



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

June 25, 2020

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on Appanoose County, Iowa.

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$10,959,248 for the year ended June 30, 2019, an 8.9% increase over the prior year. Expenses for County operations for the year ended June 30, 2019 totaled \$10,883,612, a 3.6% increase over the prior year.

AUDIT FINDINGS:

Sand reported nine findings related to the receipt and expenditure of taxpayer funds and one finding pertaining to the Appanoose County Conservation Foundation (Conservation Foundation), a blended component unit. They are found on pages 76 through 85 of this report. The findings address issues such as lack of segregation of duties and material amounts of accounts receivable and capital asset additions and deletions not properly recorded in the County's financial statements. Sand provided the County and the Conservation Foundation with recommendations to address each of these findings.

Six of the findings discussed above pertaining to the County and one finding pertaining to the Conservation Foundation are repeated from the prior year. The County Board of Supervisors and management of the Conservation Foundation have a fiduciary responsibility to provide oversight of the County's and the Conservation Foundation's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

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APPANOOSE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2019

Appanoose County



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Rob Sand
Auditor of State

June 12, 2020

Officials of Appanoose County, Iowa
Centerville, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Appanoose County, Iowa, for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of Appanoose County, Iowa, throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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Appanoose County

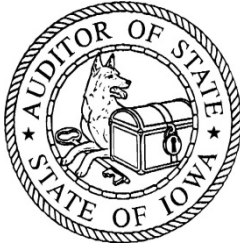
Officials

(Before January 2019)

<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 2022

(After January 2019)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Linda Demry	Board of Supervisors	Jan 2021
Neil Smith	Board of Supervisors	Jan 2021
Mark Waits	Board of Supervisors	Jan 2023
Kelly Howard	County Auditor	Jan 2021
Janet Davis	County Treasurer	Jan 2023
Teddy Walker	County Recorder	Jan 2023
Gary Anderson	County Sheriff	Jan 2021
Susan Scieszinski	County Attorney	Jan 2023
Michael Barth	County Assessor	Jan 2022



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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, 2019, 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, 2019, 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 Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 8 through 14 and 52 through 61 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.

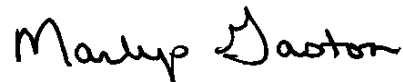
Supplementary Information

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, 2018 (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 12, 2020 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.



Marlys K. Gaston, CPA
Deputy Auditor of State

June 12, 2020

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, 2019. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2019 FINANCIAL HIGHLIGHTS

- The County's governmental activities revenues increased 8.9%, or \$898,591, from fiscal year 2018 to fiscal year 2019. Property tax increased \$416,641, local option sales tax increased \$185,941, and capital grants, contributions and restricted interest increased \$284,161.
- The County's governmental activities expenses increased 3.6%, or \$376,121, from fiscal year 2018 to fiscal year 2019. Expenses increased \$391,362 in the roads and transportation function, \$281,825 in the mental health function, and decreased \$203,875 in the governmental services to residents function.
- The County's net position increased 0.3%, or \$75,636, from the June 30, 2018 balance.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes.

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 ADLM empowerment, 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 \$28,662,068 at the end of fiscal year 2018 to \$28,737,004 at the end of fiscal year 2019. The analysis that follows focuses on the changes in the net position of governmental activities.

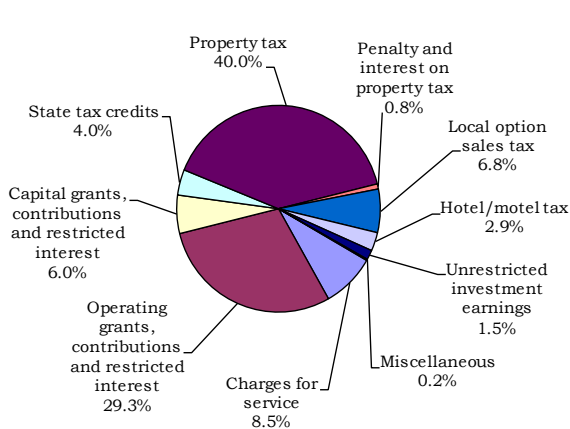
Net Position of Governmental Activities		
	June 30,	
	2019	2018
Current and other assets	\$ 16,241,313	15,968,845
Capital assets	20,412,117	20,380,237
Total assets	<u>36,653,430</u>	<u>36,349,082</u>
Deferred outflows of resources	820,032	949,932
Long-term liabilities	3,452,561	3,870,556
Other liabilities	417,925	386,811
Total liabilities	<u>3,870,486</u>	<u>4,257,367</u>
Deferred inflows of resources	4,865,272	4,379,579
Net position:		
Net investment in capital assets	20,412,117	20,380,237
Restricted	7,454,579	7,433,976
Unrestricted	871,008	847,855
Total net position	<u>\$ 28,737,704</u>	<u>28,662,068</u>

Net position of Appanoose County's governmental activities remained approximately the same at \$28.7 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 \$848,000 at June 30, 2018 to approximately \$871,000 at June 30, 2019, an increase of 2.7%.

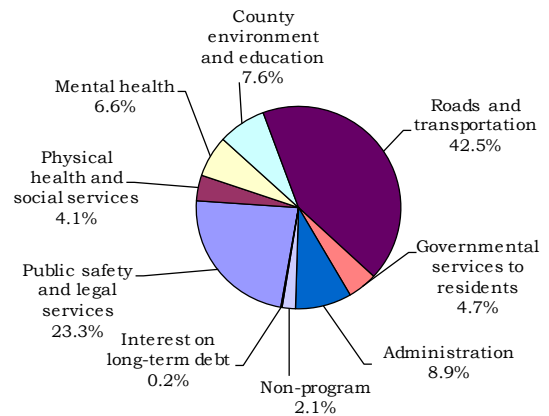
Changes in Net Position of Governmental Activities

	Year ended June 30,	
	2019	2018
Revenues:		
Program revenues:		
Charges for service	\$ 936,694	825,002
Operating grants, contributions and restricted interest	3,209,007	3,446,059
Capital grants, contributions and restricted interest	660,836	376,675
General revenues:		
Property tax	4,373,955	3,957,314
Penalty and interest on property tax	85,934	82,474
State tax credits	443,803	424,150
Local option sales tax	743,616	557,675
Hotel/motel tax	315,678	234,853
Unrestricted investment earnings	167,501	70,875
Gain on disposition of assets	-	350
Miscellaneous	22,224	85,230
Total revenues	10,959,248	10,060,657
Program expenses:		
Public safety and legal services	2,531,912	2,516,281
Physical health and social services	451,195	545,855
Mental health	720,850	439,025
County environment and education	827,115	671,676
Roads and transportation	4,626,446	4,235,084
Governmental services to residents	513,346	717,221
Administration	963,266	1,066,745
Non-program	231,208	294,993
Interest on long-term debt	18,274	20,611
Total expenses	10,883,612	10,507,491
Change in net position	75,636	(446,834)
Net position beginning of year	28,662,068	29,108,902
Net position end of year	\$ 28,737,704	28,662,068

Revenues by Source



Expenses by Program



Appanoose County's governmental activities net position increased approximately \$77,000. Revenues for governmental activities increased approximately \$899,000 over the prior year. Property tax and other county tax increased approximately \$417,000, local option sales tax increased approximately \$186,000 and capital grants, contributions and restricted interest increased approximately \$284,000.

For fiscal year 2019, taxable property valuation increased approximately \$27 million and the tax levy rate increased \$.36608 per \$1,000 of taxable valuation. These increases resulted in an increase in property tax revenue of approximately \$417,000. The total Appanoose County assessed taxable property valuation for property tax payable in fiscal year 2020 increased approximately \$12.4 million and the tax levy rate is set to increase \$.13170 per \$1,000 of taxable valuation. Property tax revenue is budgeted to increase approximately \$211,000 next year.

The cost of all governmental activities this year was approximately \$10.9 million compared to approximately \$10.5 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these projects was approximately \$6.1 million because some of the cost was paid by those directly benefiting from the programs (approximately \$937,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$3,870,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, increased in fiscal year 2019 from approximately \$4,648,000 to approximately \$4,807,000, principally due to increased capital grants for roads and transportation in fiscal year 2019. 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 \$11.0 million, a decrease of approximately \$5,000 from last year's total. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$362,000, or 8.8%, over the prior year primarily due to an increase in property and other county tax. Expenditures decreased approximately \$108,000, or 2.4%, from the prior year. The ending fund balance increased \$57,272 during the year to \$5,529,268.
- The County has continued to look for ways to effectively manage the cost of mental health services. Revenues increased approximately \$16,000, or 2.9%, over the prior year. Expenditures increased approximately \$283,000, or 65.0%, over the prior year due to an increase in distributions to the region. The Special Revenue, Mental Health Fund balance decreased \$159,974 during the year to \$352,644.
- Special Revenue, Rural Services Fund expenditures remained consistent while revenues increased approximately \$168,000, or 14.3%, when compared to the prior year, primarily due to increases in property and other county taxes and local option sales and services taxes. The fund balance increased \$96,653 over the prior year to \$556,295.
- Special Revenue, Secondary Roads Fund revenues decreased approximately \$156,000, or 4.2%, from the prior year. Expenditures increased approximately \$876,000, or 25.5%, over the prior year primarily due to equipment purchases and bridge and culvert maintenance costs. The fund balance at June 30, 2019 was \$3,863,975 compared to the prior year ending fund balance of \$3,967,750, a decrease of \$103,775.

BUDGETARY HIGHLIGHTS

Over the course of the year, Appanoose County amended its budget two times. The amendments resulted in an increase to budgeted revenues and an increase in all expenditure functions except governmental services to residents and debt service, which did not change.

The County's total receipts were \$476,859 more than budgeted, a variance of 4.79%. The most significant variances resulted from the County receiving more in other county tax receipts and interest on investments than anticipated.

Total disbursements were \$2,281,152 less than the amended budget. Actual disbursements for the capital projects, roads and transportation and public safety and legal services functions were \$813,467, \$562,950 and \$348,581, respectively, less than budgeted. This was primarily due to construction and capital projects not being completed as anticipated during the fiscal year, and less public safety salary and inmate costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, Appanoose County had approximately \$20.4 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,	
	2019	2018
Land	\$ 598,093	598,093
Buildings and improvements	1,506,307	1,441,613
Equipment and vehicles	2,281,413	2,284,548
Infrastructure	15,553,268	15,885,029
Construction in progress	473,036	170,954
Total	<u>\$ 20,412,117</u>	<u>20,380,237</u>

The County had depreciation expense of \$1,275,670 in fiscal year 2019 and total accumulated depreciation of \$13,514,755 at June 30, 2019. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2019, Appanoose County had \$660,000 of long-term debt outstanding, compared to \$757,715 at June 30, 2018, as shown below.

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2019	2018
Honey Creek loan	\$ -	12,715
General obligation refunding capital loan notes	660,000	745,000
Total	<u>\$ 660,000</u>	<u>757,715</u>

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 \$39 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 2018 to fiscal year 2019, the countywide property taxable valuation increased approximately \$27,006,000 while the rural services property taxable valuation increased approximately \$22,341,000. From fiscal year 2019 to fiscal year 2020, the countywide property taxable valuation increased approximately \$12,422,000 while the rural services property taxable valuation increased approximately \$8,924,000.

These factors were taken into account when adopting the budget for fiscal year 2020. Revenues in the operating budget are approximately \$10,270,000, a 3.2% increase over the final fiscal year 2019 budget. Budgeted disbursements decreased approximately \$340,000 from the final fiscal year 2019 budget, primarily in the roads and transportation function. The County has added no major new programs or initiatives to the fiscal year 2020 budget. If these estimates are realized, the County's budgetary operating balance is expected to increase 6.1% by the close of fiscal year 2020.

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.

Basic Financial Statements

Appanoose County
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 9,532,338
Conservation Foundation	42,753
Receivables:	
Property tax:	
Delinquent	44,768
Succeeding year	4,492,000
Interest and penalty on property tax	90,161
Accounts	23,677
Loans	824,975
Accrued interest	13,185
Due from other governments	489,051
Inventories	650,997
Prepaid expenses	37,408
Capital assets, net of accumulated depreciation	20,412,117
Total assets	36,653,430
Deferred Outflows of Resources	
Pension related deferred outflows	813,559
OPEB related deferred outflows	6,501
Total deferred outflows of resources	820,060
Liabilities	
Accounts payable	294,609
Salaries and benefits payable	88,907
Accrued interest payable	1,393
Due to other governments	33,016
Long-term liabilities:	
Portion due or payable within one year:	
General obligation refunding capital loan notes	85,000
Compensated absences	170,774
Portion due or payable after one year:	
General obligation refunding capital loan notes	575,000
Compensated absences	84,577
Total OPEB liability	336,134
Net pension liability	2,201,076
Total liabilities	3,870,486
Deferred Inflows of Resources	
Unavailable property tax revenue	4,492,000
Pension related deferred inflows	335,246
OPEB related deferred inflows	38,054
Total deferred inflows of resources	4,865,300
Net Position	
Net investment in capital assets	20,412,117
Restricted for:	
Supplemental levy purposes	2,110,974
Mental health purposes	356,648
Rural services purposes	541,396
Secondary roads purposes	3,698,676
Other purposes	746,885
Unrestricted	871,008
Total net position	\$ 28,737,704

See notes to financial statements.

Appanoose County
Statement of Activities
Year ended June 30, 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,531,912	152,217	105,945	-	(2,273,750)
Physical health and social services	451,195	31,388	100,716	-	(319,091)
Mental health	720,850	67,916	-	-	(652,934)
County environment and education	827,115	91,652	11,156	-	(724,307)
Roads and transportation	4,626,446	61,182	2,987,936	660,836	(916,492)
Governmental services to residents	513,346	242,311	344	-	(270,691)
Administration	963,266	56,129	2,900	-	(904,237)
Non-program	231,208	233,899	10	-	2,701
Interest on long-term debt	18,274	-	-	-	(18,274)
Total	<u>\$ 10,883,612</u>	<u>936,694</u>	<u>3,209,007</u>	<u>660,836</u>	<u>(6,077,075)</u>
General Revenues:					
Property and other county tax levied for general purposes					4,373,955
Penalty and interest on property tax					85,934
State tax credits					443,803
Local option sales tax					743,616
Hotel/motel tax					315,678
Unrestricted investment earnings					167,501
Miscellaneous					<u>22,224</u>
Total general revenues					<u>6,152,711</u>
Change in net position					75,636
Net position beginning of year					<u>28,662,068</u>
Net position end of year					<u>\$ 28,737,704</u>

See notes to financial statements.

Appanoose County
Balance Sheet
Governmental Funds

June 30, 2019

	General	Mental Health	Special Rural Services
Assets			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 4,839,828	354,378	514,664
Conservation Foundation	-	-	-
Receivables:			
Property tax:			
Delinquent	34,793	5,679	4,296
Succeeding year	3,130,000	511,000	851,000
Interest and penalty on property tax	90,161	-	-
Accounts	22,868	-	80
Loan	660,000	-	-
Accrued interest	13,060	-	-
Due from other governments	81,670	-	57,946
Inventories	-	-	-
Prepaid expenditures	37,408	-	-
Total assets	\$ 8,909,788	871,057	1,427,986
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 48,352	77	4,801
Salaries and benefits payable	44,973	1,657	11,594
Due to other governments	32,241	-	-
Total liabilities	125,566	1,734	16,395
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	3,130,000	511,000	851,000
Other	124,954	5,679	4,296
Total deferred inflows of resources	3,254,954	516,679	855,296
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid expenditures	37,408	-	-
Restricted for:			
Supplemental levy purposes	2,069,488	-	-
Mental health purposes	-	352,644	-
Rural services purposes	-	-	556,295
Secondary roads purposes	-	-	-
Debt service	660,000	-	-
Other purposes	-	-	-
Unassigned	2,762,372	-	-
Total fund balances	5,529,268	352,644	556,295
Total liabilities, deferred inflows of resources and fund balances	\$ 8,909,788	871,057	1,427,986

See notes to financial statements.

Revenue		
Secondary Roads	Nonmajor	Total
3,128,548	543,653	9,381,071
-	42,753	42,753
-	-	44,768
-	-	4,492,000
-	-	90,161
528	201	23,677
-	164,975	824,975
-	125	13,185
276,268	73,167	489,051
650,997	-	650,997
-	-	37,408
<u>4,056,341</u>	<u>824,874</u>	<u>16,090,046</u>
160,908	77,989	292,127
30,683	-	88,907
775	-	33,016
<u>192,366</u>	<u>77,989</u>	<u>414,050</u>
-	-	4,492,000
-	-	134,929
-	-	<u>4,626,929</u>
650,997	-	650,997
-	-	37,408
-	-	2,069,488
-	-	352,644
-	-	556,295
3,212,978	-	3,212,978
-	-	660,000
-	746,885	746,885
-	-	2,762,372
<u>3,863,975</u>	<u>746,885</u>	<u>11,049,067</u>
<u>4,056,341</u>	<u>824,874</u>	<u>16,090,046</u>

Appanoose County

Appanoose County

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

June 30, 2019

Total governmental fund balances (page 21) \$ 11,049,067

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 \$33,926,872 and the accumulated depreciation is \$13,514,755. 20,412,117

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. 134,929

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. 148,785

Pension and OPEB 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	\$ 820,032	
Deferred inflows of resources	<u>(373,272)</u>	446,760

Long-term liabilities, including loans, notes, compensated absences, net pension liability, total OPEB liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (3,453,954)

Net position of governmental activities (page 18) \$ 28,737,704

See notes to financial statements.

Appanoose County

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

Year ended June 30, 2019

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 3,248,347	442,361	828,858	-
Local option sales and services tax	-	-	398,400	132,800
Interest and penalty on property tax	70,350	-	-	-
Intergovernmental	534,977	49,483	114,738	3,433,111
Licenses and permits	200	-	-	2,775
Charges for service	357,304	-	-	29
Use of money and property	162,205	-	-	-
Miscellaneous	84,619	67,916	-	21,513
Total revenues	4,458,002	559,760	1,341,996	3,590,228
Expenditures:				
Operating:				
Public safety and legal services	1,907,631	-	543,740	-
Physical health and social services	396,894	-	45,000	-
Mental health	-	719,734	-	-
County environment and education	510,712	-	33,993	-
Roads and transportation	-	-	-	3,979,978
Governmental services to residents	506,886	-	-	-
Administration	975,324	-	-	-
Debt service	103,283	-	-	-
Capital projects	-	-	-	336,635
Total expenditures	4,400,730	719,734	622,733	4,316,613
Excess (deficiency) of revenues over (under) expenditures	57,272	(159,974)	719,263	(726,385)
Other financing sources (uses):				
Transfers in	-	-	-	622,610
Transfers out	-	-	(622,610)	-
Total other financing sources (uses)	-	-	(622,610)	622,610
Change in fund balances	57,272	(159,974)	96,653	(103,775)
Fund balances beginning of year	5,471,996	512,618	459,642	3,967,750
Fund balances end of year	\$ 5,529,268	352,644	556,295	3,863,975

See notes to financial statements.

Nonmajor	Total
164,127	4,683,693
212,416	743,616
-	70,350
23,395	4,155,704
-	2,975
80,329	437,662
6,678	168,883
14,282	188,330
<u>501,227</u>	<u>10,451,213</u>
80,072	2,531,443
-	441,894
-	719,734
302,310	847,015
-	3,979,978
700	507,586
-	975,324
12,827	116,110
-	336,635
<u>395,909</u>	<u>10,455,719</u>
<u>105,318</u>	<u>(4,506)</u>
-	622,610
-	(622,610)
-	-
105,318	(4,506)
<u>641,567</u>	<u>11,053,573</u>
<u>746,885</u>	<u>11,049,067</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, 2019

Change in fund balances - Total governmental funds (page 25) \$ (4,506)

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. Depreciation expense exceeded capital outlay expenditures and contributed capital assets in the current year, as follows:

Expenditures for capital assets	\$ 1,083,429	
Capital assets contributed by the Iowa Department of Transportation	252,602	
Depreciation expense	<u>(1,275,670)</u>	60,361

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. (28,481)

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	5,940	
Other	<u>15,584</u>	21,524

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. 97,715

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. 333,796

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	(13,043)	
Pension expense	(344,628)	
OPEB expense	(52,438)	
Interest on long-term debt	<u>121</u>	(409,988)

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. 5,215

Change in net position of governmental activities (page 19) \$ 75,636

See notes to financial statements.

Appanoose County
Statement of Net Position
Proprietary Fund

June 30, 2019

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 151,267
Liabilities	
Accounts payable	<u>2,482</u>
Net Position	
Unrestricted	<u>\$ 148,785</u>

See notes to financial statements.

Exhibit H

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

Year ended June 30, 2019

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Contributions from operating funds		\$ 734,382
Reimbursements from employees and others		172,970
Refunds		<u>730</u>
Total operating revenues		908,082
Operating expenses:		
Medical and health services	\$ 891,002	
Supplemental insurance	11,742	
Miscellaneous	<u>133</u>	<u>902,877</u>
Operating income		5,205
Non-operating revenues:		
Interest income		<u>10</u>
Net income		5,215
Net position beginning of year		<u>143,570</u>
Net position end of year		<u>\$ 148,785</u>

See notes to financial statements.

Appanoose County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2019

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 734,382
Cash received from employees and others	172,970
Cash received from refunds	730
Cash paid to suppliers for services	(903,403)
Net cash provided by operating activities	4,679
Cash flows from investing activities:	
Interest on investments	10
Increase in cash and cash equivalents	4,689
Cash and cash equivalents beginning of year	146,578
Cash and cash equivalents end of year	\$ 151,267
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 5,205
Adjustment to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts payable	(526)
Net cash provided by operating activities	\$ 4,679

See notes to financial statements.

Appanoose County

Appanoose County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2019

Assets

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 1,376,627
Other County officials	68,882
Receivables:	
Property tax:	
Delinquent	129,847
Succeeding year	10,253,000
Accounts	1,030
Assessments	70,509
Due from other governments	8,855
Total assets	11,908,750

Liabilities

Accounts payable	35,317
Salaries and benefits payable	5,201
Due to other governments	11,756,478
Trusts payable	103,304
Compensated absences	8,450
Total liabilities	11,908,750

Net position	\$ -
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See notes to financial statements.

Appanoose County

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Appanoose County Service Agency, South Iowa Area Detention Service Agency, Rathbun Area Solid Waste Management Commission, ADLM Emergency Management Commission, 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 attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

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, 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 Balance/Net Position

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 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 represent 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 reported as a deferred inflow of resources 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, 2017 assessed property valuations; is for the tax accrual period July 1, 2018 through June 30, 2019 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2018.

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 if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a 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. Reportable capital assets are defined by the County as assets with initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the County 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, 2019. 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 and proprietary fund 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 the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the Appanoose County's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB 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.

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 in the fund financial

statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

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, unrecognized items not yet charged to pension and OPEB expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2019 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, 2019, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$7,382,825. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT is unrated.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>\$ 622,610</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, 2019 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	170,954	827,219	580,268	417,905
Construction in progress	-	55,131	-	55,131
Total capital assets not being depreciated	<u>769,047</u>	<u>882,350</u>	<u>580,268</u>	<u>1,071,129</u>
Capital assets being depreciated:				
Buildings	1,977,950	35,303	-	2,013,253
Improvements other than buildings	54,400	78,281	-	132,681
Equipment and vehicles	6,251,258	395,097	208,702	6,437,653
Infrastructure, other	1,109,642	-	-	1,109,642
Infrastructure, road network	<u>22,582,246</u>	<u>580,268</u>	<u>-</u>	<u>23,162,514</u>
Total capital assets being depreciated	<u>31,975,496</u>	<u>1,088,949</u>	<u>208,702</u>	<u>32,855,743</u>
Less accumulated depreciation for:				
Buildings	576,229	37,435	-	613,664
Improvements other than buildings	14,508	11,455	-	25,963
Equipment and vehicles	3,966,710	314,751	125,221	4,156,240
Infrastructure, other	456,763	26,752	-	483,515
Infrastructure, road network	<u>7,350,096</u>	<u>885,277</u>	<u>-</u>	<u>8,235,373</u>
Total accumulated depreciation	<u>12,364,306</u>	<u>1,275,670</u>	<u>125,221</u>	<u>13,514,755</u>
Total capital assets being depreciated, net	<u>19,611,190</u>	<u>(186,721)</u>	<u>83,481</u>	<u>19,340,988</u>
Governmental activities capital assets, net	<u>\$ 20,380,237</u>	<u>695,629</u>	<u>663,749</u>	<u>20,412,117</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 66,187
Physical health and social services	323
County environment and education	59,424
Roads and transportation	1,138,155
Administration	<u>11,581</u>
Total depreciation expense - governmental activities	<u>\$ 1,275,670</u>

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2019 is as follows:

Fund	Description	Amount
General	Services	\$ 32,241
Special Revenue:		
Secondary Roads	Services	775
Total for governmental funds		<u>\$ 33,016</u>
Agency:		
Agricultural Extension Education	Collections	\$ 122,573
County Assessor		381,196
Schools		6,556,140
Community Colleges		405,577
Corporations		2,651,124
Townships		248,111
Auto License and Use Tax		278,673
ADLM Empowerment		91,252
All other		1,021,832
Total for agency funds		<u>\$ 11,756,478</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2019 is as follows:

	Honey Creek Loan	General Obligation Refunding Capital Loan Notes	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year	\$ 12,715	745,000	242,308	2,567,748	302,785	3,870,556
Increases	-	-	195,872	-	33,349	229,221
Decreases	12,715	85,000	182,829	366,672	-	647,216
Balance end of year	<u>\$ -</u>	<u>660,000</u>	<u>255,351</u>	<u>2,201,076</u>	<u>336,134</u>	<u>3,452,561</u>
Due within one year	<u>\$ -</u>	<u>85,000</u>	<u>170,774</u>	<u>-</u>	<u>-</u>	<u>255,774</u>

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, 2019 refunding capital loan note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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	2.00	90,000	12,030	102,030
2024	3.30	90,000	10,230	100,230
2025-2027	3.30	220,000	12,375	232,375
Total		\$ 660,000	80,460	740,460

(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 loan receivable is reported in the General Fund and totals \$660,000 at June 30, 2019.

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
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	3.00	15,633	1,750	17,383
2024	3.00	16,105	1,277	17,382
2025-2026	3.00	33,701	1,065	34,766
Total		\$ 109,614	12,064	121,678

The County entered into an economic development agreement with S&L on February 7, 2017 for the loan of \$60,000. Under the agreement, S&L is to repay the loan at a rate of 3% per annum over ten years, based on the following schedule:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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	3.00	6,114	839	6,953
2024	3.00	6,300	653	6,953
2025-2027	3.00	17,870	789	18,659
Total		\$ 47,563	5,858	53,421

The County entered into an economic development agreement Avid Aviation on April 2, 2018 for the loan of \$10,000. Under the agreement, Avid is to repay the loan at a rate of 3% per annum over five years, based on the following schedule:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2020	3.00%	\$ 1,949	208	2,157
2021	3.00	2,008	148	2,156
2022	3.00	2,069	87	2,156
2023	3.00	1,772	24	1,796
Total		\$ 7,798	467	8,265

These three economic development loans receivable total \$164,975 at June 30, 2019 and are reported in the Special Revenue, Economic Development Fund.

(8) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 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 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% of covered payroll, for a total rate of 15.73%. The Sheriff, deputies and the County each contributed 9.76% of covered payroll, for a total rate of 19.52%. Protection occupation members contributed 6.81% of covered payroll and the County contributed 10.21% of covered payroll, for a total rate of 17.02%.

The County's contributions to IPERS for the year ended June 30, 2019 totaled \$333,796.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the County reported a liability of \$2,201,076 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the County’s proportion was 0.034782%, which was a decrease of 0.003765% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$344,628. At June 30, 2019, 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	\$ 22,121	70,923
Changes of assumptions	415,349	103,061
Net difference between projected and actual earnings on IPERS' investments	-	87,244
Changes in proportion and differences between County contributions and proportionate share of contributions	42,293	74,018
County contributions subsequent to the measurement date	333,796	-
Total	<u>\$ 813,559</u>	<u>335,246</u>

\$333,796 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, 2020. 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
2020	\$ 181,170
2021	72,909
2022	(59,703)
2023	(37,369)
2024	(12,490)
Total	<u>\$ 144,517</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00%, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability (asset):	\$ 4,281,394	2,201,076	456,407

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, 2019.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Appanoose County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>80</u>
Total	<u>80</u>

Total OPEB Liability – The County's total OPEB liability of \$336,134 was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2018. The total OPEB liability was rolled forward from the July 1, 2018 valuation date to the June 30, 2019 measurement date.

Actuarial Assumptions – The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective July 1, 2018)	2.60% per annum.
Rates of salary increase (effective July 1, 2018)	3.25% per annum, including inflation.
Discount rate (effective July 1, 2018)	3.51% compounded annually, including inflation.
Healthcare cost trend rate (effective July 1, 2018)	8.50% initial rate decreasing by .5% annually to an ultimate rate of 5.00%.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.51% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2017 total dataset mortality table fully generational using Scale MP-2017. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 302,785
Changes for the year:	
Service cost	43,749
Interest	13,411
Differences between expected and actual experiences	(31,125)
Changes in assumptions	<u>7,314</u>
Net changes	<u>33,349</u>
Total OPEB liability end of year	<u>\$ 336,134</u>

Changes of assumptions reflect a change in the discount rate from 3.87% in fiscal year 2018 to 3.51% in fiscal year 2019.

Sensitivity of the County’s Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.51%) or 1% higher (4.51%) than the current discount rate.

	<u>1% Decrease (2.51%)</u>	<u>Discount Rate (3.51%)</u>	<u>1% Increase (4.51%)</u>
Total OPEB liability	\$ 357,119	336,134	316,151

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (7.50%) or 1% higher (9.50%) than the current healthcare cost trend rates.

	1% Decrease (7.50%)	Healthcare Cost Trend Rate (8.50%)	1% Increase (9.50%)
Total OPEB liability	\$ 299,702	336,134	378,729

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the County recognized OPEB expense of \$52,438. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	38,026
Changes in assumptions	6,501	28
Total	\$ 6,501	38,054

The amount reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ending June 30,	Amount
2020	\$ 4,722
2021	4,722
2022	4,722
2023	4,722
2024	4,724
Thereafter	7,941
	<u>\$ 31,553</u>

(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.

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, 2019 was \$734,382.

Amounts payable from the Employee Group Health Fund at June 30, 2019 total \$2,482, 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 \$148,785 at June 30, 2019 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. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 3,008
Incurred claims (including claims incurred but not reported at June 30, 2019)	891,002
Payments:	
Payments on claims during the fiscal year	<u>891,528</u>
Unpaid claims end of year	<u>\$ 2,482</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, 2019 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	\$ 61,050	-	61,050
Quality improvement	-	54,539	54,539
Allocation for administration	3,213	12,460	15,673
School ready general use	-	348,337	348,337
Total state grants	64,263	415,336	479,599
Interest on investments	679	2,578	3,257
Total revenues	64,942	417,914	482,856
Expenditures:			
Program services:			
Quality improvement	-	48,518	48,518
Other program services	61,234	346,727	407,961
Total program services	61,234	395,245	456,479
Administration	2,814	7,300	10,114
Total expenditures	64,048	402,545	466,593
Change in fund balance	894	15,369	16,263
Fund balance beginning of year	10,988	45,882	56,870
Fund balance end of year	\$ 11,882	61,251	73,133

Findings related to the operations of the Early Childhood Iowa Area Board are included as item (10) 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, included the following member counties: Appanoose, Davis and Wapello County. Mahaska County was added to the region in October 2016. 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, 2019 as follows:

Revenues:		
Property and other county tax		\$ 442,361
Intergovernmental revenues:		
State tax credits	\$ 49,004	
Other	479	49,483
Miscellaneous		<u>67,916</u>
Total revenues		<u>559,760</u>
Expenditures:		
Services to persons with:		
Mental illness		<u>80,286</u>
General administration		
Direct administration	2,591	
Distribution to regional fiscal agent	<u>636,857</u>	<u>639,448</u>
Total expenditures		<u>719,734</u>
Excess of expenditures over revenues		(159,974)
Fund balance beginning of the year		<u>512,618</u>
Fund balance end of the year		<u>\$ 352,644</u>

(14) Restatement

The beginning balance of the Agency Fund, Rural Improvement Zone reported in Other Agency Funds was increased \$301,000 and the Agency Fund, Townships beginning balance was decreased \$301,000 to correctly report the succeeding year property tax receivable at June 30, 2018.

(15) Subsequent Event

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of Appanoose County, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the County's operations and finances.

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, 2019

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 5,362,492	-	5,362,492
Interest and penalty on property tax	70,350	-	70,350
Intergovernmental	4,292,573	-	4,292,573
Licenses and permits	2,695	-	2,695
Charges for service	454,414	77,903	376,511
Use of money and property	159,113	-	159,113
Miscellaneous	170,502	1,455	169,047
Total receipts	10,512,139	79,358	10,432,781
Disbursements:			
Public safety and legal services	2,526,421	-	2,526,421
Physical health and social services	448,692	-	448,692
Mental health	727,196	-	727,196
County environment and education	801,141	85,908	715,233
Roads and transportation	3,841,659	-	3,841,659
Governmental services to residents	506,054	-	506,054
Administration	944,213	-	944,213
Debt service	116,110	-	116,110
Capital projects	450,287	-	450,287
Total disbursements	10,361,773	85,908	10,275,865
Excess (deficiency) of receipts over (under) disbursements	150,366	(6,550)	156,916
Other financing sources, net	103,283	-	103,283
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	253,649	(6,550)	260,199
Balance beginning of year	9,170,175	49,303	9,120,872
Balance end of year	\$ 9,423,824	42,753	9,381,071

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
5,177,215	5,208,033	154,459
6,000	6,000	64,350
4,296,689	4,298,999	(6,426)
3,150	3,150	(455)
314,779	314,779	61,732
25,000	25,000	134,113
54,213	99,961	69,086
<u>9,877,046</u>	<u>9,955,922</u>	<u>476,859</u>
2,871,874	2,875,002	348,581
537,286	547,729	99,037
721,755	741,755	14,559
788,632	903,632	188,399
3,779,609	4,404,609	562,950
555,679	555,679	49,625
1,100,691	1,148,746	204,533
116,111	116,111	1
1,113,754	1,263,754	813,467
<u>11,585,391</u>	<u>12,557,017</u>	<u>2,281,152</u>
(1,708,345)	(2,601,095)	2,758,011
<u>103,283</u>	<u>103,283</u>	<u>-</u>
(1,605,062)	(2,497,812)	2,758,011
<u>7,097,671</u>	<u>7,097,671</u>	<u>2,023,201</u>
<u>5,492,609</u>	<u>4,599,859</u>	<u>4,781,212</u>

Appanoose County

Appanoose County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2019

	<u>Governmental Funds</u>		
	Cash	Accrual	Modified
	Basis	Adjustments	Accrual
			Basis
Revenues	\$ 10,512,139	(60,926)	10,451,213
Expenditures	10,361,773	93,946	10,455,719
Net	150,366	(154,872)	(4,506)
Other financing sources, net	103,283	(103,283)	-
Beginning fund balances	9,170,175	1,883,398	11,053,573
Ending fund balances	<u>\$ 9,423,824</u>	<u>1,625,243</u>	<u>11,049,067</u>

See accompanying independent auditor's report.

Appanoose County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2019

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 \$971,626. 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 Appanoose County Agricultural Extension Council, for the County Assessor by the Appanoose County Assessor's Conference Board, for the 911 System by the Appanoose County 911 Service Board and for Emergency Management Services by the ADLM Joint Local Emergency Management Commission.

During the year ended June 30, 2019, disbursements exceeded the amount appropriated in the data processing department.

Appanoose County

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

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

Required Supplementary Information

	2019	2018	2017	2016	2015
County's proportion of the net pension liability	0.034782%	0.038547%	0.038329%	0.036537%	0.032988%
County's proportionate share of the net pension liability	\$ 2,201	2,568	2,412	1,805	1,308
County's covered payroll	\$ 3,392	3,416	3,292	3,177	2,934
County's proportionate share of the net pension liability as a percentage of its covered payroll	64.89%	75.18%	73.27%	56.81%	44.58%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 334	305	311	301
Contributions in relation to the statutorily required contribution	<u>(334)</u>	<u>(305)</u>	<u>(311)</u>	<u>(301)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 3,496	3,392	3,416	3,292
Contributions as a percentage of covered payroll	9.55%	8.99%	9.10%	9.14%

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
291	271	258	249	216	197
(291)	(271)	(258)	(249)	(216)	(197)
-	-	-	-	-	-
3,177	2,934	2,873	2,939	2,887	2,813
9.16%	9.24%	8.98%	8.47%	7.48%	7.00%

Appanoose County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2019

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.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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 Changes in the County's
Total OPEB Liability, Related Ratios and Notes

For the Last Two Years
Required Supplementary Information

	2019	2018
Service cost	\$ 43,749	30,027
Interest cost	13,411	10,968
Difference between expected and actual experiences	(31,125)	(14,503)
Changes in assumptions	7,314	(38)
Net change in total OPEB liability	33,349	26,454
Total OPEB liability beginning of year	302,785	276,331
Total OPEB liability end of year	\$ 336,134	302,785
Covered-employee payroll	\$ 3,520,480	3,409,666
Total OPEB liability as a percentage of covered-employee payroll	9.5%	8.9%

Notes to Schedule of Changes in the County's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2019	3.51%
Year ended June 30, 2018	3.87%
Year ended June 30, 2017	3.58%

Appanoose County

Supplementary Information

Appanoose County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2019

	County Recorder's Records Management	Resource Enhancement and Protection	Special Law Enforcement Forfeiture
Assets			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 16,571	20,555	1,688
Conservation Foundation	-	-	-
Receivables:			
Accounts receivable	201	-	-
Loan	-	-	-
Accrued interest	28	97	-
Due from other governments	-	-	-
Total assets	\$ 16,800	20,652	1,688
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	-	-
Fund balance:			
Restricted for other purposes	16,800	20,652	1,688
Total liabilities and fund balances	\$ 16,800	20,652	1,688

See accompanying independent auditor's report.

Revenue

Economic Development	Conservation Foundation	HazMat	Flood and Erosion	Total
352,489	-	129,011	23,339	543,653
-	42,753	-	-	42,753
-	-	-	-	201
164,975	-	-	-	164,975
-	-	-	-	125
73,167	-	-	-	73,167
<u>590,631</u>	<u>42,753</u>	<u>129,011</u>	<u>23,339</u>	<u>824,874</u>
77,989	-	-	-	77,989
<u>512,642</u>	<u>42,753</u>	<u>129,011</u>	<u>23,339</u>	<u>746,885</u>
<u>590,631</u>	<u>42,753</u>	<u>129,011</u>	<u>23,339</u>	<u>824,874</u>

Appanoose County

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

Year ended June 30, 2019

	County Recorder's Records Management	Resource Enhancement and Protection	Special Law Enforcement Forfeiture
Revenues:			
Property and other county tax	\$ -	-	-
Local option sales and services tax	-	-	-
Intergovernmental	-	8,663	-
Charges for service	2,426	-	-
Use of money and property	311	1,038	33
Miscellaneous	-	-	-
Total revenues	<u>2,737</u>	<u>9,701</u>	<u>33</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	35,000	-
Government services to residents	700	-	-
Debt service	-	-	-
Total expenditures	<u>700</u>	<u>35,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	2,037	(25,299)	33
Fund balances beginning of year	<u>14,763</u>	<u>45,951</u>	<u>1,655</u>
Fund balances end of year	<u>\$ 16,800</u>	<u>20,652</u>	<u>1,688</u>

See accompanying independent auditor's report.

 Revenue

Economic Development	Honey Creek Loan	Conservation Foundation	HazMat	Emergency Medical Services	Flood and Erosion	Total
86,309	-	-	-	77,818	-	164,127
212,416	-	-	-	-	-	212,416
-	-	-	14,732	-	-	23,395
-	-	77,903	-	-	-	80,329
5,296	-	-	-	-	-	6,678
-	12,827	1,455	-	-	-	14,282
304,021	12,827	79,358	14,732	77,818	-	501,227
-	-	-	2,254	77,818	-	80,072
181,402	-	85,908	-	-	-	302,310
-	-	-	-	-	-	700
-	12,827	-	-	-	-	12,827
181,402	12,827	85,908	2,254	77,818	-	395,909
122,619	-	(6,550)	12,478	-	-	105,318
390,023	-	49,303	116,533	-	23,339	641,567
512,642	-	42,753	129,011	-	23,339	746,885

Appanoose County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2019

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	2,252	124,850	125,198	7,202
Other County officials	68,882	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,321	2,973	72,942	4,375
Succeeding year	-	119,000	267,000	6,358,000	394,000
Accounts	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 68,882	122,573	394,823	6,556,140	405,577
Liabilities					
Accounts payable	\$ -	-	4,669	-	-
Salaries and benefits payable	-	-	3,833	-	-
Due to other governments	350	122,573	381,196	6,556,140	405,577
Trusts payable	68,532	-	-	-	-
Compensated absences	-	-	5,125	-	-
Total liabilities	\$ 68,882	122,573	394,823	6,556,140	405,577

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
57,077	3,934	278,673	34,772	115,761	626,908	1,376,627
-	-	-	-	-	-	68,882
47,047	1,177	-	-	-	12	129,847
2,547,000	243,000	-	-	-	325,000	10,253,000
-	-	-	-	275	755	1,030
-	-	-	-	-	70,509	70,509
-	-	-	-	-	8,855	8,855
<u>2,651,124</u>	<u>248,111</u>	<u>278,673</u>	<u>34,772</u>	<u>116,036</u>	<u>1,032,039</u>	<u>11,908,750</u>
-	-	-	-	24,784	5,864	35,317
-	-	-	-	-	1,368	5,201
2,651,124	248,111	278,673	-	91,252	1,021,482	11,756,478
-	-	-	34,772	-	-	103,304
-	-	-	-	-	3,325	8,450
<u>2,651,124</u>	<u>248,111</u>	<u>278,673</u>	<u>34,772</u>	<u>116,036</u>	<u>1,032,039</u>	<u>11,908,750</u>

Appanoose County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2019

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Balances beginning of year, as restated	\$ 63,062	117,087	396,752	6,444,487	375,873
Additions:					
Property and other county tax	-	119,828	268,058	6,372,337	395,368
911 surcharge	-	-	-	-	-
State tax credits	-	12,699	30,664	728,465	40,611
Drivers license fees	-	-	-	-	-
Office fees and collections	351,742	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	369,571	-	-	-	-
Miscellaneous	-	124	568	18,374	397
Total additions	721,313	132,651	299,290	7,119,176	436,376
Deductions:					
Agency remittances:					
To other funds	162,540	-	-	-	-
To other governments	184,260	127,165	301,219	7,007,523	406,672
Trusts paid out	368,693	-	-	-	-
Total deductions	715,493	127,165	301,219	7,007,523	406,672
Balances end of year	\$ 68,882	122,573	394,823	6,556,140	405,577

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
2,512,757	231,765	311,814	37,977	84,334	910,449	11,486,357
2,513,897	246,150	-	-	-	334,906	10,250,544
-	-	-	-	-	212,763	212,763
410,152	16,610	-	-	-	3,547	1,242,748
-	-	85,824	-	-	-	85,824
-	-	-	-	-	-	351,742
-	-	3,622,548	-	-	-	3,622,548
-	-	-	-	-	61,890	61,890
-	-	-	292,121	-	17,357	679,049
35,813	-	-	-	491,059	163,781	710,116
2,959,862	262,760	3,708,372	292,121	491,059	794,244	17,217,224
-	-	145,533	-	-	-	308,073
2,821,495	246,414	3,595,980	-	459,357	672,654	15,822,739
-	-	-	295,326	-	-	664,019
2,821,495	246,414	3,741,513	295,326	459,357	672,654	16,794,831
2,651,124	248,111	278,673	34,772	116,036	1,032,039	11,908,750

Appanoose County

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

For the Last Ten Years

	2019	2018	2017	2016
Revenues:				
Property and other county tax	\$ 4,683,693	4,188,009	4,011,476	4,159,544
Local option sales and services tax	743,616	557,675	608,401	561,228
Interest and penalty on property tax	70,350	68,769	61,433	70,040
Intergovernmental	4,155,704	4,297,769	4,322,795	4,462,362
Licenses and permits	2,975	4,180	6,602	4,190
Charges for service	437,662	436,769	409,959	463,989
Use of money and property	168,883	77,121	28,841	24,431
Miscellaneous	188,330	252,557	196,275	427,361
Total	\$ 10,451,213	9,882,849	9,645,782	10,173,145
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,531,443	2,511,077	2,207,127	2,136,494
Physical health and social services	441,894	537,548	705,355	731,769
Mental health	719,734	436,255	381,523	776,487
County environment and education	847,015	609,222	591,596	912,655
Roads and transportation	3,979,978	3,142,121	3,179,003	3,629,236
Governmental services to residents	507,586	531,680	550,997	577,376
Administration	975,324	1,037,141	982,558	877,579
Debt service	116,110	150,591	156,272	332,380
Capital projects	336,635	298,744	359,731	117,029
Total	\$ 10,455,719	9,254,379	9,114,162	10,091,005

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
4,224,240	4,240,825	3,790,795	4,296,204	3,943,992	4,005,725
617,942	537,244	605,534	515,706	534,891	497,722
74,798	79,906	75,668	88,430	78,355	78,520
3,937,632	4,822,728	4,109,315	4,997,948	5,093,975	5,051,548
2,535	2,195	2,620	2,375	2,037	1,307
366,995	372,690	374,804	329,692	331,969	327,598
54,519	15,149	17,031	21,828	30,733	38,151
378,935	257,297	408,303	214,822	274,411	235,341
<u>9,657,596</u>	<u>10,328,034</u>	<u>9,384,070</u>	<u>10,467,005</u>	<u>10,290,363</u>	<u>10,235,912</u>
2,111,976	2,001,614	1,950,127	1,896,588	1,743,618	1,702,446
878,427	777,826	690,490	720,646	773,423	697,652
652,199	668,395	600,136	1,211,520	914,098	1,006,529
1,129,135	951,392	574,827	602,435	695,933	660,543
3,066,876	3,737,613	3,413,239	3,243,128	3,634,672	3,023,143
457,776	464,875	440,916	404,590	414,367	413,383
915,899	1,116,712	965,137	918,495	873,352	956,428
212,920	221,934	304,978	200,995	196,566	203,974
6,447	747,768	337,204	481,853	931,650	831,500
<u>9,431,655</u>	<u>10,688,129</u>	<u>9,277,054</u>	<u>9,680,250</u>	<u>10,177,679</u>	<u>9,495,598</u>



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

To the Officials of Appanoose County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Appanoose County, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 12, 2020.

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 (I) 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 an immaterial instance of non-compliance or other matters which is 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, 2019 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.

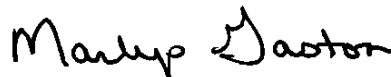
Appanoose County's Responses to the Findings

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.



Marlys K. Gaston, CPA
Deputy Auditor of State

June 12, 2020

Appanoose County

Schedule of Findings

Year ended June 30, 2019

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, and Conservation
(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.	Treasurer, Public Health Nurse, Recorder, Engineer, Conservation, and Agricultural Extension
(3) 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
(4) Depositing, reconciling and recording of receipts is done by the custodian of the change funds for which no compensating controls exist.	Treasurer
(5) Cash drawers are shared between employees.	Treasurer
(6) All individuals in tax, motor vehicle and driver’s license have the ability to void receipts in Solutions, including individuals who perform daily balancing.	Treasurer

Appanoose County

Schedule of Findings

Year ended June 30, 2019

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

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 each County office’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 – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the control activities of their office to obtain the maximum internal control possible under the circumstances. Current personnel, including elected officials and personnel from other County offices, should be used to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and the review should be documented by the signature or initials of the reviewer and the date of the review.

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. I like everyone to be cross-trained. It is not good to have certain people do the same things all the time.

Agricultural Extension – We will work to make deposits on a timely basis. We have a plan in place to have another employee compare the receipts to the deposit.

Appanoose County

Schedule of Findings

Year ended June 30, 2019

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.

Engineer – With limited staff, segregation of duties is difficult. We will continue to identify ways to segregate duties. The Office Manager is the one responsible for opening mail and processing checks.

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

Auditor – A stamp has been purchased and is used on all journal entries to ensure all entries have been entered and reviewed by a second party.

Conclusion – Responses acknowledged. Each official should continue to review their control activities to obtain maximum internal controls possible.

(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 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 and capital asset 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 implement procedures to ensure all receivables and capital assets are properly recorded and reported in the County's financial statements.

Appanoose County

Schedule of Findings

Year ended June 30, 2019

Responses –

Auditor – We will start to collect documentation as claims are paid in order to properly capture new assets. A policy will be developed to ensure assets are reviewed at a minimum of an annual basis to determine if the listing needs to be updated due to disposals.

Treasurer – We will obtain supporting documents when recording receipts in order to determine proper accounts receivable accruals.

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. In addition, an effective internal control system provides for internal controls related to ensuring proper accounting for all funds by reconciling bank and book balances monthly.

Condition – One individual opens the mail, collects and records receipts and makes deposits for the Conservation Foundation. Bank reconciliations were not prepared for eleven of twelve months during the fiscal year.

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. Also, procedures have not been implemented to ensure bank accounts are reconciled each month.

Effect – Inadequate segregation of duties and lack of monthly bank account reconciliations 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. Bank accounts should be reconciled to the book balance monthly.

Response – The Appanoose County Foundation will do its best to correct any problems. We will continue to use TD&T as a third party.

Conclusion – Response acknowledged. The Conservation Foundation should review control activities of its office and ensure bank accounts are reconciled monthly.

Appanoose County

Schedule of Findings

Year ended June 30, 2019

(D) Computer System

Criteria – Properly designed policies and procedures pertaining to control activities over the County’s computer system and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable and help ensure the reliability of financial reporting, the 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. 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 system 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 system. A written disaster recovery plan should also be developed.

Response – Both a computer policy and disaster recovery plan continue to be worked on to be approved and implemented.

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.

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

Appanoose County

Schedule of Findings

Year ended June 30, 2019

Response – We have installed a new above-ground system that generates reports. These reports are generated by the Gasboy program on a daily basis. The Office Manager will implement monthly billings from these reports, and the bills will be reviewed and approved by each office as they are billed.

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 – We are a small office. We continue to strive to log our minimal deposits and billings in a timely as well as accurate manner. We will look into procedures for recording billings, collections and receivables.

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

(G) Timely Deposits

Criteria – An effective internal control system provides for internal controls related to ensuring the timely deposit of all incoming cash and checks.

Condition – Receipts are not always deposited timely (i.e., at least weekly). Fifteen Board of Health, one Board of Supervisors and one 911 Service Board receipt tested were not deposited timely.

Cause – Policies and procedures have not been designed and implemented to ensure all incoming cash and checks are deposited timely.

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

Recommendation – Procedures should be established to ensure all receipts are deposited timely.

Appanoose County

Schedule of Findings

Year ended June 30, 2019

Response – We will work on developing a county-wide policy to ensure deposits are made timely.

Conclusion – Response accepted.

(H) Personal Cell Phones

Criteria – The Health, Emergency Management and Veteran Affairs Departments provide personal cell phone allowances to certain employees. The County pays the employee's cell phone provider directly and the amounts ranges from \$50 to \$100.

Condition – Adequate supporting documentation is not always provided in order to determine if public purpose is met and disbursements are appropriate.

Cause – Policies and procedures have not been designed and implemented to regarding reimbursement of employees' personal cell phones.

Effect – Lack of detailed supporting documentation and independent review for all disbursements could result in unauthorized and unsupported transactions and the opportunity for misappropriation.

Recommendation – Policies and procedures should be developed to ensure personal cell phone reimbursements are appropriate.

Response – A county-wide policy on cell phones can only apply to those departments without external boards. The departments specifically listed have external boards that have developed their own cell phone policies. The County will work to develop a policy for all other departments.

Conclusion – Response accepted.

(I) Payroll Approval

Criteria – An effective internal control system provides for internal controls related to preparation of timesheets by all employees. Timesheets support all hours worked and taken as vacation, sick leave, compensatory time, holiday hours and personal days and provide an accurate record of hours. Supervisory review of timesheet can help ensure the accuracy of recorded hours worked.

Condition – County policy requires each department head to approve all employee timesheets at the end of each pay period. In the County Engineer Department, each employee prepares and signs their own individual timesheets. The County Engineer does not review and sign off on individual timesheets. The timesheets are submitted to the administrator who then uses them to process payroll and prepare a payroll summary for the County Engineer to review and sign. The payroll summary includes only the hours worked, the gross pay received, and the deductions taken. It does not include vacation hours or sick leave hours taken.

Appanoose County

Schedule of Findings

Year ended June 30, 2019

Cause – Policies have not been established and procedures have not been implemented to require timesheets be reviewed and approved by supervisory personnel. Policies do not specifically address the practice of using payroll summaries.

Effect – The lack of a documented supervisory review process increases the probability staff errors in recording of hours or leave will go undetected. The use of summary reports increases the probability of errors because the information reviewed is not the source document.

Recommendation – Timesheets should be submitted to an appropriate supervisor for approval and should be signed by the employee and supervisor prior to the preparation of payroll.

Response – The Road Foreman has obtained a stamp (which he keeps locked in his drawer) to approve each individual timesheet for maintenance staff. These timesheets are then sent to the Office Manager for review, approval and processing. The County Engineer approves office staff and the Road Foreman timesheets. The Chairman of the Board of Supervisors approves the Engineer's timesheet.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Appanoose County

Schedule of Findings

Year ended June 30, 2019

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2019 did not exceed the amounts budgeted by function, however disbursements in the data processing department exceeded the amount appropriated.

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – The County Auditor’s Office will start a spreadsheet to double check that appropriations will not be exceeded without a new resolution authorizing the increase.

Conclusion – Response accepted.

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

- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees.

- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jessica Hinojosa, daughter of Rhonda Tissue, Public Health Nurse	Office cleaning at the Public Health and DHS offices	\$ 2,385
Blue Sun Graphics, John Wiltamuth owner, husband of Hannah Wiltamuth, Conservation Naturalist	Conservation uniforms and shirts	446
Hussmann Services, Richard Lasley employee at Hussmann Services, husband of Jerilyn Lasley, public health nurse office assistant	Repair to refrigerator in Public Health Nurse office	247

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Hussmann Services and Blue Sun Graphics do not appear to represent a conflict of interest since the total transactions were less than \$1,500 during the fiscal year.

In accordance with Chapter 331.342(2)(d) of the Code of Iowa, the transactions with Jessica Hinojosa do not appear to represent a conflict of interest since Rhonda Tissue’s remuneration of employment are not directly affected as a result of the contract and the duties of employment do not directly involve the procurement or preparation of any part of the contract.

- (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, 2019

- (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, 2019 for the County Extension Office did not exceed the amount budgeted.

- (10) Early Childhood Iowa Area Board – Appanoose County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions for Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County’s financial statements as part of the Other Agency Funds because of the County’s fiduciary relationship with the organization.

No instances of non-compliance were noted as a result of the audit procedures performed.

Appanoose County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
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