,837,930	1,463,922
690,490	720,646	773,423	697,652	727,099	672,941
600,136	1,211,520	914,098	1,006,529	1,075,797	1,166,537
574,827	602,435	695,933	660,543	532,833	701,906
3,413,239	3,243,128	3,634,672	3,023,143	3,377,865	3,350,109
440,916	404,590	414,367	413,383	401,885	342,162
965,137	918,495	873,352	956,428	722,593	689,098
304,978	200,995	196,566	203,974	363,354	92,781
337,204	481,853	931,650	831,500	417,520	122,777
9,277,054	9,680,250	10,177,679	9,495,598	9,456,876	8,602,233

Appanoose County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Appanoose County:

We have audited 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, 2017, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 29, 2018.

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 have not been 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 (F) 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, 2017 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

June 29, 2018

Appanoose County

Schedule of Findings

Year ended June 30, 2017

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County’s financial statements.

Condition – 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 (Employee Group Health)
(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, and Agricultural Extension
(3) A listing of mail receipts is not prepared.	Auditor (Employee Group Health)
(4) 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
(5) Depositing, reconciling and recording of receipts is done by the custodian of the change funds for which no compensating controls exist.	Treasurer
(6) Cash drawers are shared between employees.	Treasurer

Appanoose County

Schedule of Findings

Year ended June 30, 2017

- | | | |
|------|---|--|
| (7) | 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. | Treasurer |
| (8) | Monthly reports of voided receipts are not generated in Solutions. While daily voided transactions are emailed to the treasurer and reviewed, the review is performed by individuals with the ability to void 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,
Treasurer |

Cause – The County offices noted above have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the County's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – Each official should review the control activities of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

Responses –

Recorder – We try our best to segregate duties. It's very hard when you only have two people in the office, the Recorder and Deputy Recorder.

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 – With limited staff, segregation of duties can be a challenge. We will do our best to work on this and make improvements.

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

Appanoose County

Schedule of Findings

Year ended June 30, 2017

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

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

Auditor – We have been able to rectify some of these recommendations this year. A mail listing is prepared and the reconciliations are prepared by someone not authorized to sign checks as well as having them reviewed by the County Treasurer. While we have been able to accomplish some items others cannot be met. Due to HIPAA laws, we do not feel outside sources should have access to the incoming mail.

Conclusions –

Treasurer, Public Health Nurse – Responses accepted.

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

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County's financial statements.

Condition – Material amounts of receivables, payables and capital asset additions and deletions were not properly recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Cause – County policies do not require and procedures have not been established to require independent review of year end cut-off transactions to ensure the County's financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in County employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the County's financial statements were necessary.

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

Appanoose County
Schedule of Findings
Year ended June 30, 2017

Responses –

Auditor – We will work on getting a policy developed.

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

Conclusion – Responses accepted.

(C) Conservation Foundation

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Foundation's financial statements.

Condition – One individual opens the mail, collects and records receipts and make deposits for the Conservation Foundation. An initial listing of mail receipts is prepared; however, it is not compared to recorded receipts by an independent person.

Cause – The Conservation Foundation has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Foundation's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The Conservation Foundation should review its control activities to obtain the maximum internal control possible under the circumstances. The initial listing should be compared to recorded receipts and the bank reconciliations should be 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 – The Appanoose County Foundation will work to correct any problems.

Conclusion – Response acknowledged. The Conservation Foundation should review control activities of its office.

Appanoose County

Schedule of Findings

Year ended June 30, 2017

(D) Computer Systems

Criteria – Properly designed policies and procedures pertaining to control activities over the County’s computer systems and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable, regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Condition – The County does not have written policies for:

- password privacy and confidentiality.
- requiring password changes because software does not require the user to change log-ins/passwords periodically.

Also, the County does not have a written disaster recovery plan.

Cause – Management has not required written policies for the above computer based controls.

Effect – Lack of written policies for computer based systems could result in a loss of data or compromised data, resulting in unreliable financial information. The failure to have a formal disaster recovery plan could result in the County’s inability to function in the event of a disaster or continue County business without interruption.

Recommendation – The County should develop written policies addressing the above items in order to improve the County’s control over its computer systems. A written disaster recovery plan should also be developed.

Response – We will work on getting a policy developed.

Conclusion – Response accepted.

(E) County Engineer Fuel Usage Reports

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all consumable inventory items, including fuel, by maintaining appropriate accounting records and ensuring the records are reviewed by an independent person.

Condition – Although fuel usage reports are generated, they are not reviewed by an independent person.

Cause – Procedures have not been designed and implemented to ensure fuel usage reports are generated to allow for independent review of fuel usage.

Effect – When fuel usage is not adequately monitored and inadequate segregation of duties exist, the opportunity for misappropriation and undetected errors can result.

Appanoose County

Schedule of Findings

Year ended June 30, 2017

Recommendation – The County Engineer should establish procedures to require fuel usage reports be generated and reviewed timely by an independent person.

Response – We will work to ensure we are performing an independent review of monthly fuel reports.

Conclusion – Response accepted.

(F) Public Health

Criteria – An effective internal control system provides for internal controls related to reconciling nursing service billings, collections and receivables to ensure the accuracy of nursing service collections and receivables.

Condition – Monthly reconciliations of billings, collections and receivables were not prepared.

Cause – Policies have not been established and procedures have not been implemented to reconcile nursing service billings, collections and receivables. Public Health nurses are not familiar with this reconciliation process.

Effect – This condition could result in unrecorded or misstated nursing service revenues and receivables.

Recommendation – The Public Health Department should develop procedures to reconcile billings, collections and receivables.

Response – I keep excel files for services provided and reconcile accordingly.

Conclusion – Response acknowledged. The Public Health Department should develop procedures to reconcile nursing service billings, collections and receivables.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Appanoose County
 Schedule of Findings
 Year ended June 30, 2017

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amount budgeted in the debt service function.

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

Response – The lack of budgeting for invoice fees was an oversight. A closer examination of the budget and expenditures prior to disbursements will be more stringent. And when a budget amendment is prepared all expenses will be examined.

Conclusion – Response accepted.

- (2) Questionable Expenditures – Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted as follows: These disbursements are detailed as follows:

Paid to	Purpose	Amount
Walmart	Gatorade for engineering employees	\$ 119

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The Board of Supervisors should determine and document the public purpose served by this expenditure before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper documentation.

Response – In the future, the County will document the public purpose before authorizing any further payments.

Conclusion – Response accepted.

- (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.

Appanoose County

Schedule of Findings

Year ended June 30, 2017

- (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, 2017 for the County Extension Office did not exceed the amount budgeted.

- (10) 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, 2016 through June 30, 2017 for a fee not to exceed \$28,868. The total amount paid to the coordinator for fiscal year 2017 was \$27,484.

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 39% 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 – With the hiring of a new ECI Director, her employer can provide payroll information.

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.

Appanoose County

Schedule of Findings

Year ended June 30, 2017

- (11) 4 Counties 4 Kids Early Childhood Iowa Area Board – The annual financial report submitted to the Iowa Department of Management for fiscal year 2017 did not reconcile to the Area Board’s financial activity. Accrued expenditures reported for the annual financial report included \$65,537 of fiscal year 2016 expenditures reported for fiscal year 2017. Fiscal year 2017 accrued expenditures of \$62,331 were reported as fiscal year 2018 activity. The net amount of the fiscal year 2017 understatement was \$3,206.

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

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

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

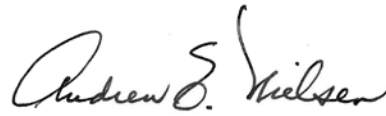
Conclusion – Response accepted.

Appanoose County

Staff

This audit was performed by:

Tammy A. Hollingsworth, CIA, Manager
Selina V. Johnson, CPA, Senior Auditor II
Mark D. Newhall, Staff Auditor
Taylor N. Kivell, Assistant Auditor
Libby C. Lamfers, Assistant Auditor
Mitchell W. Shipman, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State