



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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Des Moines, Iowa 50319-0004
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NEWS RELEASE

Contact: Brian Brustkern
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FOR RELEASE

February 29, 2024

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

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$13,528,035 for the year ended June 30, 2023, an 18.8% decrease. Expenses for County operations for the year ended June 30, 2023, totaled \$12,024,817, a 10.1% increase. The significant decrease in the revenues is due primarily to a decrease in contributions from the Iowa Department of Transportation for road infrastructure. The significant increase in the expenses is due primarily to increased engineering costs for capital projects.

AUDIT FINDINGS:

Sand reported six findings related to the receipt and expenditure of taxpayer funds. They are found on pages 84 through 89 of this report. The findings address issues such as lack of segregation of duties and lack of monthly Department of Public Health billing reconciliations. Sand provided the County with recommendations to address each of these findings.

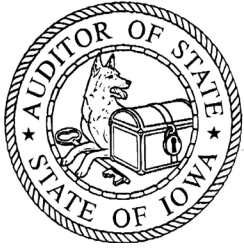
Four of the six findings discussed above are repeated from the prior year. The County Board of Supervisors and other County Officials have a fiduciary responsibility to provide oversight of the County's operations and financial transactions. Oversight is typically defined as the "watchful and responsible 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 website at [Audit Reports – Auditor of State](#).

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APPANOOSE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2023

Appanoose County



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Rob Sand
Auditor of State

January 31, 2024

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, 2023. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

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

Rob Sand
Auditor of State

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Appanoose County

Officials

(Before January 2023)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jeff Kulmatycki	Board of Supervisors	Jan 2023
Linda Demry	Board of Supervisors	Jan 2025
Mark McGill	Board of Supervisors	Jan 2025
Kelly Howard	County Auditor	Jan 2025
Janet Davis	County Treasurer	Jan 2023
Teddy Walker	County Recorder	Jan 2023
Gary Anderson	County Sheriff	Jan 2025
Susan Scieszinski	County Attorney	Jan 2023
Michael Barth	County Assessor	Jan 2028

(After January 2023)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Linda Demry	Board of Supervisors	Jan 2025
Mark McGill	Board of Supervisors	Jan 2025
Jeff Kulmatycki	Board of Supervisors	Jan 2027
Kelly Howard	County Auditor	Jan 2025
Jennifer Salstrand	County Treasurer	Jan 2027
Maegan Messamaker	County Recorder	Jan 2027
Gary Anderson	County Sheriff	Jan 2025
Susan Scieszinski	County Attorney	Jan 2027
Michael Barth	County Assessor	Jan 2028

Appanoose County



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Rob Sand
Auditor of State

Independent Auditor's Report

To the Officials of Appanoose County:

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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, 2023 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Appanoose County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Appanoose County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Appanoose County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Appanoose County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 15 and 58 through 70 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who 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 GAAS, 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.

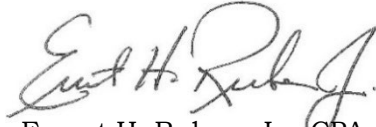
Supplementary Information

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, 2022 (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.

Such 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. The 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 GAAS. In our opinion, the supplementary information in Schedules 1 through 5 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 January 31, 2024 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.


Ernest H. Ruben, Jr., CPA
Chief Deputy Auditor of State

January 31, 2024

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, 2023. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2023 FINANCIAL HIGHLIGHTS

- The Governor signed Senate File 619 on June 16, 2021 which significantly changed mental health funding. The County was required to transfer the remaining fund balance of the Special Revenue, Mental Health Fund to the South Central Behavioral Mental Health Region prior to June 30, 2022.
- The County's governmental activities revenues decreased 18.8%, or \$3,124,343, from fiscal year 2022 to fiscal year 2023. Charges for service, operating grants, contributions and restricted interest and capital grants, contributions and restricted interest decreased approximately \$120,000 \$235,000 and \$3,975,000, respectively.
- Program expenses of the County's governmental activities increased 10.1%, or \$1,107,655, during fiscal year 2023. Roads and transportation and public safety and legal services increased approximately \$804,000 and \$396,000, respectively.
- The County's net position increased 4.39%, or \$1,503,218 during fiscal year 2023.

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 (Custodial 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 (asset) 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 Custodial 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, 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 2) the Special Revenue Funds, such as Rural Services and Secondary Roads 3) the Debt Service Fund and 4) the Capital Projects Fund. 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 custodial capacity for others which cannot be used to support the County’s own programs. These fiduciary funds include Custodial 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 Net Position and a Statement of Changes in Fiduciary Net Position.

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. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities		
	June 30,	
	2023	2022
Current and other assets	\$ 20,123,628	22,829,142
Capital assets	33,386,025	30,975,285
Total assets	53,509,653	53,804,427
Deferred outflows of resources	629,799	636,031
Long-term liabilities	9,939,845	9,355,112
Other liabilities	2,319,351	3,463,211
Total liabilities	12,259,196	12,818,323
Deferred inflows of resources	6,097,622	7,342,719
Net position:		
Net investment in capital assets	25,419,135	24,110,801
Restricted	8,112,867	8,700,553
Unrestricted	2,250,632	1,468,062
Total net position	\$ 35,782,634	34,279,416

The net positions of Appanoose County’s governmental activities increased 4.4% (approximately \$35.8 million compared to approximately \$34.3 million).

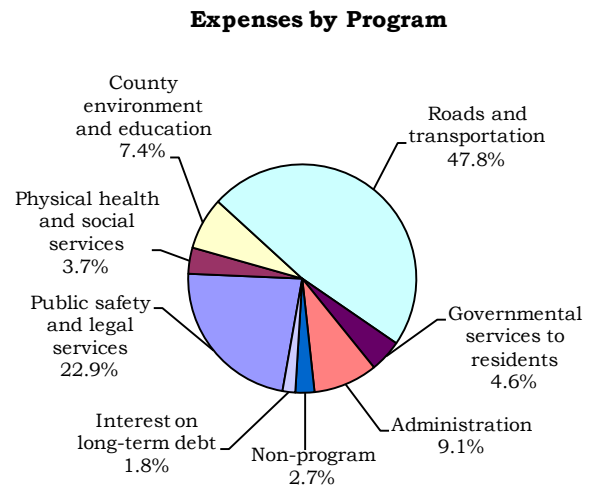
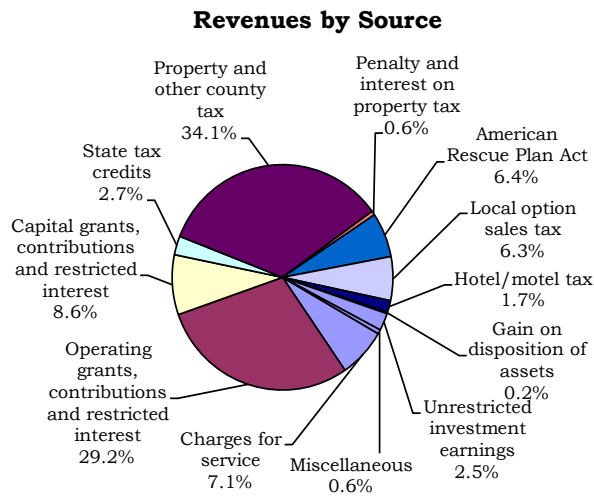
The largest portion of the County’s net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. This net position category increased 5.43%, or approximately \$1,308,000.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position category decreased \$587,686, or 6.75%, from the prior year due to the decrease in Secondary Roads fund balance.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from approximately \$1,468,000 at June 30, 2022 to approximately \$2,251,000 at June 30, 2023, an increase of 53.3%. The increase is mainly due to a decrease in pension related deferred inflows offset by an increase in pension liability.

Changes in Net Position of Governmental Activities

	Year ended June 30,	
	2023	2022
Revenues:		
Program revenues:		
Charges for service	\$ 959,315	1,079,420
Operating grants, contributions and restricted interest	3,946,526	4,181,647
Capital grants, contributions and restricted interest	1,166,825	5,141,864
General revenues:		
Property and other county tax	4,608,729	4,495,413
Penalty and interest on property tax	82,752	89,168
State tax credits	367,562	407,148
Local option sales tax	853,749	892,983
American Rescue Plan Act	865,846	-
Hotel/motel tax	229,394	313,509
Unrestricted investment earnings	336,615	32,373
Gain on disposition of assets	32,858	600
Miscellaneous	77,864	18,253
Total revenues	13,528,035	16,652,378
Program expenses:		
Public safety and legal services	2,756,316	2,359,991
Physical health and social services	450,029	433,416
Mental health	-	475,551
County environment and education	895,755	712,967
Roads and transportation	5,740,309	4,936,513
Governmental services to residents	550,161	527,215
Administration	1,089,238	922,647
Non-program	323,547	313,098
Interest on long-term debt	219,462	235,764
Total expenses	12,024,817	10,917,162
Change in net position	1,503,218	5,735,216
Net position beginning of year	34,279,416	28,544,200
Net position end of year	\$ 35,782,634	34,279,416



Appanoose County’s governmental activities net position increased approximately \$1,503,000 during the year. Revenues for governmental activities decreased approximately \$3,124,000 from the prior year. Capital grants, contributions and restricted interest decreased approximately \$3,975,000, offset by an increase of approximately \$865,000 in American Rescue Plan Act revenue. The decrease in capital grants, contributions and restricted interest decreased 77.3% from fiscal year 2022 due to a decrease of \$4,503,876 in infrastructure assets contributed by the Iowa Department of Transportation. The County used the American Rescue Plan Act (ARPA) revenues for various projects such as courthouse renovations, campground sewer/water hookups and a broadband project, to name a few.

The cost of all governmental activities this year was approximately \$12.0 million compared to approximately \$10.9 million last year. However, as shown in the Statement of Activities on page 21, the amount taxpayers ultimately financed for these projects was approximately \$5.9 million because some of the cost was paid by those directly benefiting from the programs (approximately \$959,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$5,113,000). Overall, the County’s governmental program revenues, including intergovernmental aid and fees for service, decreased in fiscal year 2023 from approximately \$10,403,000 to approximately \$6,073,000. As discussed above, the County received less contributions of roads and bridges paid for by the Iowa Department of Transportation.

INDIVIDUAL MAJOR FUND ANALYSIS

As Appanoose County completed the year, its governmental funds reported a combined fund balance of approximately \$11.7 million, a decrease of approximately \$1.7 million from last year’s total. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

General Fund revenues increased approximately \$1,388,000, or 29.84%, over the prior year partly due to an increase in intergovernmental revenues which resulted from the County recognizing American Rescue Plan Act (ARPA) revenue. Expenditures increased approximately \$1,215,000 or 25.09% over the prior year due to the County spending a portion of their ARPA funds. The ending fund balance decreased \$18,832 during the year to \$5,250,731. The County used the American Rescue Plan Act revenues for various projects such as courthouse renovations, campground sewer/water hookups and a broadband project, to name a few.

- Special Revenue, Rural Services Fund revenues increased approximately \$38,000, or 3.39%. Expenditures decreased approximately \$20,000, or 5.20% from the prior year. The fund balance decreased \$60,804 from the prior year to \$651,935.
- Special Revenue, Secondary Roads Fund expenditures increased approximately \$1,287,000, or 28.95% due to the steady level of project work while revenues increased approximately \$624,000, or 17.20%, when compared to the prior year primarily due to receipts from the Department of Transportation for infrastructure projects. The fund balance at June 30, 2023 was \$3,746,623 compared to the prior year ending fund balance of \$4,358,587, a decrease of \$611,964.
- Capital Projects Fund expenditures decreased approximately \$4,674,000, or 76.32% due to the work progressing on the Law Enforcement Center while revenues decreased \$2,781, when compared to the prior year. The fund balance at June 30, 2023 was \$10,285 compared to the prior year ending fund balance of \$1,459,770, a decrease of \$1,449,485.

BUDGETARY HIGHLIGHTS

Over the course of the year, Appanoose County amended its budget two times. The first amendment was made in October 2022 and resulted in an increase in budgeted receipts and disbursements related the ARPA funds received for various projects such as the E911 broadband tower project, courthouse improvements and campground improvements, to name a few. The increase was also related to conservation grant revenue and related expenses. The second amendment was made in April 2023. This amendment was made to add expenses and revenues for Public Health grants as well as Secondary Roads expenses.

The County's total receipts were \$1,125,524 more than budgeted, a variance of 10.4%. The most significant variances resulted from the County receiving more in intergovernmental revenue than anticipated due to the receipt of various grants.

Total disbursements were \$4,328,718 less than the amended budget. Actual disbursements for capital projects, county environment and education, and public safety and legal services were \$2,470,354, \$1,124,855 and \$508,247, 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 being less than budgeted due to lower salary and inmate costs.

Even with the budget amendments, the County exceeded the budgeted amounts in the roads and transportation function for the year ended June 30, 2023.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, Appanoose County had approximately \$33 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,	
	2023	2022
Land	\$ 598,093	598,093
Buildings and improvements	9,734,731	893,337
Equipment and vehicles	3,153,581	2,859,713
Right-to-use leased equipment	12,213	19,908
Infrastructure	19,431,981	17,944,595
Construction in progress	455,426	8,659,639
Total	\$ 33,386,025	30,975,285
This year's major additions included:		
Capital assets contributed by the Iowa Department of Transportation		\$ 592,884
Construction on new Law Enforcement Center		1,449,532
Communications Tower		500,000
County Sheriff and Secondary Roads vehicles		569,688
Total		\$ 3,112,104

The County had depreciation/amortization expense of \$1,797,508 in fiscal year 2023 and total accumulated depreciation of \$18,088,120 at June 30, 2023. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2023, Appanoose County had \$8,287,175 of long-term debt outstanding, compared to \$8,724,254 at June 30, 2022, as shown below.

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2023	2022
General obligation bonds	\$ 7,964,538	8,303,923
General obligation refunding capital loan notes	310,000	400,000
Lease agreements	12,637	20,331
Total	\$ 8,287,175	8,724,254

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 \$49 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Appanoose County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2024 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 2.5% versus 2.9% a year ago. This compares with the State's unemployment rate of 3.2% and the national rate of 3.6%.

These indicators were taken into account when adopting the budget for fiscal year 2024. Receipts in the operating budget are approximately \$12,330,000, a 14.4% increase over the final fiscal year 2023 receipts budget. The property tax rate for urban areas increased slightly from \$6.80000 per \$1,000 of taxable valuation to \$7.00308 per \$1,000 of taxable valuation for fiscal year 2024. The property tax rate in rural areas increased slightly from \$3.10000 per \$1,000 of taxable valuation to \$3.20000 per \$1,000 of taxable valuation for fiscal year 2024.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Appanoose County

Basic Financial Statements

Exhibit A

Appanoose County
Statement of Net Position
June 30, 2023

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 11,981,851
Receivables:	
Property tax:	
Delinquent	33,198
Succeeding year	4,867,000
Interest and penalty on property tax	121,056
Accounts	70,994
Loans	334,615
Accrued interest	3,835
Opioid settlement	323,510
Leases	700,651
Due from other governments	460,830
Inventories	1,153,492
Prepaid expenses	72,596
Capital assets not being depreciated	1,053,519
Capital assets, net of accumulated depreciation/amortization	<u>32,332,506</u>
Total assets	<u>53,509,653</u>
Deferred Outflows of Resources	
Pension related deferred outflows	566,112
OPEB related deferred outflows	<u>63,687</u>
Total deferred outflows of resources	<u>629,799</u>

Appanoose County
Statement of Net Position
June 30, 2023

Liabilities

Accounts payable	430,086
Salaries and benefits payable	160,136
Accrued interest payable	22,153
Due to other governments	77,035
Unearned revenue	1,629,941
Long-term liabilities:	
Portion due or payable within one year:	
General obligation refunding capital loan notes	90,000
General obligation bonds	295,000
Compensated absences	207,869
Total OPEB liability	20,301
Lease agreements	6,200
Portion due or payable after one year:	
General obligation refunding capital loan notes	220,000
General obligation bonds	7,669,538
Compensated absences	79,254
Total OPEB liability	345,212
Lease agreements	6,437
Net pension liability	1,000,034
Total liabilities	12,259,196

Deferred Inflows of Resources

Lease Related	700,651
Unavailable property tax revenue	4,867,000
Pension related deferred inflows	351,242
OPEB related deferred inflows	178,729
Total deferred inflows of resources	6,097,622

Net Position

Net investment in capital assets	25,419,135
Restricted for:	
Supplemental levy purposes	1,517,240
Rural services purposes	648,971
Secondary roads purposes	3,593,927
Debt Service	13
Other purposes	1,939,668
Opioid abatement	413,048
Unrestricted	2,250,632
Total net position	\$ 35,782,634

See notes to financial statements.

Appanoose County

Appanoose County
Statement of Activities
Year ended June 30, 2023

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,756,316	167,651	106,848	-	(2,481,817)
Physical health and social services	450,029	38,978	87,610	69,327	(254,114)
County environment and education	895,755	18,634	47,479	-	(829,642)
Roads and transportation	5,740,309	115,492	3,633,907	1,097,498	(893,412)
Governmental services to residents	550,161	275,377	2,270	-	(272,514)
Administration	1,089,238	34,294	67,954	-	(986,990)
Non-program	323,547	308,889	458	-	(14,200)
Interest on long-term debt	219,462	-	-	-	(219,462)
Total	\$ 12,024,817	959,315	3,946,526	1,166,825	(5,952,151)
General Revenues:					
Property and other county tax levied for:					
General purposes					4,608,716
Debt service					13
Penalty and interest on property tax					82,752
State tax credits					367,562
Local option sales tax					853,749
American Rescue Plan Act					865,846
Hotel/motel tax					229,394
Unrestricted investment earnings					336,615
Gain on sale of assets					32,858
Miscellaneous					77,864
Total general revenues					7,455,369
Change in net position					1,503,218
Net position beginning of year					34,279,416
Net position end of year					\$ 35,782,634

See notes to financial statements.

Appanoose County

Balance Sheet
Governmental Funds

June 30, 2023

	Special Revenue		
	General	Rural Services	Secondary Roads
Assets			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 6,663,218	649,805	2,663,051
Receivables:			
Property tax:			
Delinquent	28,628	4,557	-
Succeeding year	3,739,000	1,126,000	-
Interest and penalty on property tax	121,056	-	-
Accounts	56,530	10,998	3,466
Loan	310,000	-	-
Accrued interest	3,835	-	-
Opioid settlement	-	-	-
Lease receivable	-	-	-
Due from other governments	12,807	-	302,512
Inventories	-	-	1,153,492
Prepaid expenditures	72,596	-	-
Total assets	\$ 11,007,670	1,791,360	4,122,521
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 68,301	3,687	314,237
Salaries and benefits payable	95,001	5,184	59,951
Due to other governments	75,325	-	1,710
Unearned revenue	1,629,941	-	-
Total liabilities	1,868,568	8,871	375,898
Deferred inflows of resources:			
Unavailable revenues:			
Lease related	-	-	-
Succeeding year property tax	3,739,000	1,126,000	-
Other	149,371	4,554	-
Total deferred inflows of resources	3,888,371	1,130,554	-
Fund balances:			
Nonspendable:			
Inventories	-	-	1,153,492
Prepaid expenditures	72,596	-	-
Restricted for:			
Supplemental levy purposes	1,452,452	-	-
Rural services purposes	-	651,935	-
Secondary roads purposes	-	-	2,593,131
Debt service	310,000	-	-
Capital projects	-	-	-
Opioid Abatement	-	-	-
Other purposes	5,090	-	-
Unassigned	3,410,593	-	-
Total fund balances	5,250,731	651,935	3,746,623
Total liabilities, deferred inflows of resources and fund balances	\$ 11,007,670	1,791,360	4,122,521

See notes to financial statements.

Capital Projects	Nonmajor	Total
10,285	1,889,338	11,875,697
-	13	33,198
-	2,000	4,867,000
-	-	121,056
-	-	70,994
-	24,615	334,615
-	-	3,835
-	323,510	323,510
-	700,651	700,651
-	145,511	460,830
-	-	1,153,492
-	-	72,596
10,285	3,085,638	20,017,474
-	35,348	421,573
-	-	160,136
-	-	77,035
-	-	1,629,941
-	35,348	2,288,685
-	700,651	700,651
-	2,000	4,867,000
-	323,523	477,448
-	1,026,174	6,045,099
-	-	1,153,492
-	-	72,596
-	-	1,452,452
-	-	651,935
-	-	2,593,131
-	-	310,000
10,285	-	10,285
-	89,538	89,538
-	1,934,578	1,939,668
-	-	3,410,593
10,285	2,024,116	11,683,690
10,285	3,085,638	20,017,474

Appanoose County

Appanoose County

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

June 30, 2023

Total governmental fund balances (page 23) \$ 11,683,690

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 \$51,474,145 and the accumulated depreciation/amortization is \$18,088,120. 33,386,025

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. 477,448

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. 97,641

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	\$ 629,799	
Deferred inflows of resources	<u>(529,971)</u>	99,828

Long-term liabilities, including lease agreements, bonds, 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. (9,961,998)

Net position of governmental activities (page 19) \$ 35,782,634

See notes to financial statements.

Appanoose County

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

Year ended June 30, 2023

	Special Revenue		
	General	Rural Services	Secondary Roads
Revenues:			
Property and other county tax	\$ 3,584,983	1,042,565	-
Local option sales and services tax	-	-	-
Interest and penalty on property tax	77,055	-	-
Intergovernmental	1,464,725	122,739	4,189,251
Licenses and permits	200	-	14,537
Charges for service	445,958	-	-
Use of money and property	371,060	-	-
Miscellaneous	95,452	-	50,282
Total revenues	6,039,433	1,165,304	4,254,070
Expenditures:			
Operating:			
Public safety and legal services	2,852,464	264,585	-
Physical health and social services	400,788	45,000	-
County environment and education	740,224	45,455	-
Roads and transportation	-	-	5,039,820
Governmental services to residents	582,512	3,017	-
Administration	1,326,531	-	-
Debt service	102,530	-	-
Capital projects	53,216	-	694,265
Total expenditures	6,058,265	358,057	5,734,085
Excess (deficiency) of revenues over (under) expenditures	(18,832)	807,247	(1,480,015)
Other financing sources (uses):			
Transfers in	-	-	868,051
Transfers out	-	(868,051)	-
Total other financing sources (uses)	-	(868,051)	868,051
Change in fund balances	(18,832)	(60,804)	(611,964)
Fund balances beginning of year	5,269,563	712,739	4,358,587
Fund balances end of year	\$ 5,250,731	651,935	3,746,623

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	210,801	4,838,349
-	853,749	853,749
-	-	77,055
-	33,670	5,810,385
-	-	14,737
-	3,097	449,055
502	65,707	437,269
-	75,307	221,041
502	1,242,331	12,701,640
-	111,377	3,228,426
-	-	445,788
-	147,582	933,261
-	-	5,039,820
-	3,626	589,155
-	-	1,326,531
-	547,400	649,930
1,449,987	-	2,197,468
1,449,987	809,985	14,410,379
(1,449,485)	432,346	(1,708,739)
-	-	868,051
-	-	(868,051)
-	-	-
(1,449,485)	432,346	(1,708,739)
1,459,770	1,591,770	13,392,429
10,285	2,024,116	11,683,690

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, 2023

Change in fund balances - Total governmental funds (page 27) \$ (1,708,739)

**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/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed assets exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 3,582,506	
Capital assets contributed by the Iowa Department of Transportation	592,884	
Depreciation expense	<u>(1,797,508)</u>	2,377,882

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 32,858

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	(226)	
Other	<u>(69,610)</u>	(69,836)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 437,079

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. 389,610

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	9,653	
Pension expense	107,977	
OPEB expense	(27,674)	
Interest on long-term debt	<u>1,083</u>	91,039

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. (46,675)

Change in net position of governmental activities (page 21) \$ 1,503,218

See notes to financial statements.

Appanoose County
Statement of Net Position
Proprietary Fund
June 30, 2023

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 106,154
Liabilities	
Accounts payable	<u>8,513</u>
Net Position	
Unrestricted	<u>\$ 97,641</u>

See notes to financial statements.

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

Year ended June 30, 2023

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Contributions from operating funds		\$ 733,936
Reimbursements from employees and others		<u>259,311</u>
Total operating revenues		993,247
Operating expenses:		
Medical and health services	\$ 1,025,530	
Supplemental insurance	<u>14,850</u>	<u>1,040,380</u>
Operating income		(47,133)
Non-operating revenues:		
Interest income		<u>458</u>
Net income		(46,675)
Net position beginning of year		<u>144,316</u>
Net position end of year		<u>\$ 97,641</u>

See notes to financial statements.

Appanoose County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2023

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 733,936
Cash received from employees and others	259,311
Cash paid to suppliers for services	(1,037,018)
Net cash provided by operating activities	(43,771)
Cash flows from investing activities:	
Interest on investments	458
Decrease in cash and cash equivalents	(43,313)
Cash and cash equivalents beginning of year	149,467
Cash and cash equivalents end of year	\$ 106,154
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ (47,133)
Adjustment to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	3,362
Net cash provided by operating activities	\$ (43,771)

See notes to financial statements.

Appanoose County
Statement of Fiduciary Net Position
Custodial Funds

June 30, 2023

Assets

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 1,467,593
Other County officials	84,685
Receivables:	
Property tax:	
Delinquent	115,253
Succeeding year	13,136,000
Accounts	6,383
Assessments	37,233
Due from other governments	<u>51,576</u>
Total assets	<u>14,898,723</u>

Liabilities

Accounts payable	53,305
Salaries and benefits payable	10,553
Due to other governments	679,479
Trusts payable	84,460
Compensated absences	<u>12,805</u>
Total liabilities	<u>840,602</u>

Deferred Inflows of Resources

Unavailable property tax revenue	<u>13,136,000</u>
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Net position

Restricted for individuals, organizations and other governments	<u>\$ 922,121</u>
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See notes to financial statements.

Appanoose County
Statement of Changes in Fiduciary Net Position
Custodial Funds

June 30, 2023

Additions:	
Property and other county tax	\$ 12,283,298
911 surcharge	201,592
State tax credits	1,147,006
Drivers license fees	61,735
Office fees and collections	512,016
Auto licenses, use tax and postage	4,601,285
Assessments	51,834
Trusts	547,450
Miscellaneous	<u>774,323</u>
Total additions	<u>20,180,539</u>
Deductions:	
Agency remittances:	
To other funds	384,254
To other governments	19,598,453
Trusts paid out	<u>516,261</u>
Total deductions	<u>20,498,968</u>
Change in net position	(318,429)
Net position beginning of year	<u>1,240,550</u>
Net position end of year	<u>\$ 922,121</u>

See notes to financial statements.

Appanoose County

Notes to Financial Statements

June 30, 2023

(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 Custodial 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. 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 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.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

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 – Custodial 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 lease agreements 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 1½% per month penalty for delinquent payments; is based on January 1, 2021 assessed property valuations; is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2022.

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.

Opioid Settlement Receivable – The County will receive payments from certain prescription drug companies and pharmaceutical distributors engaged in misleading and fraudulent conduct in the marketing and sale of opioids and failure to monitor for, detect and prevent diversion of the drugs. The County is required to use these funds for activities to remediate the opioid crisis and treat or mitigate opioid use disorder and related disorders through prevention, harm reduction and recovery services.

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. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class. 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
Right-to-use leased assets	5,000

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, the right-to-use leased equipment and infrastructure are depreciated/amortized 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
Right-to-use leased assets	2 - 20

Leases – County as Lessee – Appanoose County is the lessee for noncancellable leases of equipment. The County has recognized a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The County recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how Appanoose County determines the discount rate it uses to discount the expected lease payments to present value, lease term and lease payments.

Appanoose County uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and a purchase option price that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

County as Lessor – Appanoose County is a lessor for a noncancellable lease of space in the Law Enforcement Center. The County recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the County initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how Appanoose County determines the discount rate it uses to discount the expected lease receipts to present value, lease term and lease receipts.

Appanoose County uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term included the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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.

Unearned Revenue – 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. Unearned revenue in the government-wide and governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the County has not made a qualifying expenditure. Unearned revenue costs of unspent American Rescue Plan Act proceeds.

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, 2023. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, 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 (asset), 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, 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, 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 expense and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan assets and deferred amounts related to leases.

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. During the year ended June 30, 2023, disbursements exceeded the amounts budgeted in the roads and transportation function.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2023 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, 2023, the County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$9,554,654. 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, 2023 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>\$ 868,051</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, 2023 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 598,093	-	-	598,093
Construction in progress, road network	1,604,493	1,373,138	2,522,205	455,426
Construction in progress	7,055,146	1,449,987	8,505,133	-
Total capital assets not being depreciated/amortized	9,257,732	2,823,125	11,027,338	1,053,519
Capital assets being depreciated/amortized for:				
Buildings	1,443,378	8,568,433	-	10,011,811
Improvements other than buildings	110,144	500,000	-	610,144
Equipment and vehicles	7,107,178	754,433	158,050	7,703,561
Right to use leased equipment	27,603	-	-	27,603
Infrastructure, other	1,109,642	79,890	-	1,189,532
Infrastructure, road network	28,355,770	2,522,205	-	30,877,975
Total capital assets being depreciated/amortized	38,153,715	12,424,961	158,050	50,420,626
Less accumulated depreciation/amortization for:				
Buildings	628,266	199,689	-	827,955
Improvements other than buildings	31,919	27,350	-	59,269
Equipment and vehicles	4,247,465	448,065	145,550	4,549,980
Right to use leased equipment	7,695	7,695	-	15,390
Infrastructure, other	563,768	32,483	-	596,251
Infrastructure, road network	10,957,049	1,082,226	-	12,039,275
Total accumulated depreciation/amortization	16,436,162	1,797,508	145,550	18,088,120
Total capital assets being depreciated/amortized, net	21,717,553	10,627,453	12,500	32,332,506
Governmental activities capital assets, net	\$ 30,975,285	13,450,578	11,039,838	33,386,025

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 248,123
Physical health and social services	22,384
County environment and education	60,065
Roads and transportation	1,442,986
Governmental services to residents	1,713
Administration	22,237
Total depreciation/amortization expense - governmental activities	<u>\$ 1,797,508</u>

(5) Law Enforcement Lease Receivable

The County owns a Law Enforcement Center. Effective March 1, 2023, the County entered into a nineteen-year lease with the City of Centerville (City) whereby the City leases office space. The County is to receive \$62,302 in office space rent annually with an implicit rate of 5.5%.

Year Ending June 30,	Principal	Interest	Total
2024	\$ 23,766	38,536	62,302
2025	25,073	37,229	62,302
2026	26,452	35,850	62,302
2027	27,907	34,395	62,302
2028	29,442	32,860	62,302
2029-2033	173,356	138,154	311,510
2034-2038	226,569	84,941	311,510
2039-2041	168,086	18,820	186,906
	<u>\$ 700,651</u>	<u>420,785</u>	<u>1,121,436</u>

(6) 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, 2023 is as follows:

Fund	Description	Amount
General	Services	\$ 75,325
Special Revenue:		
Secondary Roads	Services	<u>1,710</u>
Total for governmental funds		<u>\$ 77,035</u>
Custodial:		
County Offices	Collections	\$ 515
Agricultural Extension Education		2,278
Schools		106,718
Community Colleges		9,139
Corporations		45,946
Townships		4,091
Auto License and Use Tax		430,785
ADLM Empowerment		10,289
All other		<u>69,718</u>
Total for custodial funds		<u>\$ 679,479</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2023 is as follows:

	Lease Agreements	General Obligation Law Enforcement Center Bonds	General Obligation Refunding Capital Loan Notes	Compensated Absences	Net Pension Liability (Asset)	Total OPEB Liability	Total
Balance beginning of year	\$ 20,331	8,303,923	400,000	296,776	(849,138)	334,082	8,505,974
Increases	-	-	-	216,596	1,849,172	72,727	2,138,495
Decreases	7,694	339,385 **	90,000	226,249	-	41,296	704,624
Balance end of year	\$ 12,637	7,964,538 *	310,000	287,123	1,000,034	365,513	9,939,845
Due within one year	\$ 6,200	295,000	90,000	207,869	-	20,301	619,370

* The unamortized premium on the bonds was \$1,009,538 as of June 30, 2023.

** Includes the yearly amortized premium of \$59,385.

Lease Agreements

On October 29, 2018, the County entered into a noncancelable lease agreement for a copier for the Attorney’s Office. An initial lease liability was recorded in the amount of \$11,456. The agreement requires 60 monthly payments of \$238, with stated interest rate of 9.0% and a final payment on October 1, 2023.

On November 20, 2019, the County entered into a noncancelable lease agreement for a copier for the Treasurer’s Office. An initial lease liability was recorded in the amount of \$8,173. The agreement requires 60 monthly payments of \$168, with stated interest rate of 9.0% and a final payment on October 1, 2024.

On March 11, 2021, the County entered into a noncancelable lease agreement for a copier for the Sheriff’s Office. An initial lease liability was recorded in the amount of \$16,925. The agreement requires 60 monthly payments of \$293, with stated interest rate of 1.5% and a final payment on February 1, 2026.

Future principal and interest lease payments as of June 30, 2023, are as follows:

Year Ending June 30,	County Attorney Copier Oct 29, 2018			Treasurer Copier Nov 20, 2019		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 934	18	952	\$ 1,869	147	2,016
2025	-	-	-	661	13	674
2026	-	-	-	-	-	-
Totals	\$ 934	18	952	\$ 2,530	160	2,690

Year Ending June 30,	Sheriff Xerox Copier Mar 11, 2021			Totals		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 3,397	119	3,516	\$ 6,200	284	6,484
2025	3,448	68	3,516	4,109	81	4,190
2026	2,328	13	2,341	2,328	13	2,341
Totals	\$ 9,173	200	9,373	\$ 12,637	378	13,015

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 8 of the Notes to the Financial Statements. During the year ended June 30, 2023, the County paid principal of \$90,000 and interest of \$12,030 on the notes. A summary of the County's June 30, 2023 refunding capital loan note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2024	3.30%	\$ 90,000	10,230	100,230
2025	3.30	95,000	7,260	102,260
2026	3.30	95,000	4,125	99,125
2027	3.30	30,000	990	30,990
Total		\$ 310,000	22,605	332,605

General Obligation Law Enforcement Center Bonds

On May 25, 2021, the County issued 7,500,000 of general obligation bonds, Series 2021A, with interest rates ranging from 3.00-5.00% per annum. The bonds were issued to pay for the cost of constructing and equipping a law enforcement center. During the year ended June 30, 2023, the County paid principal of \$280,000 and interest of \$266,800 on the bonds.

A summary of the future principal and interest payments is as follows:

Year Ending June 30,	Law Enforcement Center Issued May 25, 2021			
	Interest Rates	Principal	Interest	Total
2024	4.00%	\$ 295,000	255,600	550,600
2025	5.00	305,000	243,800	548,800
2026	5.00	320,000	228,550	548,550
2027	5.00	335,000	212,550	547,550
2028	5.00	355,000	195,800	550,800
2029-2033	3.00-5.00	1,995,000	744,850	2,739,850
2034-2038	3.00	2,320,000	419,000	2,739,000
2039-2040	4.00	1,030,000	62,200	1,092,200
Total		\$ 6,955,000	2,362,350	9,317,350
Unamortized premium		1,009,538		
Total payable		\$ 7,964,538		

The County also has an unused line of credit in the amount of \$300,000.

(8) Loans Receivable

The County entered into an agreement with RASWMC for the loan of note proceeds detailed in Note 7 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 capital loan 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 \$310,000 at June 30, 2023.

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. S&L Enterprises, Inc. made monthly payments of \$580, slightly more than required under the agreement. As a result, adjustments were made to the payment schedule when compared to the prior year. 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
2024		3.00%	\$ 6,300	653	6,953
2025		3.00	6,491	461	6,952
2026		3.00	6,689	264	6,953
2027		3.00	5,135	64	5,199
Total			\$ 24,615	1,442	26,057

The remaining economic development loans receivable totals \$24,615 at June 30, 2023 and are reported in the Special Revenue, Economic Development Fund.

(9) 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 2023, 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 8.76% of covered payroll, for a total rate of 17.52%. Protection occupation members contributed 6.21% of covered payroll and the County contributed 9.31% of covered payroll, for a total rate of 15.52%.

The County's contributions to IPERS for the year ended June 30, 2023 totaled \$389,610.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the County reported a liability of \$1,000,034 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 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, 2022, the County's proportion was 0.026469%, which was a decrease of 0.219496% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the County recognized pension expense of \$107,977. At June 30, 2023, 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	\$ 138,766	20,119
Changes of assumptions	1,164	68,405
Net difference between projected and actual earnings on IPERS' investments	-	187,975
Changes in proportion and differences between County contributions and proportionate share of contributions	36,572	74,743
County contributions subsequent to the measurement date	389,610	-
Total	<u>\$ 566,112</u>	<u>351,242</u>

\$389,610 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, 2024. 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
2024	\$ (193,607)
2025	(140,569)
2026	(266,138)
2027	430,411
2028	(4,837)
Total	<u>\$ (174,740)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2022 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, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.

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 geometric 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%	3.57%
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability (asset) 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):	\$ 2,685,651	1,000,034	(482,759)

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, 2023.

(10) 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, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	<u>74</u>
Total	<u><u>77</u></u>

Total OPEB Liability – The County's total OPEB liability of \$365,513 was measured as of June 30, 2023 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2023 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, 2023)	2.60% per annum.
Rates of salary increase (effective June 30, 2023)	3.25% per annum, including inflation.
Discount rate (effective June 30, 2023)	4.13% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2023)	7.00% 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 4.13% 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-2021. 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>\$ 334,082</u>
Changes for the year:	
Service cost	57,137
Interest	15,590
Differences between expected and actual experiences	(20,168)
Changes in assumptions	(827)
Benefit payments	<u>(20,301)</u>
Net changes	<u>31,431</u>
Total OPEB liability end of year	<u><u>\$ 365,513</u></u>

Changes of assumptions reflect a change in the discount rate from 4.09% in fiscal year 2022 to 4.13% in fiscal year 2023.

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 (3.13%) or 1% higher (5.13%) than the current discount rate.

	1% Decrease (3.13%)	Discount Rate (4.13%)	1% Increase (5.13%)
Total OPEB liability	\$ 386,735	365,513	345,404

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 (6.00%) or 1% higher (8.0%) than the current healthcare cost trend rates.

	1% Decrease (6.00%)	Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
Total OPEB liability	\$ 326,637	365,513	411,144

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2023, the County recognized OPEB expense of \$27,674. At June 30, 2023, 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	\$ 56,508	155,910
Changes in assumptions	7,179	22,819
Total	\$ 63,687	178,729

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
2024	\$ (24,754)
2025	(22,675)
2026	(22,675)
2027	(22,681)
2028	(20,033)
Thereafter	(2,224)
	\$ (115,042)

(11) 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.

(12) 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, 2023 was \$733,936.

Amounts payable from the Employee Group Health Fund at June 30, 2023 total \$8,513, 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 \$97,641 at June 30, 2023 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	\$	5,151
Incurred claims (including claims incurred but not reported at June 30, 2023)		1,025,530
Payments:		
Payments on claims during the fiscal year		<u>1,022,168</u>
Unpaid claims end of year	\$	<u>8,513</u>

(13) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development grant or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Other entities within the County provided tax abatements for urban renewal and economic development projects pursuant to Chapters 15 and 403 of the Code of Iowa.

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2023 under agreements entered into by the following entity:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Centerville	Urban renewal and economic development projects	\$ 2,078

(14) 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 Custodial Funds because of the County’s fiduciary relationship with the organization. The Area Board’s financial data for the year ended June 30, 2023 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	\$ 83,922	-	83,922
Quality improvement	-	55,145	55,145
Allocation for administration	4,417	21,662	26,079
School ready general use	-	359,611	359,611
Total state grants	88,339	436,418	524,757
Interest on investments	863	3,176	4,039
Total revenues	89,202	439,594	528,796
Expenditures:			
Program services:			
Quality improvement	-	56,639	56,639
Other program services	79,976	351,273	431,249
Total program services	79,976	407,912	487,888
Administration	4,357	22,386	26,743
Total expenditures	84,333	430,298	514,631
Change in fund balances	4,869	9,296	14,165
Fund balance beginning of year	4,775	29,440	34,215
Fund balance end of year	\$ 9,644	38,736	48,380

Appanoose County

Required Supplementary Information

Appanoose County

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

Required Supplementary Information

Year ended June 30, 2023

	Actual	Budgeted Amounts		Final to Net Variance
		Original	Final	
Receipts:				
Property and other county tax	\$ 5,658,513	5,512,148	5,516,208	142,305
Interest and penalty on property tax	77,055	12,000	12,000	65,055
Intergovernmental	5,123,542	4,068,215	4,746,224	377,318
Licenses and permits	12,082	4,150	4,150	7,932
Charges for service	394,195	341,500	341,500	52,695
Use of money and property	338,746	30,015	30,015	308,731
Miscellaneous	303,336	40,190	131,848	171,488
Total receipts	11,907,469	10,008,218	10,781,945	1,125,524
Disbursements:				
Public safety and legal services	3,213,771	3,217,958	3,722,018	508,247
Physical health and social services	442,322	529,747	544,078	101,756
County environment and education	938,616	814,471	2,063,471	1,124,855
Roads and transportation	5,026,008	4,318,529	4,938,529	(87,479)
Governmental services to residents	587,571	623,250	623,250	35,679
Administration	1,323,105	1,221,084	1,498,411	175,306
Debt service	650,530	649,330	650,530	-
Capital projects	2,604,146	4,410,000	5,074,500	2,470,354
Total disbursements	14,786,069	15,784,369	19,114,787	4,328,718
Excess (deficiency) of receipts over (under) disbursements	(2,878,600)	(5,776,151)	(8,332,842)	5,454,242
Other financing sources, net	102,280	102,530	102,530	(250)
Changes in balances	(2,776,320)	(5,673,621)	(8,230,312)	5,453,992
Balance beginning of year	14,652,017	13,390,141	13,390,141	1,261,876
Balance end of year	\$ 11,875,697	7,716,520	5,159,829	6,715,868

See accompanying independent auditor's report.

Appanoose County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2023

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 11,907,469	794,171	12,701,640
Expenditures	14,786,069	(375,690)	14,410,379
Net	(2,878,600)	1,169,861	(1,708,739)
Other financing sources, net	102,280	(102,280)	-
Beginning fund balances, as restated	14,652,017	(1,259,588)	13,392,429
Ending fund balances	\$ 11,875,697	(192,007)	11,683,690

See accompanying independent auditor's report.

Appanoose County

Appanoose County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2023

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 Custodial 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 nine major classes of expenditures known as functions, not by fund. These nine functions are: public safety and legal services, physical health and social services, 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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. 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 \$3,330,418. 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.

During the year ended June 30, 2023 disbursements exceeded the amount budgeted in the roads and transportation function.

Appanoose County

Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)

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

Required Supplementary Information

	2023	2022	2021	2020
County's proportion of the net pension liability (asset)	0.026469%	0.245965% **	0.037042%	0.034245%
County's proportionate share of the net pension liability (asset)	\$ 1,000	(849)	2,602	1,983
County's covered payroll	\$ 3,901	3,753	3,639	3,496
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	25.63%	(22.62)%	71.50%	56.72%
IPERS' net position as a percentage of the total pension liability (asset)	91.40%	100.81%	82.90%	85.45%

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

** Overall plan net pension asset.

See accompanying independent auditor's report.

2019	2018	2017	2016	2015
0.034782%	0.038547%	0.038329%	0.036537%	0.032988%
2,201	2,568	2,412	1,805	1,308
3,392	3,416	3,292	3,177	2,934
64.89%	75.18%	73.27%	56.81%	44.58%
83.62%	82.21%	81.82%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Statutorily required contribution	\$ 390	365	354	345
Contributions in relation to the statutorily required contribution	<u>(390)</u>	<u>(365)</u>	<u>(354)</u>	<u>(345)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 4,182	3,901	3,753	3,639
Contributions as a percentage of covered payroll	9.33%	9.36%	9.43%	9.48%

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
334	305	311	301	291	271
(334)	(305)	(311)	(301)	(291)	(271)
-	-	-	-	-	-
3,496	3,392	3,416	3,292	3,177	2,934
9.55%	8.99%	9.10%	9.14%	9.16%	9.24%

Appanoose County

Appanoose County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2023

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

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 and Related Ratios

For the Last Six Years
Required Supplementary Information

	2023	2022	2021	2020
Service cost	\$ 57,137	49,643	50,806	45,109
Interest cost	15,590	6,298	7,326	13,382
Difference between expected and actual experiences	(20,168)	72,654	(44,109)	(166,403)
Changes in assumptions	(827)	(25,781)	5,895	(3,628)
Benefit payments	(20,301)	(13,244)	-	-
Net change in total OPEB liability	31,431	89,570	19,918	(111,540)
Total OPEB liability beginning of year	334,082	244,512	224,594	336,134
Total OPEB liability end of year	\$ 365,513	334,082	244,512	224,594
Covered-employee payroll	\$ 4,041,089	3,861,153	3,793,684	3,376,022
Total OPEB liability as a percentage of covered-employee payroll	9.0%	8.7%	6.4%	6.7%

See accompanying independent auditor's report.

<u>2019</u>	<u>2018</u>
43,749	30,027
13,411	10,968
(31,125)	(14,503)
7,314	(38)
-	-
<u>33,349</u>	<u>26,454</u>
<u>302,785</u>	<u>276,331</u>
<u>336,134</u>	<u>302,785</u>
3,520,480	3,409,666
9.5%	8.9%

Appanoose County

Notes to Required Supplementary Information – OPEB Liability

Year ended June 30, 2023

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, 2023	4.13%
Year ended June 30, 2022	4.09%
Year ended June 30, 2021	2.19%
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%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Supplementary Information

Appanoose County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2023

	County Recorder's Records Management	Local Option Sales Tax	Resource Enhancement and Protection	Special Law Enforcement Forfeiture
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ 15,471	1,075,194	59,726	1,772
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Loan	-	-	-	-
Opioid settlement	-	-	-	-
Lease receivable	-	700,651	-	-
Due from other governments	-	76,054	-	-
Total assets	15,471	1,851,899	59,726	1,772
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	-	-	-
Deferred inflows of resources:				
Unavailable revenues:				
Lease related	-	700,651	-	-
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total deferred inflows of resources	-	700,651	-	-
Fund balance:				
Restricted for:				
Opioid abatement	-	-	-	-
Other purposes	15,471	1,151,248	59,726	1,772
Total fund balances	15,471	1,151,248	59,726	1,772
Total liabilities, deferred inflows of resources and fund balances	\$ 15,471	1,851,899	59,726	1,772

See accompanying independent auditor's report.

Revenue						
Economic Development	HazMat	Flood and Erosion	Local Government Opioid Abatement	Debt Service		Total
487,350	136,948	23,339	89,538	-		1,889,338
-	-	-	-	13		13
-	-	-	-	2,000		2,000
24,615	-	-	-	-		24,615
-	-	-	323,510	-		323,510
-	-	-	-	-		700,651
69,457	-	-	-	-		145,511
581,422	136,948	23,339	413,048	2,013		3,085,638
35,348	-	-	-	-		35,348
-	-	-	-	-		700,651
-	-	-	-	2,000		2,000
-	-	-	323,510	13		323,523
-	-	-	323,510	2,013		1,026,174
-	-	-	89,538	-		89,538
546,074	136,948	23,339	-	-		1,934,578
546,074	136,948	23,339	89,538	-		2,024,116
581,422	136,948	23,339	413,048	2,013		3,085,638

Appanoose County

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

Year ended June 30, 2023

	County Recorder's Records Management	Local Option Sales Tax	Resource Enhancement and Protection	Special Law Enforcement Forfeiture
Revenues:				
Property and other county tax	\$ -	-	-	-
Local option sales and services tax	-	853,749	-	-
Intergovernmental	-	11,814	9,909	-
Charges for service	3,097	-	-	-
Use of money and property	601	62,302	1,904	61
Misc	-	-	-	-
Total revenues	3,698	927,865	11,813	61
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	-	-	-
Government services to residents	3,626	-	-	-
Debt Service	-	547,400	-	-
Total expenditures	3,626	547,400	-	-
Excess (deficiency) of revenues over (under) expenditures	72	380,465	11,813	61
Fund balances beginning of year	15,399	770,783	47,913	1,711
Fund balances end of year	\$ 15,471	1,151,248	59,726	1,772

See accompanying independent auditor's report.

Revenue					
Economic Development	HazMat	Emergency Medical Services	Flood and Erosion	Local Government Opioid Abatement	Total
111,741	-	99,060	-	-	210,801
-	-	-	-	-	853,749
-	11,947	-	-	-	33,670
-	-	-	-	-	3,097
839	-	-	-	-	65,707
-	-	-	-	75,307	75,307
112,580	11,947	99,060	-	75,307	1,242,331
-	12,317	99,060	-	-	111,377
147,582	-	-	-	-	147,582
-	-	-	-	-	3,626
-	-	-	-	-	547,400
147,582	12,317	99,060	-	-	809,985
(35,002)	(370)	-	-	75,307	432,346
581,076	137,318	-	23,339	14,231	1,591,770
546,074	136,948	-	23,339	89,538	2,024,116

Appanoose County

Combining Schedule of Fiduciary Net Position
Custodial Funds

June 30, 2023

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	2,278	191,198	106,718
Other County officials	84,685	-	-	-
Receivables:				
Property tax:				
Delinquent	-	1,249	2,473	64,170
Succeeding year	-	163,000	323,000	7,971,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 84,685	166,527	516,671	8,141,888
Liabilities				
Accounts payable	\$ -	-	1,758	-
Salaries and benefits payable	-	-	7,819	-
Due to other governments	515	2,278	-	106,718
Trusts payable	84,170	-	-	-
Compensated absences	-	-	10,015	-
Total liabilities	\$ 84,685	2,278	19,592	106,718
Deferred Inflows of Resources				
Unavailable revenues	\$ -	163,000	323,000	7,971,000
Net Position				
Restricted for individuals, organizations and other governments	\$ -	1,249	174,079	64,170

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
9,139	45,946	4,091	430,785	290	103,325	573,823	1,467,593
-	-	-	-	-	-	-	84,685
5,315	40,720	1,319	-	-	-	7	115,253
701,000	3,056,000	336,000	-	-	-	586,000	13,136,000
-	-	-	-	-	-	6,383	6,383
-	-	-	-	-	-	37,233	37,233
-	-	-	-	-	-	51,576	51,576
715,454	3,142,666	341,410	430,785	290	103,325	1,255,022	14,898,723
-	-	-	-	-	44,656	6,891	53,305
-	-	-	-	-	-	2,734	10,553
9,139	45,946	4,091	430,785	-	10,289	69,718	679,479
-	-	-	-	290	-	-	84,460
-	-	-	-	-	-	2,790	12,805
9,139	45,946	4,091	430,785	290	54,945	82,133	840,602
701,000	3,056,000	336,000	-	-	-	586,000	13,136,000
5,315	40,720	1,319	-	-	48,380	586,889	922,121

Appanoose County

Combining Schedule of Changes in Fiduciary Net Position
Custodial Funds

Year ended June 30, 2023

	County Offices	Agricultural Extension Education	County Assessor	Schools
Additions:				
Property and other county tax	\$ -	160,279	289,454	7,528,929
911 surcharge	-	-	-	-
State tax credits	-	14,227	25,759	607,030
Drivers license fees	-	-	-	-
Office fees and collections	512,016	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	250,705	-	-	-
Miscellaneous	-	132	696	7,186
Total additions	762,721	174,638	315,909	8,143,145
Deductions:				
Agency remittances:				
To other funds	230,282	-	-	-
To other governments	275,721	174,807	324,453	8,148,949
Trusts paid out	256,718	-	-	-
Total deductions	762,721	174,807	324,453	8,148,949
Changes in net position	-	(169)	(8,544)	(5,804)
Net position beginning of year	-	1,418	182,623	69,974
Net position end of year	\$ -	1,249	174,079	64,170

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
644,439	2,866,584	309,421	-	-	-	484,192	12,283,298
-	-	-	-	-	-	201,592	201,592
49,271	426,794	17,505	-	-	-	6,420	1,147,006
-	-	-	61,735	-	-	-	61,735
-	-	-	-	-	-	-	512,016
-	-	-	4,601,285	-	-	-	4,601,285
-	-	-	-	-	-	51,834	51,834
-	-	-	-	259,543	-	37,202	547,450
527	7,348	-	-	-	528,796	229,638	774,323
694,237	3,300,726	326,926	4,663,020	259,543	528,796	1,010,878	20,180,539
-	-	-	153,972	-	-	-	384,254
694,581	3,305,214	326,930	4,509,048	-	514,631	1,324,119	19,598,453
-	-	-	-	259,543	-	-	516,261
694,581	3,305,214	326,930	4,663,020	259,543	514,631	1,324,119	20,498,968
(344)	(4,488)	(4)	-	-	14,165	(313,241)	(318,429)
5,659	45,208	1,323	-	-	34,215	900,130	1,240,550
5,315	40,720	1,319	-	-	48,380	586,889	922,121

Appanoose County

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

For the Last Ten Years

	2023	2022	2021	2020
Revenues:				
Property and other county tax	\$ 4,838,349	4,818,817	5,002,584	4,700,291
Local option sales and services tax	853,749	892,983	890,987	637,261
Interest and penalty on property tax	77,055	79,062	103,211	33,570
Intergovernmental	5,810,385	4,325,550	5,018,616	4,235,076
Licenses and permits	14,737	5,205	5,789	4,375
Charges for service	449,055	433,021	429,152	352,842
Use of money and property	437,269	83,893	37,064	120,300
Miscellaneous	221,041	215,216	100,592	131,323
Total	\$ 12,701,640	10,853,747	11,587,995	10,215,038
Expenditures:				
Operating:				
Public safety and legal services	\$ 3,228,426	2,652,024	2,753,270	2,406,734
Physical health and social services	445,788	458,769	445,524	451,141
Mental health	-	478,942	528,401	776,020
County environment and education	933,261	696,318	616,192	677,883
Roads and transportation	5,039,820	4,078,858	3,639,048	4,174,711
Governmental services to residents	589,155	585,696	588,309	554,240
Administration	1,326,531	969,164	998,446	1,065,448
Debt service	649,930	651,953	100,775	102,220
Capital projects	2,197,468	6,497,902	1,792,234	158,751
Total	\$ 14,410,379	17,069,626	11,462,199	10,367,148

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
4,683,693	4,188,009	4,011,476	4,159,544	4,224,240	4,240,825
743,616	557,675	608,401	561,228	617,942	537,244
70,350	68,769	61,433	70,040	74,798	79,906
4,155,704	4,297,769	4,322,795	4,462,362	3,937,632	4,822,728
2,975	4,180	6,602	4,190	2,535	2,195
437,662	436,769	409,959	463,989	366,995	372,690
168,883	77,121	28,841	24,431	54,519	15,149
188,330	252,557	196,275	427,361	378,935	257,297
10,451,213	9,882,849	9,645,782	10,173,145	9,657,596	10,328,034
2,531,443	2,511,077	2,207,127	2,136,494	2,111,976	2,001,614
441,894	537,548	705,355	731,769	878,427	777,826
719,734	436,255	381,523	776,487	652,199	668,395
847,015	609,222	591,596	912,655	1,129,135	951,392
3,979,978	3,142,121	3,179,003	3,629,236	3,066,876	3,737,613
507,586	531,680	550,997	577,376	457,776	464,875
975,324	1,037,141	982,558	877,579	915,899	1,116,712
116,110	150,591	156,272	332,380	212,920	221,934
336,635	298,744	359,731	117,029	6,447	747,768
10,455,719	9,254,379	9,114,162	10,091,005	9,431,655	10,688,129



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Rob Sand
Auditor of State

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 auditing standards generally accepted in the United States of America 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, 2023, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 31, 2024.

Report on 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 (internal control) as a basis for designing audit procedures that are 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal controls 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 that 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 2023-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that 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 2023-002 and 2023-003 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Appanoose County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 noncompliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Appanoose County's operations for the year ended June 30, 2023 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Appanoose 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.

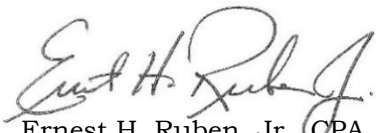
Appanoose County's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Appanoose County's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. Appanoose County's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.


Ernest H. Ruben, Jr., CPA
Chief Deputy Auditor of State

January 31, 2024

Appanoose County

Schedule of Findings

Year ended June 30, 2023

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2023-001 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 the County’s software, including individuals who perform daily balancing.	Treasurer

Appanoose County

Schedule of Findings

Year ended June 30, 2023

- | | | |
|-----|---|-------------------------------------|
| (7) | Monthly reports of voided receipts are not generated in the County's software. 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 |

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, however with two people in the office it can be difficult.

Treasurer – We are a small office, and it is difficult to have segregation of duties and responsibilities. We all share duties in balance and daily processing. We 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. We cross train our employees to fill in when someone is out of the office.

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, 2023

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

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

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

2023-002 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.

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

Effect – Lack of written policies for computer-based system could result in a loss of data or compromised data, resulting in unreliable financial information.

Recommendation – The County should develop written policies addressing password privacy and confidentiality in order to improve the County’s control over its computer system.

Response – Our Computer Policy will be updated to meet current requirements.

Conclusion – Response accepted.

2023-003 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.

Appanoose County

Schedule of Findings

Year ended June 30, 2023

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

Response – We will work towards developing procedures for recording billings, collections and receivables.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Appanoose County

Schedule of Findings

Year ended June 30, 2023

Other Findings Related to Required Statutory Reporting:

2023-A Certified Budget – Disbursements during the year ended June 30, 2023 exceeded the amounts budgeted in the roads and transportation 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 – Expenses will be closely monitored within function areas and prevented until a budget amendment can be completed.

Conclusion – Response accepted.

2023-B E-911 Services Board Budget – Disbursements for the E-911 Services Board Fund exceeded the amount budgeted by \$9,079 during the year.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Expenses will be closely monitored within function areas and prevented until a budget amendment can be completed.

Conclusion – Response accepted.

2023-C 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.

2023-D Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees.

2023-E Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Blue Sun Graphics, John Wiltamuth owner, husband of Hannah Wiltamuth, Conservation Naturalist	Conservation uniforms and shirts, truck logos and vinyl decals for Sheriff’s office	\$ 6,647

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Blue Sun Graphics may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa.

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

Appanoose County

Schedule of Findings

Year ended June 30, 2023

Response – The County will consult the County Attorney for advice on the conflict-of-interest matters.

Conclusion – Response accepted.

- 2023-F 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.
- 2023-G 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.
- 2023-H Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 2023-I 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.
- 2023-J 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).
- 2023-K 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:

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