

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Des Moines, Iowa 50319-0004

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Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

June 4, 2021

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 \$10,566,079 for the year ended June 30, 2020, a 3.6% decrease from the prior year. Expenses for County operations for the year ended June 30, 2020 totaled \$11,032,056, a 1.4% increase over the prior year.

AUDIT FINDINGS:

Sand reported eight findings related to the receipt and expenditure of taxpayer funds. They are found on pages 76 through 84 of this report. The findings address issues such as lack of segregation of duties, lack of a written disaster recovery plan, deposits not being made timely and disbursements exceeding budgeted amounts by function. Sand provided the County with recommendations to address each of these findings.

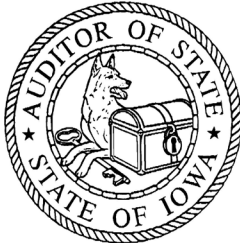
All findings discussed above are repeated from the prior year. The County Board of Supervisors and other County Officials have a fiduciary responsibility to provide oversight of the County's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a 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, 2020

Appanoose County



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Rob Sand
Auditor of State

May 17, 2021

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, 2020. 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

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Linda Demry	Board of Supervisors	Jan 2021
Neal 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

Appanoose County



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Independent Auditor's Report

To the Officials of Appanoose County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Appanoose County, Iowa, as of and for the year ended June 30, 2020, 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, 2020, 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.

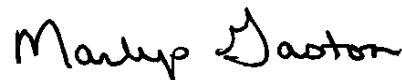
Supplementary Information

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, 2019 (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 May 17, 2021 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

May 17, 2021

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, 2020. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- The Appanoose Conservation Foundation was evaluated and was determined to no longer meet the Governmental Accounting Standards Board component unit criteria to be a blended component unit of the County. As a result, the County's beginning net position was restated. Beginning net position and Special Revenue, Non-Major fund balances decreased \$42,753. In addition, assets that were previously disposed of by the County were still on the capital asset listing on July 1, 2019. These assets were removed in fiscal year 2020 and as a result, the County's beginning net position was restated and decreased by \$649,468.
- The County's governmental activities revenues decreased 3.6%, or \$393,169, from fiscal year 2019 to fiscal year 2020. Property tax increased \$202,142, local option sales tax decreased \$106,355, and capital grants, contributions and restricted interest decreased \$564,169.
- The County's governmental activities expenses increased 1.4%, or \$148,444, from fiscal year 2019 to fiscal year 2020. Expenses increased \$115,772 in the administrative function, \$105,592 in the roads and transportation function, and decreased \$105,711 in the county environment and education function.
- The County's restated net position decreased 1.7%, or \$465,977, from the June 30, 2019 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. Prior to restatement, Appanoose County's net position decreased from \$28,737,704 at the end of fiscal year 2019 to \$27,579,506 at the end of fiscal year 2020. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities		
	June 30,	
	2020	2019 (Not Restated)
Current and other assets	\$ 16,222,829	16,241,313
Capital assets	19,352,460	20,412,117
Total assets	35,575,289	36,653,430
Deferred outflows of resources	701,080	820,032
Long-term liabilities	3,014,570	3,452,561
Other liabilities	383,209	417,925
Total liabilities	3,397,779	3,870,486
Deferred inflows of resources	5,299,084	4,865,272
Net position:		
Net investment in capital assets	19,352,460	20,412,117
Restricted	7,646,718	7,454,579
Unrestricted	723,473	871,008
Total net position	\$ 27,722,651	28,737,704

Prior to restatement, the net positions of Appanoose County's governmental activities decreased 4.0% (approximately \$27.6 million compared to approximately \$28.7 million).

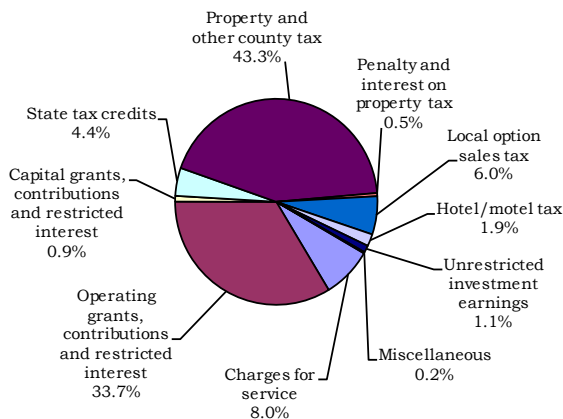
The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment). This net position category decreased \$1,059,657, or 5.2%, from the prior year.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position category increased \$48,994, or less than one percent over the prior year.

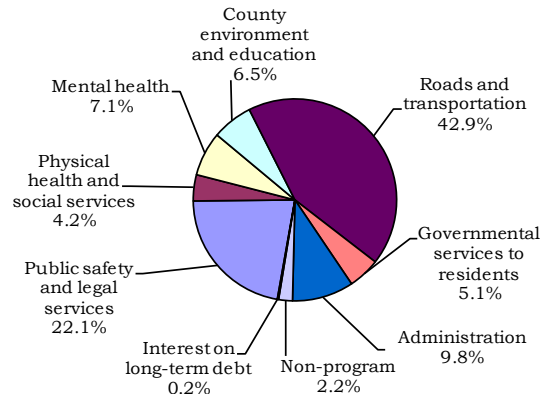
Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased from approximately \$871,000 at June 30, 2019 to approximately \$723,000 at June 30, 2020, a decrease of 16.9%. The decrease is primarily due to an increase in OPEB related deferred inflows over the prior year.

Changes in Net Position of Governmental Activities		
	Year ended June 30,	
	2020	2019 (Not Restated)
Revenues:		
Program revenues:		
Charges for service	\$ 844,230	936,694
Operating grants, contributions and restricted interest	3,559,015	3,209,007
Capital grants, contributions and restricted interest	96,667	660,836
General revenues:		
Property and other county tax	4,576,097	4,373,955
Penalty and interest on property tax	48,158	85,934
State tax credits	460,158	443,803
Local option sales tax	637,261	743,616
Hotel/motel tax	204,220	315,678
Unrestricted investment earnings	112,046	167,501
Gain on disposition of assets	11,000	-
Miscellaneous	17,227	22,224
Total revenues	10,566,079	10,959,248
Program expenses:		
Public safety and legal services	2,436,574	2,531,912
Physical health and social services	458,678	451,195
Mental health	778,966	720,850
County environment and education	721,404	827,115
Roads and transportation	4,732,038	4,626,446
Governmental services to residents	563,235	513,346
Administration	1,079,038	963,266
Non-program	245,023	231,208
Interest on long-term debt	17,100	18,274
Total expenses	11,032,056	10,883,612
Change in net position	(465,977)	75,636
Net position beginning of year, as restated	28,045,483	28,662,068
Net position end of year	\$ 27,579,506	28,737,704

Revenues by Source



Expenses by Program



Appanoose County's governmental activities net position decreased approximately \$466,000. Revenues for governmental activities decreased approximately \$393,000 from the prior year. Property tax and other county tax increased approximately \$202,000, local option sales tax decreased approximately \$106,000 and capital grants, contributions and restricted interest decreased approximately \$564,000.

For fiscal year 2020, taxable property valuation increased approximately \$12 million and the tax levy rate decreased \$.13170 per \$1,000 of taxable valuation. These increases resulted in an increase in property tax revenue of approximately \$202,000. The total Appanoose County assessed taxable property valuation for property tax payable in fiscal year 2021 increased approximately \$66.1 million and the tax levy rate is set to decrease \$1.60893 per \$1,000 of taxable valuation. Property tax revenue is budgeted to increase approximately \$15,000 next year.

The cost of all governmental activities this year was approximately \$11.0 million compared to approximately \$10.9 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these projects was approximately \$7.2 million because some of the cost was paid by those directly benefiting from the programs (approximately \$844,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$3,656,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, decreased in fiscal year 2020 from approximately \$4,807,000 to approximately \$4,500,000, principally due to decreased capital grants for bridge projects in fiscal year 2020. The County paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Appanoose County completed the year, its governmental funds reported a combined fund balance of approximately \$10.9 million, a decrease of approximately \$152,000 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 decreased approximately \$100,371, or 2.3%, from the prior year partly due to a decrease in interest and penalty on property tax and a decrease in interest earned on investments. Expenditures remained consistent when compared to the prior year. The ending fund balance decreased \$44,509 during the year to \$5,484,759.
- The Special Revenue, Mental Health Fund balance decreased \$219,001 during the year to \$133,643. Revenues increased approximately \$3,000, less than 1.0%, over the prior year. Expenditures increased approximately \$56,000, or 7.8%, over the prior year due to an increase in distributions to the region.
- Special Revenue, Rural Services Fund expenditures and revenues remained consistent when compared to the prior year. The fund balance increased \$80,015 over the prior year to \$636,310.
- Special Revenue, Secondary Roads Fund expenditures remained consistent while revenues increased approximately \$86,000, or 2.4%, when compared to the prior year. The fund balance at June 30, 2020 was \$3,856,397 compared to the prior year ending fund balance of \$3,863,975, a decrease of \$7,578.

BUDGETARY HIGHLIGHTS

Over the course of the year, Appanoose County amended its budget two times. The first amendment was made in December 2019 and resulted in an increase in budgeted disbursements related to grant funds received and trial court costs. The second amendment was made on April 6, 2020. This amendment was made to provide for additional disbursements to the Mental Health Region and additional secondary road expenses.

The County's total receipts were \$256,836 less than budgeted, a variance of 2.4%. The most significant variances resulted from the County receiving less in intergovernmental revenue than anticipated due to the timing of project reimbursements.

Total disbursements were \$2,003,019 less than the amended budget. Actual disbursements for capital projects, the roads and transportation, and public safety and legal services were \$625,003, \$339,558 and \$620,318, respectively, less than budgeted. This was primarily due to construction and capital projects not being completed as anticipated during the fiscal year, and the County public safety and legal services expenditures were less than the budget due lower salary and inmate costs.

Even with the budget amendments, the County exceeded the budgeted amounts in the mental health function for the year ended June 30, 2020. The County was required to reimburse the Mental Health Region an additional \$30,000 and did not budget for this activity.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, Appanoose County had approximately \$19.4 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,	
	2020	2019
Land	\$ 598,093	598,093
Buildings and improvements	946,295	1,506,307
Equipment and vehicles	2,564,275	2,281,413
Infrastructure	15,243,797	15,553,268
Construction in progress	-	473,036
Total	<u>\$ 19,352,460</u>	<u>20,412,117</u>

The County had depreciation expense of \$1,305,646 in fiscal year 2020 and total accumulated depreciation of \$14,172,900 at June 30, 2020. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2020, Appanoose County had \$575,000 of long-term debt outstanding, compared to \$660,000 at June 30, 2019, as shown below.

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2020	2019
General obligation refunding capital loan notes	\$ 575,000	660,000

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 \$41 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 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. From fiscal year 2020 to fiscal year 2021, the countywide property taxable valuation increased approximately \$66,093,000 while the rural services property taxable valuation increased approximately \$60,274,000.

These factors were taken into account when adopting the budget for fiscal year 2021. Revenues in the operating budget are approximately \$10,274,000, a 1.1% decrease from the final fiscal year 2020 budget. Budgeted disbursements decreased approximately \$421,000 from the final fiscal year 2020 budget, primarily in the roads and transportation function. The County has added no major new programs or initiatives to the fiscal year 2021 budget. If these estimates are realized, the County's budgetary operating balance is expected to increase 24.4% by the close of fiscal year 2021.

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, 2020

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 9,436,917
Receivables:	
Property tax:	
Delinquent	155,098
Succeeding year	4,565,000
Interest and penalty on property tax	104,749
Accounts	3,437
Loans	718,145
Accrued interest	2,355
Due from other governments	577,131
Inventories	619,061
Prepaid expenses	40,936
Capital assets, net of accumulated depreciation	19,352,460
Total assets	35,575,289
Deferred Outflows of Resources	
Pension related deferred outflows	695,392
OPEB related deferred outflows	5,688
Total deferred outflows of resources	701,080
Liabilities	
Accounts payable	178,844
Salaries and benefits payable	111,301
Accrued interest payable	1,273
Due to other governments	91,791
Long-term liabilities:	
Portion due or payable within one year:	
General obligation refunding capital loan notes	85,000
Compensated absences	174,578
Portion due or payable after one year:	
General obligation refunding capital loan notes	490,000
Compensated absences	57,416
Total OPEB liability	224,594
Net pension liability	1,982,982
Total liabilities	3,397,779
Deferred Inflows of Resources	
Unavailable property tax revenue	4,565,000
Pension related deferred inflows	550,426
OPEB related deferred inflows	183,658
Total deferred inflows of resources	5,299,084
Net Position	
Net investment in capital assets	19,352,460
Restricted for:	
Supplemental levy purposes	2,256,795
Mental health purposes	146,421
Rural services purposes	643,339
Secondary roads purposes	3,713,923
Other purposes	743,095
Unrestricted	723,473
Total net position	\$ 27,579,506

See notes to financial statements.

Appanoose County
Statement of Activities
Year ended June 30, 2020

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,436,574	151,839	93,578	-	(2,191,157)
Physical health and social services	458,678	26,800	103,835	-	(328,043)
Mental health	778,966	-	-	-	(778,966)
County environment and education	721,404	15,643	11,016	-	(694,745)
Roads and transportation	4,732,038	106,012	3,345,505	96,667	(1,183,854)
Governmental services to residents	563,235	262,311	4,107	-	(296,817)
Administration	1,079,038	25,230	942	-	(1,052,866)
Non-program	245,023	256,395	32	-	11,404
Interest on long-term debt	17,100	-	-	-	(17,100)
Total	\$ 11,032,056	844,230	3,559,015	96,667	(6,532,144)
General Revenues:					
Property and other county tax					4,576,097
levied for general purposes					48,158
Penalty and interest on property tax					460,158
State tax credits					637,261
Local option sales tax					204,220
Hotel/motel tax					112,046
Unrestricted investment earnings					11,000
Gain on sale of assets					17,227
Miscellaneous					6,066,167
Total general revenues					(465,977)
Change in net position					28,045,483
Net position beginning of year, as restated					\$ 27,579,506
Net position end of year					

See notes to financial statements.

Appanoose County

Balance Sheet
Governmental Funds

June 30, 2020

	Special		
	General	Mental Health	Rural Services
Assets			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 4,898,138	132,538	603,049
Receivables:			
Property tax:			
Delinquent	108,855	18,896	27,347
Succeeding year	3,107,000	539,000	919,000
Interest and penalty on property tax	104,749	-	-
Accounts	3,321	-	-
Loan	575,000	-	-
Accrued interest	2,355	-	-
Due from other governments	113,329	-	36,763
Inventories	-	-	-
Prepaid expenditures	40,936	-	-
Total assets	\$ 8,953,683	690,434	1,586,159
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 27,632	750	543
Salaries and benefits payable	58,974	1,740	8,956
Due to other governments	82,426	-	-
Total liabilities	169,032	2,490	9,499
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	3,107,000	539,000	919,000
Other	192,892	15,301	21,350
Total deferred inflows of resources	3,299,892	554,301	940,350
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid expenditures	40,936	-	-
Restricted for:			
Supplemental levy purposes	2,200,501	-	-
Mental health purposes	-	133,643	-
Rural services purposes	-	-	636,310
Secondary roads purposes	-	-	-
Debt service	575,000	-	-
Other purposes	-	-	-
Unassigned	2,668,322	-	-
Total fund balances	5,484,759	133,643	636,310
Total liabilities, deferred inflows of resources and fund balances	\$ 8,953,683	690,434	1,586,159

See notes to financial statements.

Revenue		
Secondary Roads	Nonmajor	Total
3,029,224	578,937	9,241,886
-	-	155,098
-	-	4,565,000
-	-	104,749
116	-	3,437
-	143,145	718,145
-	-	2,355
406,026	21,013	577,131
619,061	-	619,061
-	-	40,936
4,054,427	743,095	16,027,798
147,034	-	175,959
41,631	-	111,301
9,365	-	91,791
198,030	-	379,051
-	-	4,565,000
-	-	229,543
-	-	4,794,543
619,061	-	619,061
-	-	40,936
-	-	2,200,501
-	-	133,643
-	-	636,310
3,237,336	-	3,237,336
-	-	575,000
-	743,095	743,095
-	-	2,668,322
3,856,397	743,095	10,854,204
4,054,427	743,095	16,027,798

Appanoose County

Appanoose County

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

June 30, 2020

Total governmental fund balances (page 19)	\$ 10,854,204
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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 \$33,525,360 and the accumulated depreciation is \$14,172,900.

19,352,460

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.

229,543

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.

192,146

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	\$ 701,080	
Deferred inflows of resources	<u>(734,084)</u>	(33,004)

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.

(3,015,843)**Net position of governmental activities (page 16)**\$ 27,579,506

See notes to financial statements.

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

Year ended June 30, 2020

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 3,241,419	500,988	842,067	-
Local option sales and services tax	-	-	384,956	128,319
Interest and penalty on property tax	33,570	-	-	-
Intergovernmental	564,545	56,031	127,983	3,465,738
Licenses and permits	200	-	-	4,175
Charges for service	350,049	-	-	4
Use of money and property	114,886	-	-	-
Miscellaneous	52,962	-	-	78,361
Total revenues	4,357,631	557,019	1,355,006	3,676,597
Expenditures:				
Operating:				
Public safety and legal services	1,782,955	-	539,501	-
Physical health and social services	406,141	-	45,000	-
Mental health	-	776,020	-	-
County environment and education	494,233	-	43,418	-
Roads and transportation	-	-	-	4,174,711
Governmental services to residents	546,142	-	2,786	-
Administration	1,065,448	-	-	-
Debt service	102,220	-	-	-
Capital projects	5,001	-	-	153,750
Total expenditures	4,402,140	776,020	630,705	4,328,461
Excess (deficiency) of revenues over (under) expenditures	(44,509)	(219,001)	724,301	(651,864)
Other financing sources (uses):				
Transfers in	-	-	-	644,286
Transfers out	-	-	(644,286)	-
Total other financing sources (uses)	-	-	(644,286)	644,286
Change in fund balances	(44,509)	(219,001)	80,015	(7,578)
Fund balances beginning of year, as restated	5,529,268	352,644	556,295	3,863,975
Fund balances end of year	\$ 5,484,759	133,643	636,310	3,856,397

See notes to financial statements.

Nonmajor	Total
115,817	4,700,291
123,986	637,261
-	33,570
20,779	4,235,076
-	4,375
2,789	352,842
5,414	120,300
-	131,323
268,785	10,215,038
84,278	2,406,734
-	451,141
-	776,020
140,232	677,883
-	4,174,711
5,312	554,240
-	1,065,448
-	102,220
-	158,751
229,822	10,367,148
38,963	(152,110)
-	644,286
-	(644,286)
-	-
38,963	(152,110)
704,132	11,006,314
743,095	10,854,204

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, 2020

Change in fund balances - Total governmental funds (page 23) \$ (152,110)

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	\$ 884,457	
Depreciation expense	<u>(1,305,646)</u>	(421,189)

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. 11,000

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	80,026	
Other	<u>14,588</u>	94,614

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. 85,000

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. 344,992

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	23,357	
Pension expense	(460,245)	
OPEB expense	(34,877)	
Interest on long-term debt	<u>120</u>	(471,645)

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. 43,361

Change in net position of governmental activities (page 17) \$ (465,977)

See notes to financial statements.

Appanoose County
Statement of Net Position
Proprietary Fund
June 30, 2020

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 195,031
Liabilities	
Accounts payable	<u>2,885</u>
Net Position	
Unrestricted	<u><u>\$ 192,146</u></u>

See notes to financial statements.

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

Year ended June 30, 2020

			<u>Internal Service - Employee Group Health</u>
Operating revenues:			
Contributions from operating funds		\$	768,211
Reimbursements from employees and others			<u>208,676</u>
Total operating revenues			976,887
Operating expenses:			
Medical and health services	\$	922,861	
Supplemental insurance		10,497	
Miscellaneous		<u>200</u>	<u>933,558</u>
Operating income			43,329
Non-operating revenues:			
Interest income			<u>32</u>
Net income			43,361
Net position beginning of year			<u>148,785</u>
Net position end of year		\$	<u><u>192,146</u></u>
See notes to financial statements.			

Appanoose County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2020

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 768,211
Cash received from employees and others	208,676
Cash paid to suppliers for services	<u>(933,155)</u>
Net cash provided by operating activities	43,732
Cash flows from investing activities:	
Interest on investments	<u>32</u>
Increase in cash and cash equivalents	43,764
Cash and cash equivalents beginning of year	<u>151,267</u>
Cash and cash equivalents end of year	<u><u>\$ 195,031</u></u>
Reconciliation of operating income to net cash	
provided by operating activities:	
Operating income	\$ 43,329
Adjustment to reconcile operating income to net cash	
provided by operating activities:	
Decrease in accounts payable	<u>403</u>
Net cash provided by operating activities	<u><u>\$ 43,732</u></u>

See notes to financial statements.

Appanoose County

Appanoose County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2020

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 1,528,153
Other County officials	54,278

Receivables:

Property tax:

Delinquent	412,470
Succeeding year	11,334,000
Accounts	11
Assessments	71,721

Due from other governments	58,229
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Total assets	<u>13,458,862</u>
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Liabilities

Accounts payable	43,192
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Salaries and benefits payable	6,837
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Due to other governments	13,321,086
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Trusts payable	76,726
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Compensated absences	11,021
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Total liabilities	<u>13,458,862</u>
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Net position	<u><u>\$ -</u></u>
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See notes to financial statements.

Appanoose County

Notes to Financial Statements

June 30, 2020

(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. The County has no component units which meet the Governmental Accounting Standards Board criteria.

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 911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Appanoose County Service Agency, South Iowa Area Detention Service Agency, Rathbun Area Solid Waste Management Commission, ADLM Emergency Management 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, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2019.

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, 2020. 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. Disbursements during the year ended June 30, 2020 exceeded the amount budgeted in the mental health function.

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

The County's deposits in banks at June 30, 2020 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, 2020, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$4,261,770. 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, 2020 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>\$ 644,286</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, 2020 was as follows:

	Balance Beginning of Year (as restated)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 598,093	-	-	598,093
Construction in progress, road network	417,905	194,244	612,149	-
Construction in progress	55,131	-	55,131	-
Total capital assets not being depreciated	1,071,129	194,244	667,280	598,093
Capital assets being depreciated:				
Buildings	1,366,653	76,725	-	1,443,378
Improvements other than buildings	78,281	19,647	-	97,928
Equipment and vehicles	5,933,247	659,972	91,563	6,501,656
Infrastructure, other	1,109,642	-	-	1,109,642
Infrastructure, road network	23,162,514	612,149	-	23,774,663
Total capital assets being depreciated	31,650,337	1,368,493	91,563	32,927,267
Less accumulated depreciation for:				
Buildings	536,072	39,353	-	575,425
Improvements other than buildings	4,203	15,383	-	19,586
Equipment and vehicles	3,699,654	329,290	91,563	3,937,381
Infrastructure, other	483,515	26,749	-	510,264
Infrastructure, road network	8,235,373	894,871	-	9,130,244
Total accumulated depreciation	12,958,817	1,305,646	91,563	14,172,900
Total capital assets being depreciated, net	18,691,520	62,847	-	18,754,367
Governmental activities capital assets, net	<u>\$ 19,762,649</u>	<u>257,091</u>	<u>667,280</u>	<u>19,352,460</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 50,153
Physical health and social services	323
County environment and education	62,029
Roads and transportation	1,178,981
Administration	14,160
Total depreciation expense - governmental activities	<u>\$ 1,305,646</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, 2020 is as follows:

Fund	Description	Amount
General	Services	\$ 82,426
Special Revenue:		
Secondary Roads	Services	9,365
Total for governmental funds		<u>\$ 91,791</u>
Agency:		
Agricultural Extension Education	Collections	\$ 144,122
County Assessor		420,721
Schools		7,561,296
Community Colleges		480,688
Corporations		2,763,690
Townships		294,048
Auto License and Use Tax		366,891
ADLM Empowerment		51,339
All other		1,238,291
Total for agency funds		<u>\$ 13,321,086</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2020 is as follows:

	General Obligation Refunding Capital Loan Notes	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year	\$ 660,000	255,351	2,201,076	336,134	3,452,561
Increases	-	170,711	-	58,491	229,202
Decreases	85,000	194,068	218,094	170,031	667,193
Balance end of year	<u>575,000</u>	<u>231,994</u>	<u>1,982,982</u>	<u>224,594</u>	<u>3,014,570</u>
Due within one year	<u>85,000</u>	<u>174,578</u>	-	-	<u>259,578</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. During the year ended June 30, 2020, the County paid principal of \$85,000 and interest of \$16,720 on the notes. A summary of the County's June 30, 2020 refunding capital loan note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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	3.30	95,000	7,260	102,260
2026-2027	3.30	125,000	5,115	130,115
Total		\$ 575,000	63,740	638,740

(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 \$575,000 at June 30, 2020.

The County entered into an economic development agreement with RMA Armament, Inc. on April 18, 2016 for a loan of \$150,000 from the Special Revenue, Economic Development fund. 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
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	3.00	16,598	785	17,383
2026	3.00	17,104	280	17,384
Total		\$ 95,334	8,962	104,296

The County entered into an economic development agreement with S & L Enterprises, Inc. on February 7, 2017 for a loan of \$60,000 from the Special Revenue, Economic Development fund. 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
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	3.00	6,491	461	6,952
2026-2027	3.00	11,365	342	11,707
Total		\$ 41,961	4,508	46,469

The County entered into an economic development agreement Avid Aviation on April 2, 2018 for a loan of \$10,000 from the Special Revenue, Economic Development fund. 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
2021	3.00%	\$ 2,008	148	2,156
2022	3.00	2,069	87	2,156
2023	3.00	1,773	24	1,797
Total		\$ 5,850	259	6,109

These three economic development loans receivable total \$143,145 at June 30, 2020 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 2020, 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 9.51% of covered payroll, for a total rate of 19.02%. Protection occupation members contributed 6.61% of covered payroll and the County contributed 9.91% of covered payroll, for a total rate of 16.52%.

The County's contributions to IPERS for the year ended June 30, 2020 totaled \$344,992.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the County reported a liability of \$1,982,982 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 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, 2019, the County's proportion was 0.034245%, which was a decrease of 0.000537% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the County recognized pension expense of \$460,245. At June 30, 2020, 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	\$ 14,205	88,152
Changes of assumptions	292,127	80,787
Net difference between projected and actual earnings on IPERS' investments	-	327,050
Changes in proportion and differences between County contributions and proportionate share of contributions	44,068	54,437
County contributions subsequent to the measurement date	344,992	-
Total	<u>\$ 695,392</u>	<u>550,426</u>

\$344,992 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, 2021. 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
2021	\$ 33,394
2022	(100,991)
2023	(78,418)
2024	(52,937)
2025	(1,074)
Total	<u>\$ (200,026)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 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, 2019 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 2019 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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100.0%	

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 (Asset) to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability (asset) 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):	\$ 4,156,699	1,982,982	160,190

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, 2020.

(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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	77
Total	77

Total OPEB Liability – The County's total OPEB liability of \$224,594 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2020 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 June 30, 2020)	2.60% per annum.
Rates of salary increase (effective June 30, 2020)	3.25% per annum, including inflation.
Discount rate (effective June 30, 2020)	2.66% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2020)	8.00% initial rate decreasing by .5% annually to an ultimate rate of 4.50%.

Discount Rate – The discount rate used to measure the total OPEB liability was 2.66% 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 Pub-2010 total dataset mortality table fully generational using Scale MP-2019. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	<u>\$ 336,134</u>
Changes for the year:	
Service cost	45,109
Interest	13,382
Differences between expected and actual experiences	(166,403)
Changes in assumptions	<u>(3,628)</u>
Net changes	<u>(111,540)</u>
Total OPEB liability end of year	<u>\$ 224,594</u>

Changes of assumptions reflect a change in the discount rate from 3.51% in fiscal year 2019 to 2.66% in fiscal year 2020.

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 (1.66%) or 1% higher (3.66%) than the current discount rate.

	1% Decrease (1.66%)	Discount Rate (2.66%)	1% Increase (3.66%)
Total OPEB liability	\$ 236,154	224,594	213,279

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 (7.00%) or 1% higher (9.00%) than the current healthcare cost trend rates.

		Healthcare	
	1% Decrease (7.00%)	Cost Trend Rate (8.00%)	1% Increase (9.00%)
Total OPEB liability	\$ 199,458	224,594	254,386

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the County recognized OPEB expense of \$34,877. At June 30, 2020, 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	\$ -	(180,410)
Changes in assumptions	5,688	(3,248)
Total	\$ 5,688	(183,658)

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

Year ending June 30,	Amount
2021	\$ (23,614)
2022	(23,614)
2023	(23,614)
2024	(23,616)
2025	(21,537)
Thereafter	(61,975)
	<u>\$ (177,970)</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, 2020 was \$768,211.

Amounts payable from the Employee Group Health Fund at June 30, 2020 total \$2,885, 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 \$192,146 at June 30, 2020 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	\$ 2,482
Incurred claims (including claims incurred but not reported at June 30, 2020)	922,861
Payments:	
Payments on claims during the fiscal year	<u>922,458</u>
Unpaid claims end of year	<u>\$ 2,885</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, 2020 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	\$ 69,303	-	69,303
Quality improvement	-	54,649	54,649
Allocation for administration	3,648	12,562	16,210
School ready general use	-	351,766	351,766
Total state grants	72,951	418,977	491,928
Interest on investments	325	1,407	1,732
Total revenues	73,276	420,384	493,660
Expenditures:			
Program services:			
Quality improvement	-	71,133	71,133
Other program services	73,690	373,109	446,799
Total program services	73,690	444,242	517,932
Administration	4,007	13,135	17,142
Total expenditures	77,697	457,377	535,074
Change in fund balances	(4,421)	(36,993)	(41,414)
Fund balance beginning of year	11,882	61,251	73,133
Fund balance end of year	\$ 7,461	24,258	31,719

(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. 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, 2020 as follows:

Revenues:		
Property and other county tax		\$ 500,988
Intergovernmental revenues:		
State tax credits	\$ 55,558	
Other	473	56,031
Total revenues		557,019
Expenditures:		
Services to persons with:		
Mental illness		81,724
General administration		
Direct administration	4,795	
Distribution to regional fiscal agent	689,501	694,296
Total expenditures		776,020
Excess of expenditures over revenues		(219,001)
Fund balance beginning of the year		352,644
Fund balance end of the year		\$ 133,643

(14) Restatement

The Appanoose Conservation Foundation was evaluated and was determined to no longer meet the Governmental Accounting Standards Board component unit criteria to be a blended component unit of the County. As a result, the beginning net position for governmental activities and the Special Revenue, Non-major Aggregate Remaining Funds were restated to properly report their beginning balances.

In addition, beginning net position for governmental activities was restated to properly report assets that were previously disposed of by the County but were still recorded on the capital asset listing on July 1, 2019. As a result, beginning balances were restated as follows:

	Governmental Activities	Special Revenue Non-Major
Net position/fund balance June 30, 2019, as previously reported	\$ 28,737,704	746,885
Appanoose Conservation Foundation fund balance June 30, 2019	(42,753)	(42,753)
Loss on capital assets that were deleted in prior years	(649,468)	-
Net position/fund balance July 1, 2019, as restated	\$ 28,045,483	704,132

(15) Subsequent Event

In November 2020, the County approved the issuance of \$7,500,000 general obligation local option sales and services tax bond to finance the costs of designing, constructing, equipping and furnishing a law enforcement center.

(16) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of Appanoose County, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the County. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to Appanoose County's operations and finances.

(17) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

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, 2020

		Budgeted Amounts		Final to Net Variance
	Actual	Original	Final	
Receipts:				
Property and other county tax	\$ 5,468,758	5,360,472	5,464,750	4,008
Interest and penalty on property tax	33,570	6,000	6,000	27,570
Intergovernmental	4,019,209	4,467,201	4,471,874	(452,665)
Licenses and permits	4,760	3,150	3,150	1,610
Charges for service	374,814	320,858	331,008	43,806
Use of money and property	118,969	75,775	75,775	43,194
Miscellaneous	112,500	36,226	36,859	75,641
Total receipts	10,132,580	10,269,682	10,389,416	(256,836)
Disbursements:				
Public safety and legal services	2,394,387	3,000,427	3,014,705	620,318
Physical health and social services	450,952	520,480	531,263	80,311
Mental health	775,263	734,933	764,933	(10,330)
County environment and education	780,437	899,759	999,759	219,322
Roads and transportation	4,137,113	4,126,671	4,476,671	339,558
Governmental services to residents	552,701	574,766	579,439	26,738
Administration	1,021,911	1,123,910	1,123,910	101,999
Debt service	102,220	102,320	102,320	100
Capital projects	158,751	1,133,754	783,754	625,003
Total disbursements	10,373,735	12,217,020	12,376,754	2,003,019
Excess (deficiency) of receipts over (under) disbursements	(241,155)	(1,947,338)	(1,987,338)	1,746,183
Other financing sources, net	101,970	102,320	102,320	(350)
Changes in balances	(139,185)	(1,845,018)	(1,885,018)	1,745,833
Balance beginning of year, as restated	9,381,071	6,724,248	6,724,248	2,656,823
Balance end of year	\$ 9,241,886	4,879,230	4,839,230	4,402,656

See accompanying independent auditor's report.

Appanoose County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2020

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 10,132,580	82,458	10,215,038
Expenditures	10,373,735	(6,587)	10,367,148
Net	(241,155)	89,045	(152,110)
Other financing sources, net	101,970	(101,970)	-
Beginning fund balances, as restated	9,381,071	1,625,243	11,006,314
Ending fund balances	\$ 9,241,886	1,612,318	10,854,204

See accompanying independent auditor's report.

Appanoose County

Appanoose County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2020

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 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 \$159,734. 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 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.

Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the mental health function.

Appanoose County

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

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

Required Supplementary Information

	2020	2019	2018	2017
County's proportion of the net pension liability	0.034245%	0.034782%	0.038547%	0.038329%
County's proportionate share of the net pension liability	\$ 1,983	2,201	2,568	2,412
County's covered payroll	\$ 3,496	3,392	3,416	3,292
County's proportionate share of the net pension liability as a percentage of its covered payroll	56.72%	64.89%	75.18%	73.27%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%

* 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.

2016	2015
0.036537%	0.032988%
1,805	1,308
3,177	2,934
56.81%	44.58%
85.19%	87.61%

Appanoose County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 345	334	305	311
Contributions in relation to the statutorily required contribution	<u>(345)</u>	<u>(334)</u>	<u>(305)</u>	<u>(311)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 3,639	3,496	3,392	3,416
Contributions as a percentage of covered payroll	9.48%	9.55%	8.99%	9.10%

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
301	291	271	258	249	216
(301)	(291)	(271)	(258)	(249)	(216)
-	-	-	-	-	-
3,292	3,177	2,934	2,873	2,939	2,887
9.14%	9.16%	9.24%	8.98%	8.47%	7.48%

Appanoose County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

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.

Appanoose County

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

For the Last Three Years
Required Supplementary Information

	2020	2019	2018
Service cost	\$ 45,109	43,749	30,027
Interest cost	13,382	13,411	10,968
Difference between expected and actual experiences	(166,403)	(31,125)	(14,503)
Changes in assumptions	(3,628)	7,314	(38)
Net change in total OPEB liability	(111,540)	33,349	26,454
Total OPEB liability beginning of year	336,134	302,785	276,331
Total OPEB liability end of year	\$ 224,594	336,134	302,785
Covered-employee payroll	\$ 3,376,022	3,520,480	3,409,666
Total OPEB liability as a percentage of covered-employee payroll	6.7%	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, 2020	2.66%
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, 2020

			Special
	County Recorder's Records Management	Resource Enhancement and Protection	Law Enforcement Forfeiture
Assets			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 14,134	31,668	1,710
Receivables:			
Loan	-	-	-
Due from other governments	328	-	-
Total assets	\$ 14,462	31,668	1,710
Fund Balances			
Fund balance:			
Nonspendable loan receivable	\$ -	-	-
Restricted for other purposes	14,462	31,668	1,710
Total fund balances	14,462	31,668	1,710
Total fund balances	\$ 14,462	31,668	1,710

See accompanying independent auditor's report.

Revenue			
Economic Development	HazMat	Flood and Erosion	Total
368,765	139,321	23,339	578,937
143,145	-	-	143,145
20,685	-	-	21,013
532,595	139,321	23,339	743,095
0	-	-	-
532,595	139,321	23,339	743,095
532,595	139,321	23,339	743,095
532,595	139,321	23,339	743,095

Appanoose County

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

Year ended June 30, 2020

			Special
	County Recorder's Records Management	Resource Enhancement and Protection	Law Enforcement Forfeiture
Revenues:			
Property and other county tax	\$ -	-	-
Local option sales and services tax	-	-	-
Intergovernmental	-	10,469	-
Charges for service	2,789	-	-
Use of money and property	185	547	22
Total revenues	2,974	11,016	22
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	-	-
Government services to residents	5,312	-	-
Total expenditures	5,312	-	-
Excess (deficiency) of revenues over (under) expenditures	(2,338)	11,016	22
Fund balances beginning of year, as restated	16,800	20,652	1,688
Fund balances end of year	\$ 14,462	31,668	1,710

See accompanying independent auditor's report.

Revenue				
Economic Development	HazMat	Emergency Medical Services	Flood and Erosion	Total
31,539	-	84,278	-	115,817
123,986	-	-	-	123,986
-	10,310	-	-	20,779
-	-	-	-	2,789
4,660	-	-	-	5,414
160,185	10,310	84,278	-	268,785
-	-	84,278	-	84,278
140,232	-	-	-	140,232
-	-	-	-	5,312
140,232	-	84,278	-	229,822
19,953	10,310	-	-	38,963
512,642	129,011	-	23,339	704,132
532,595	139,321	-	23,339	743,095

Appanoose County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2020

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	2,320	153,807	127,132	7,683
Other County officials	54,278	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	4,802	9,505	252,164	16,005
Succeeding year	-	137,000	271,000	7,182,000	457,000
Accounts	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 54,278	144,122	434,312	7,561,296	480,688
Liabilities					
Accounts payable	\$ -	-	1,500	-	-
Salaries and benefits payable	-	-	4,904	-	-
Due to other governments	350	144,122	420,721	7,561,296	480,688
Trusts payable	53,928	-	-	-	-
Compensated absences	-	-	7,187	-	-
Total liabilities	\$ 54,278	144,122	434,312	7,561,296	480,688

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
47,158	4,939	366,891	22,798	88,044	707,381	1,528,153
-	-	-	-	-	-	54,278
112,532	8,109	-	-	-	9,353	412,470
2,604,000	281,000	-	-	-	402,000	11,334,000
-	-	-	-	3	8	11
-	-	-	-	-	71,721	71,721
-	-	-	-	-	58,229	58,229
<u>2,763,690</u>	<u>294,048</u>	<u>366,891</u>	<u>22,798</u>	<u>88,047</u>	<u>1,248,692</u>	<u>13,458,862</u>
-	-	-	-	36,708	4,984	43,192
-	-	-	-	-	1,933	6,837
2,763,690	294,048	366,891	-	51,339	1,237,941	13,321,086
-	-	-	22,798	-	-	76,726
-	-	-	-	-	3,834	11,021
<u>2,763,690</u>	<u>294,048</u>	<u>366,891</u>	<u>22,798</u>	<u>88,047</u>	<u>1,248,692</u>	<u>13,458,862</u>

Appanoose County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2020

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Balances beginning of year, as restated	\$ 68,882	122,573	394,823	6,556,140	405,577
Additions:					
Property and other county tax	-	137,212	270,934	7,203,909	457,845
911 surcharge	-	-	-	-	-
State tax credits	-	12,927	29,086	726,761	42,806
Drivers license fees	-	-	-	-	-
Office fees and collections	329,556	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	193,644	-	-	-	-
Miscellaneous	-	110	3,346	17,874	365
Total additions	523,200	150,249	303,366	7,948,544	501,016
Deductions:					
Agency remittances:					
To other funds	169,181	-	-	-	-
To other governments	155,607	128,700	263,877	6,943,388	425,905
Trusts paid out	213,016	-	-	-	-
Total deductions	537,804	128,700	263,877	6,943,388	425,905
Balances end of year	\$ 54,278	144,122	434,312	7,561,296	480,688

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
2,651,124	248,111	278,673	34,772	116,036	1,032,039	11,908,750
2,579,883	283,092	-	-	-	411,738	11,344,613
-	-	-	-	-	273,143	273,143
415,023	18,009	-	-	-	4,123	1,248,735
-	-	57,477	-	-	-	57,477
-	-	-	-	-	-	329,556
-	-	3,796,973	-	-	-	3,796,973
-	-	-	-	-	18,122	18,122
-	-	-	344,761	-	14,476	552,881
37,508	-	-	-	493,416	152,333	704,952
3,032,414	301,101	3,854,450	344,761	493,416	873,935	18,326,452
-	-	141,424	-	-	-	310,605
2,919,848	255,164	3,624,808	-	521,405	657,282	15,895,984
-	-	-	356,735	-	-	569,751
2,919,848	255,164	3,766,232	356,735	521,405	657,282	16,776,340
2,763,690	294,048	366,891	22,798	88,047	1,248,692	13,458,862

Appanoose County

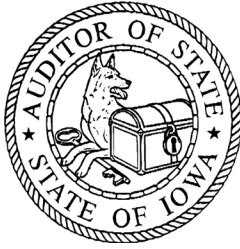
Schedule of Revenues By Source and Expenditures By Function -
All Governmental Funds

For the Last Ten Years

	2020	2019	2018	2017
Revenues:				
Property and other county tax	\$ 4,700,291	4,683,693	4,188,009	4,011,476
Local option sales and services tax	637,261	743,616	557,675	608,401
Interest and penalty on property tax	33,570	70,350	68,769	61,433
Intergovernmental	4,235,076	4,155,704	4,297,769	4,322,795
Licenses and permits	4,375	2,975	4,180	6,602
Charges for service	352,842	437,662	436,769	409,959
Use of money and property	120,300	168,883	77,121	28,841
Miscellaneous	131,323	188,330	252,557	196,275
Total	<u>\$ 10,215,038</u>	<u>10,451,213</u>	<u>9,882,849</u>	<u>9,645,782</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,406,734	2,531,443	2,511,077	2,207,127
Physical health and social services	451,141	441,894	537,548	705,355
Mental health	776,020	719,734	436,255	381,523
County environment and education	677,883	847,015	609,222	591,596
Roads and transportation	4,174,711	3,979,978	3,142,121	3,179,003
Governmental services to residents	554,240	507,586	531,680	550,997
Administration	1,065,448	975,324	1,037,141	982,558
Debt service	102,220	116,110	150,591	156,272
Capital projects	158,751	336,635	298,744	359,731
Total	<u>\$ 10,367,148</u>	<u>10,455,719</u>	<u>9,254,379</u>	<u>9,114,162</u>

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
4,159,544	4,224,240	4,240,825	3,790,795	4,296,204	3,943,992
561,228	617,942	537,244	605,534	515,706	534,891
70,040	74,798	79,906	75,668	88,430	78,355
4,462,362	3,937,632	4,822,728	4,109,315	4,997,948	5,093,975
4,190	2,535	2,195	2,620	2,375	2,037
463,989	366,995	372,690	374,804	329,692	331,969
24,431	54,519	15,149	17,031	21,828	30,733
427,361	378,935	257,297	408,303	214,822	274,411
10,173,145	9,657,596	10,328,034	9,384,070	10,467,005	10,290,363
2,136,494	2,111,976	2,001,614	1,950,127	1,896,588	1,743,618
731,769	878,427	777,826	690,490	720,646	773,423
776,487	652,199	668,395	600,136	1,211,520	914,098
912,655	1,129,135	951,392	574,827	602,435	695,933
3,629,236	3,066,876	3,737,613	3,413,239	3,243,128	3,634,672
577,376	457,776	464,875	440,916	404,590	414,367
877,579	915,899	1,116,712	965,137	918,495	873,352
332,380	212,920	221,934	304,978	200,995	196,566
117,029	6,447	747,768	337,204	481,853	931,650
10,091,005	9,431,655	10,688,129	9,277,054	9,680,250	10,177,679



**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, 2020, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 17, 2021.

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 a deficiency in internal control we consider to be a material weakness and deficiencies we consider to be significant deficiencies.

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

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 (B) through (G) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Appanoose County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted 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, 2020 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.

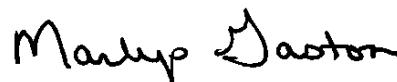
Appanoose County's Responses to the Findings

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

May 17, 2021

Appanoose County

Schedule of Findings

Year ended June 30, 2020

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. A strong control is provided when an independent mail opener prepares a listing of cash and checks received in the mail, passes the mail and receipts on to accounting staff to process/record, and later tests the receipts listing against the proper recording and deposit of those receipts.	Treasurer, Public Health Nurse, Recorder, Engineer, and Conservation
(2) Generally, one individual may have control over collecting, depositing, posting and daily reconciling of receipts for which no compensating control exists.	Treasurer, Public Health Nurse, Recorder, Engineer and Conservation
(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, 2020

- | | | |
|-----|---|----------------------------------|
| (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.

Public Health Nurse – We have a small office with two office employees handling financial information and documentation. We will attempt to segregate duties as much as possible. We will continue to have two employees handle financial information and documentation.

Appanoose County

Schedule of Findings

Year ended June 30, 2020

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) 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 helps 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.

(C) 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.

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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.

Response – Reports will be reviewed and approved by each office as they are billed.

Conclusion – Response accepted.

(D) 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.

(E) 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). Two Board of Health 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.

Appanoose County

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Year ended June 30, 2020

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

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

Response – We will work to ensure deposits are made timely.

Conclusion – Response accepted.

(F) 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.

Responses –

Public Health Board – The Appanoose County Board of Health approved a \$20 per pay period stipend to Kristopher Laurson, Administrator and Rhonda Tissue, Public Health Nurse at the 12/20/2017 Board of Health Meeting. This is due to being on call 24/7/365 if a disease outbreak investigation is warranted through Iowa Department of Public Health – Center for Acute Disease Epidemiology.

Veteran Affairs – Starting in February 2021 the Veteran Affairs Administer was provided a cell phone to allow calls to roll over from the main office number. There will no longer be any allowances for personal cell phones.

Emergency Management – Due to Emergency Management being a recognized as a public safety entity in the State of Iowa and that the coordinators and deputy coordinators are expected to be on call at all times to respond in a timely manner to all federal state and local emergency's in their jurisdiction a direct line of continuous communication is needed to those positions outside of normal business hours and regardless of work status at the time.

Appanoose County

Schedule of Findings

Year ended June 30, 2020

ADLM Emergency Management Commission offers a monthly stipend of \$100 for the Coordinators and \$50 for the Deputy Coordinators personal cell phones if they are in agreement to use personal devices for their government business in lieu of providing agency phones as a cost saving initiative. This is reviewed yearly as a budget item should it need changed, and bills are reviewed and approved by the commission at regular commission meetings held pursuant to Iowa Code 29C. It is expected that the personal data plan also be used as a hot spot or for any data needed to operate in a mobile fashion using other electronic devices as to perform all public safety duties as designated by position. It is understood that all data stored on the phone would be considered available for public scrutiny if requested. Reimbursement will be made in accordance to Iowa code 91A.3.6.

Conclusion – Response acknowledged. Policies and procedures should be developed to properly document the public purpose of providing cell phone stipends and to ensure personal cell phone reimbursements are appropriate.

(G) 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.

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.

Appanoose County

Schedule of Findings

Year ended June 30, 2020

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, 2020

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the mental health function.

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

Response – The County Auditor's Office will start a spreadsheet to double check that functions 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
Chad Howard Construction, Chad Howard owner, husband of Kelly Howard, County Auditor	Clearing road of brush	\$ 1,276
Blue Sun Graphics, John Wiltamuth owner, husband of Hannah Wiltamuth, Conservation Naturalist	Conservation uniforms and shirts	36
Stateline Refrigeration, Richard Lasely owner, husband of Hannah Wiltamuth, Conservation Naturalist	Table for vaccine freezer	500
Hussmann Services, Richard Lasley employee at Hussmann Services, husband of Jerilyn Lasley, public health nurse office assistant	Maintenance on medical cabinets nurse office	1,407

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the above transactions do not appear to represent a conflict of interest since the total transactions were less than \$6,000 during the fiscal year.

- (5) Restricted Donor Activity – No transactions were noted between the County, County officials, County employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

- (6) 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, 2020

- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) 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.
- (9) 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).
- (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
Ryan J. Pithan, CPA, Manager
Erin J. Sietstra, Senior Auditor
Maria R. Collins, Staff Auditor
April R. Davenport, Staff Auditor
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Thomas G. Engquist, Auditor Intern