



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

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**NEWS RELEASE**

FOR RELEASE

May 12, 2008

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on Appanoose County, Iowa.

The County had local tax revenue of \$12,221,853 for the year ended June 30, 2007, which included \$690,450 in tax credits from the state. The County forwarded \$8,607,382 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,614,471 of the local tax revenue to finance County operations, a 2% increase over the prior year. Other revenues included charges for service of \$789,907, operating grants, contributions and restricted interest of \$3,092,122, capital grants, contributions and restricted interest of \$783,799, local option sales tax of \$524,312, unrestricted investment earnings of \$234,183, grants and contributions not restricted to specific purposes of \$175,690 and other general revenues of \$71,091.

Expenses for County operations totaled \$8,306,483, a 4% decrease from the prior year. Expenses included \$3,482,400 for roads and transportation, \$1,414,245 for public safety and legal services and \$1,234,217 for mental health.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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**APPANOOSE COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2007**

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**Appanoose County**

**Officials**

**(Before January 2007)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dean Kaster	Board of Supervisors	Jan 2007
John Arnold	Board of Supervisors	Jan 2009
Jody McDanel	Board of Supervisors	Jan 2009
Linda Demry	County Auditor	Jan 2009
Mary Kay Williams	County Treasurer	Jan 2007
Cheryl Piatt	County Recorder	Jan 2007
Gary Anderson	County Sheriff	Jan 2009
Robert F. Bozwell	County Attorney	Jan 2007
Marcella Thompson	County Assessor	Jan 2010

**(After January 2007)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Arnold	Board of Supervisors	Jan 2009
Jody McDanel	Board of Supervisors	Jan 2009
Dean Kaster	Board of Supervisors	Jan 2011
Linda Demry	County Auditor	Jan 2009
Mary Kay Williams	County Treasurer	Jan 2011
Cheryl Piatt	County Recorder	Jan 2011
Gary Anderson	County Sheriff	Jan 2009
Robert F. Bozwell	County Attorney	Jan 2007
Marcella Thompson	County Assessor	(Retired)
Jean Bond-May (Appointed)	County Assessor	Jan 2010

**Appanoose County**



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Independent Auditor's Report

To the Officials of Appanoose County:

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, 2007, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Appanoose County's management. Our responsibility is to express opinions on these financial statements based on our audit.

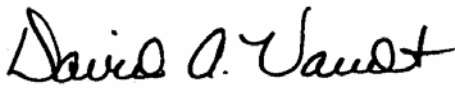
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Appanoose County at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

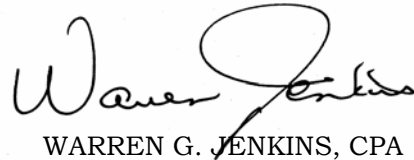
In accordance with Government Auditing Standards, we have also issued our report dated April 9, 2008 on our consideration of Appanoose County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 42 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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 second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (which are not presented herein) and expressed qualified opinions on those financial statements due to the omission of general fixed assets or capital assets and supplies inventory for the Secondary Roads Fund. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 9, 2008

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Appanoose County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- The County's governmental activities revenues decreased \$17,700 from fiscal 2006 to fiscal 2007. Property tax and grants and contributions not restricted to specific purposes increased approximately \$107,000 and \$176,000, respectively, and capital grants, contributions and restricted interest decreased approximately \$237,000.
- The County's governmental activities expenses decreased approximately \$355,000 from fiscal 2006 to fiscal 2007. Expenses for roads and transportation and governmental services to residents decreased approximately \$168,000 and \$137,000, respectively.
- The County's net assets increased 6.7%, or approximately \$979,000, from June 30, 2006 to June 30, 2007.

### **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 Assets 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 statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Appanoose County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.



## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities 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 Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, and 3) the Debt Service 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) Proprietary funds account 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 assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. Appanoose County's net assets increased from \$14,673,778 at the end of FY06 to \$15,652,870 at the end of FY07. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities		
	Year ended June 30,	
	2007	2006
Current and other assets	\$ 9,872,716	8,841,479
Capital assets	11,172,662	10,913,558
Total assets	<u>21,045,378</u>	<u>19,755,037</u>
Long-term liabilities	498,222	744,553
Other liabilities	4,894,286	4,336,706
Total liabilities	<u>5,392,508</u>	<u>5,081,259</u>
Net assets:		
Invested in capital assets, net of related debt	10,901,276	10,383,643
Restricted	2,590,869	2,859,974
Unrestricted	<u>2,160,725</u>	<u>1,430,161</u>
Total net assets	<u>\$ 15,652,870</u>	<u>14,673,778</u>

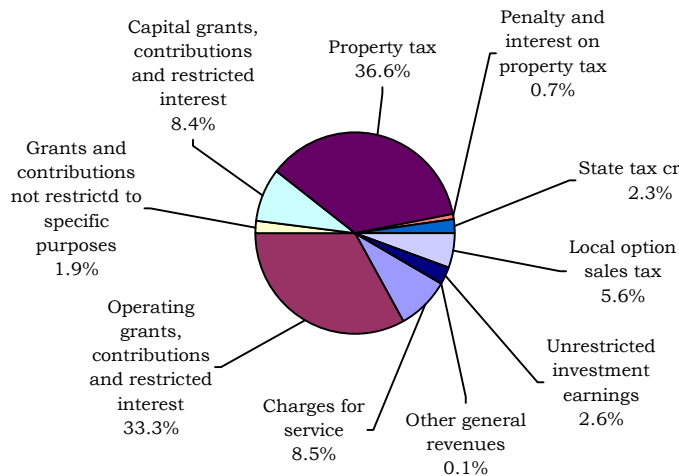
Net assets of Appanoose County's governmental activities increased approximately \$979,000 from FY06. The County's net assets consists of invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets 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 \$1,430,000 at June 30, 2006 to approximately \$2,161,000 at June 30, 2007, an increase of 51.1%.

This increase of approximately \$731,000 in unrestricted net assets was a result of decreases in expenses for roads and transportation and governmental services to residents.

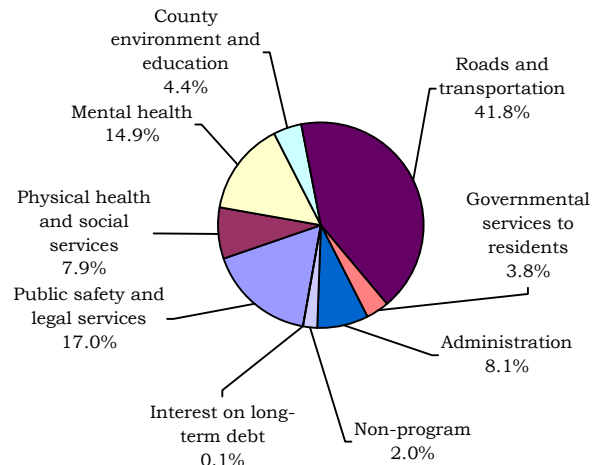
**Changes in Net Assets of Governmental Activities**

	Year ended June 30,	
	2007	2006
<b>Revenues:</b>		
Program revenues:		
Charges for service	\$ 789,907	860,572
Operating grants, contributions and restricted interest	3,092,122	3,048,167
Capital grants, contributions and restricted interest	783,799	1,020,393
General revenues:		
Property tax	3,401,157	3,293,979
Penalty and interest on property tax	63,463	78,466
State tax credits	213,314	239,589
Local option sales tax	524,312	539,546
Grants and contributions not restricted to specific purposes	175,690	-
Unrestricted investment earnings	234,183	149,182
Other general revenues	7,628	73,408
<b>Total revenues</b>	<b>9,285,575</b>	<b>9,303,302</b>
<b>Program expenses:</b>		
Public safety and legal services	1,414,245	1,408,515
Physical health and social services	652,111	657,003
Mental health	1,234,217	1,241,336
County environment and education	364,037	335,837
Roads and transportation	3,482,400	3,650,040
Governmental services to residents	319,464	455,966
Administration	672,406	657,708
Non-program	162,704	231,226
Interest on long-term debt	4,899	23,722
<b>Total expenses</b>	<b>8,306,483</b>	<b>8,661,353</b>
Increase in net assets	979,092	641,949
Net assets beginning of year	14,673,778	14,031,829
Net assets end of year	\$ 15,652,870	14,673,778

**Revenue by Source**



**Expenses by Program**



The County increased property tax rates for 2007 by 2.5%. This increase in rates and increased taxable property valuations of \$3,213,661 raised the County's property and other county tax revenue approximately \$107,000 in 2007. The total Appanoose County assessed taxable property valuation for taxes payable in FY08 increased \$7,079,705. Based on this increase, property tax revenue is budgeted to increase an additional \$90,621 next year.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Appanoose County completed the year, its governmental funds reported a combined fund balance of approximately \$4.7 million, an increase of approximately \$413,000 from last year's total of \$4.3 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures both decreased. The ending fund balance increased \$794,158 over the prior year to \$2,514,748. Total revenues decreased 2.3% from the prior year and included decreases in interest and penalty on property tax and intergovernmental revenues. Use of money and property revenues increased in FY07 over the prior year. Total expenditures decreased 11.1% from the prior year and included decreases in the governmental services to residents function for HAVA expenditures in FY06. Also, expenditures in public safety and legal services and physical health and social services decreased.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,233,000, an insignificant decrease of .5% under the prior year. The Mental Health Fund balance at year end decreased \$184,284 from the prior year.
- The Rural Services Fund revenues increased approximately \$141,000, primarily due to increased intergovernmental revenues for contract law enforcement and property tax. The fund balance increased approximately \$158,000 in FY07.
- The Secondary Roads Fund balance decreased approximately \$421,000 from the prior year. Expenditures decreased approximately \$3.7 million from the prior year, due primarily to a decrease in road and bridge projects. Revenues decreased approximately \$560,000 over the prior year, due primarily to a decrease in BROS projects.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Appanoose County amended its budget two times. The first amendment resulted in increases in budgeted receipts and disbursements related to anticipated general obligation notes for constructing the Honey Creek Resort State Park. The second amendment resulted in an increase in budgeted receipts and disbursements related to biodiesel and VA grants.

The County's total receipts were \$285,726 more than the final budget amount. Actual receipts for property and other county tax and use of money and property were approximately \$273,000 and \$184,000, respectively, more than budgeted. This was primarily due to the County using conservative estimates in budgeting receipts. Actual intergovernmental receipts were approximately \$177,000 less than budgeted due to a decrease in bridge projects.

Total disbursements were \$2,179,205 less than the amended budget. Actual disbursements for the public safety and legal services, mental health and county environment and education functions were approximately \$302,000, \$639,000 and \$584,000, respectively, less than budgeted. Uniform patrol was down due to the department not rehiring when the chief deputy quit. Also legal services are always budgeted high since the County doesn't know what to

expect during the year. Unpaid state billings and the County not receiving the Honey Creek loan as anticipated were the primary causes of the mental health and county environment and education budget to actual variances.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2007, Appanoose County had approximately \$11.2 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2007	2006
Land	\$ 516,900	516,900
Buildings and improvements	665,287	683,906
Equipment and vehicles	1,866,025	1,906,754
Infrastructure	8,124,450	7,116,221
Construction in progress	-	689,777
Total	<u>\$ 11,172,662</u>	<u>10,913,558</u>
This year's major additions included:		
Dump truck	\$ 77,248	
Road and bridge projects	666,554	
Trailer	56,325	
Other	67,674	
Total	<u>\$ 867,801</u>	

The County had depreciation expense of \$603,210 in FY07 and total accumulated depreciation of \$3,229,565 at June 30, 2007. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

**Long-Term Debt**

At June 30, 2007, Appanoose County had \$271,386 in long-term debt outstanding, compared to approximately \$529,915 at June 30, 2006, as shown below.

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2007	2006
Bank loan	\$ 58,162	232,000
Sewer revenue notes	109,575	111,019
Sewer loan	103,649	120,000
Capital lease purchase agreement	-	66,896
Total	<u>\$ 271,386</u>	<u>529,915</u>

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent 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 \$24.7 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

From FY06 to FY07, the countywide and the rural services property taxable valuations increased \$3.2 million and \$4.1 million, respectively. From FY07 to FY08, the countywide and the rural services property taxable valuations increased approximately \$7.1 million and \$5.4 million, respectively.

Amounts budgeted for disbursements in the FY08 operating budget are approximately \$9.5 million, an increase of 23% over the FY07 actual disbursements of \$7.7 million. The County's total governmental funds are projected to end FY08 with a decrease in fund balances of approximately \$827,000 from FY07.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

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

**Appanoose County**

## **Basic Financial Statements**



**Exhibit A**

Appanoose County  
Statement of Net Assets  
June 30, 2007

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments:	
County Treasurer	\$ 5,541,705
Conservation Foundation	8,318
Receivables:	
Property tax:	
Delinquent	26,276
Succeeding year	3,477,000
Interest and penalty on property tax	20,473
Accounts	53,816
Accrued interest	16,604
Due from other governments	283,536
Inventories	335,219
Prepaid expenses	109,769
Capital assets (net of accumulated depreciation)	<u>11,172,662</u>
<b>Total assets</b>	<u>21,045,378</u>
<b>Liabilities</b>	
Accounts payable	418,663
Accrued interest payable	4,931
Salaries and benefits payable	14,537
Due to other governments	979,155
Deferred revenue:	
Succeeding year property tax	3,477,000
Long-term liabilities:	
Portion due or payable within one year:	
Bank loan	58,162
Sewer revenue notes	1,509
Compensated absences	160,281
Portion due or payable after one year:	
Sewer revenue notes	108,066
Sewer loan	103,649
Compensated absences	<u>66,555</u>
<b>Total liabilities</b>	<u>5,392,508</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	10,901,276
Restricted for:	
Supplemental levy purposes	1,034,225
Mental health purposes	365,496
Secondary roads purposes	983,732
Debt service	1,759
Other purposes	205,657
Unrestricted	<u>2,160,725</u>
<b>Total net assets</b>	<u>\$ 15,652,870</u>

See notes to financial statements.

Appanoose County  
Statement of Activities  
Year ended June 30, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,414,245	90,628	19,444	56,325	(1,247,848)
Physical health and social services	652,111	48,430	442,000	-	(161,681)
Mental health	1,234,217	7,870	506,592	-	(719,755)
County environment and education	364,037	5,898	117,403	-	(240,736)
Roads and transportation	3,482,400	128,180	1,999,428	727,474	(627,318)
Governmental services to residents	319,464	271,242	221	-	(48,001)
Administration	672,406	65,844	344	-	(606,218)
Non-program	162,704	171,815	-	-	9,111
Interest on long-term debt	4,899	-	6,690	-	1,791
<b>Total</b>	<b>\$ 8,306,483</b>	<b>789,907</b>	<b>3,092,122</b>	<b>783,799</b>	<b>(3,640,655)</b>
<b>General Revenues:</b>					
Property and other county tax					3,401,157
levied for general purposes					63,463
Penalty and interest on property tax					213,314
State tax credits					524,312
Local option sales tax					175,690
Grants and contributions non restricted to specific purposes					234,183
Unrestricted investment earnings					2,512
Gain on disposition of capital assets					5,116
Miscellaneous					4,619,747
<b>Total general revenues</b>					<b>979,092</b>
Change in net assets					14,673,778
Net assets beginning of year					\$ 15,652,870
Net assets end of year					

See notes to financial statements.

Appanoose County  
Balance Sheet  
Governmental Funds

June 30, 2007

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ 2,387,377	1,376,320	519,918	840,100
Conservation Foundation	-	-	-	-
Receivables:				
Property tax:				
Delinquent	18,424	4,054	3,798	-
Succeeding year	2,367,000	521,000	589,000	-
Interest and penalty on property tax	20,473	-	-	-
Accounts	3,992	2,875	33,500	13,449
Accrued interest	16,555	-	-	-
Due from other governments	85,217	-	19,927	164,371
Inventories	-	-	-	335,219
Prepaid expenditures	104,444	-	-	5,325
<b>Total assets</b>	<b>\$ 5,003,482</b>	<b>1,904,249</b>	<b>1,166,143</b>	<b>1,358,464</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 77,480	38,497	548	261,136
Salaries and benefits payable	5,356	102	227	8,852
Due to other governments	-	979,155	-	-
Deferred revenue:				
Succeeding year property tax	2,367,000	521,000	589,000	-
Other	38,898	4,053	3,798	-
Total liabilities	2,488,734	1,542,807	593,573	269,988
Fund balances:				
Reserved for:				
Supplemental levy purposes	1,044,032	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	1,470,716	-	-	-
Special revenue funds	-	361,442	572,570	1,088,476
Total fund balances	2,514,748	361,442	572,570	1,088,476
<b>Total liabilities and fund balances</b>	<b>\$ 5,003,482</b>	<b>1,904,249</b>	<b>1,166,143</b>	<b>1,358,464</b>

See notes to financial statements.

Nonmajor	Total
189,958	5,313,673
8,318	8,318
-	26,276
-	3,477,000
-	20,473
-	53,816
49	16,604
14,021	283,536
-	335,219
-	109,769
212,346	9,644,684
-	377,661
-	14,537
-	979,155
-	3,477,000
-	46,749
-	4,895,102
-	1,044,032
6,690	6,690
-	1,470,716
205,656	2,228,144
212,346	4,749,582
212,346	9,644,684

**Appanoose County**

Appanoose County

Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Assets

June 30, 2007

**Total governmental fund balances (page 19)** \$ 4,749,582

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$14,402,227 and the accumulated depreciation is \$3,229,565. 11,172,662

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 46,749

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 in governmental activities in the Statement of Net Assets. 187,030

Long-term liabilities, including a bank loan, sewer revenue notes, sewer loan, capital lease purchase agreement, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (503,153)

**Net assets of governmental activities (page 16)** \$ 15,652,870

See notes to financial statements.

Appanoose County

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

Year ended June 30, 2007

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,284,598	502,556	865,228
Interest and penalty on property tax	59,851	-	-
Intergovernmental	681,529	538,117	106,918
Licenses and permits	-	-	-
Charges for service	297,441	7,870	5,898
Use of money and property	231,434	-	-
Miscellaneous	43,943	-	-
Total revenues	<u>3,598,796</u>	<u>1,048,543</u>	<u>978,044</u>
Expenditures:			
Operating:			
Public safety and legal services	1,066,853	-	255,757
Physical health and social services	621,101	-	24,950
Mental health	-	1,232,827	-
County environment and education	139,951	-	56,526
Roads and transportation	-	-	-
Governmental services to residents	318,148	-	-
Administration	656,539	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	<u>2,802,592</u>	<u>1,232,827</u>	<u>337,233</u>
Excess (deficiency) of revenues over (under) expenditures	<u>796,204</u>	<u>(184,284)</u>	<u>640,811</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(2,046)	-	(482,360)
Total other financing sources (uses)	<u>(2,046)</u>	<u>-</u>	<u>(482,360)</u>
Net change in fund balances	794,158	(184,284)	158,451
Fund balances beginning of year	<u>1,720,590</u>	<u>545,726</u>	<u>414,119</u>
Fund balances end of year	<u>\$ 2,514,748</u>	<u>361,442</u>	<u>572,570</u>

See notes to financial statements.

Secondary Roads	Nonmajor	Total
103,249	168,962	3,924,593
-	-	59,851
2,324,445	255,374	3,906,383
1,150	-	1,150
63	3,093	314,365
-	559	231,993
23,775	56,105	123,823
2,452,682	484,093	8,562,158
-	71,183	1,393,793
-	-	646,051
-	-	1,232,827
-	305,103	501,580
3,136,545	-	3,136,545
-	1,957	320,105
-	-	656,539
-	42,513	42,513
219,196	-	219,196
3,355,741	420,756	8,149,149
(903,059)	63,337	413,009
482,360	2,046	484,406
-	-	(484,406)
482,360	2,046	-
(420,699)	65,383	413,009
1,509,175	146,963	4,336,573
1,088,476	212,346	4,749,582



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, 2007

**Net change in fund balances - Total governmental funds (page 23)** \$ 413,009

**Amounts reported for governmental activities in the Statement of Activities are different because:**

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 318,171	
Capital assets contributed by the Iowa Department of Transportation and others	541,631	
Depreciation expense	<u>(603,210)</u>	256,592

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. 2,512

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

Property tax	884	
Other	<u>3,792</u>	4,676

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 258,529

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	(12,198)	
Interest on long-term debt	<u>19,819</u>	7,621

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 assets of the Internal Service Fund is reported with governmental activities. 36,153

**Change in net assets of governmental activities (page 17)** \$ 979,092

See notes to financial statements.

Appanoose County  
Statement of Net Assets  
Proprietary Fund

June 30, 2007

	<u>Internal Service - Employee Group Health</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 228,032
<b>Liabilities</b>	
Accounts payable	<u>41,002</u>
<b>Net Assets</b>	
Unrestricted	<u>\$ 187,030</u>

See notes to financial statements.

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

Year ended June 30, 2007

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Contributions and reimbursements from operating funds and other governmental units		\$ 474,437
Reimbursements from employees and others		120,601
Refunds		34,234
Total operating revenues		<u>629,272</u>
Operating expenses:		
Medical and health services	\$ 440,903	
Accounting, auditing and clerical	19,421	
Supplemental insurance	122,665	
Miscellaneous	12,914	595,903
Operating income		<u>33,369</u>
Non-operating revenues:		
Interest income		2,784
Net income		<u>36,153</u>
Net assets beginning of year		<u>150,877</u>
Net assets end of year		<u>\$ 187,030</u>

See notes to financial statements.

Appanoose County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2007

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 474,437
Cash received from employees and others	120,601
Cash received from refunds	34,234
Cash paid to suppliers for services	(592,901)
Net cash provided by operating activities	36,371
Cash flows from investing activities:	
Interest on investments	2,784
Net increase in cash and cash equivalents	39,155
Cash and cash equivalents beginning of year	188,877
Cash and cash equivalents end of year	\$ 228,032
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 33,369
Adjustment to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	3,002
Net cash provided by operating activities	\$ 36,371

See notes to financial statements.

Appanoose County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2007

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 1,229,480
Other County officials	56,523
Receivables:	
Property tax:	
Delinquent	68,350
Succeeding year	8,014,000
Accrued interest	431
Special assessments	37,000
Due from other governments	25,917
<b>Total assets</b>	<u>9,431,701</u>

**Liabilities**

Accounts payable	32,263
Due to other governments	9,298,275
Trusts payable	95,147
Compensated absences	6,016
<b>Total liabilities</b>	<u>9,431,701</u>

**Net assets** \$ -

See notes to financial statements.

Appanoose County

Notes to Financial Statements

June 30, 2007

**(1) Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

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

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

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

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

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

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Appanoose County Service Agency, South Iowa Area Detention Service Agency, Rathbun Area Solid Waste Management Commission, ADLM Emergency Management and South Iowa Area Crime Commission Service Agency.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County’s nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources 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, proprietary funds 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 the fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

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

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

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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



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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets 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.

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

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 Internal Service Funds 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, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

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.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which are due and payable but have not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is generally paid upon retirement, but not prior to age 62. Such payment shall not exceed 90 days or a total dollar amount of \$2,000. A liability is recorded when incurred in the government-wide, proprietary fund 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, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General 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 Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets – The net assets 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, 2007, disbursements did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2007 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 insure 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, 2007, the County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$4,178,287 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Agency Investment Trust is unrated for credit risk purposes.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 482,360
Prisoner Room and Board	General	2,046
Total		<u>\$ 484,406</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, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 516,900	-	-	516,900
Construction in progress, road network	689,777	666,555	(1,356,332)	-
Total capital assets not being depreciated	<u>1,206,677</u>	<u>666,555</u>	<u>(1,356,332)</u>	<u>516,900</u>
Capital assets being depreciated:				
Buildings	968,014	-	-	968,014
Equipment and vehicles	3,978,995	201,246	(98,045)	4,082,196
Infrastructure, other	998,530	-	-	998,530
Infrastructure, road network	6,480,255	1,356,332	-	7,836,587
Total capital assets being depreciated	<u>12,425,794</u>	<u>1,557,578</u>	<u>(98,045)</u>	<u>13,885,327</u>
Less accumulated depreciation for:				
Buildings	284,108	18,619	-	302,727
Equipment and vehicles	2,072,241	236,489	(92,558)	2,216,172
Infrastructure, other	144,073	23,974	-	168,047
Infrastructure, road network	218,491	324,128	-	542,619
Total accumulated depreciation	<u>2,718,913</u>	<u>603,210</u>	<u>(92,558)</u>	<u>3,229,565</u>
Total capital assets being depreciated, net	<u>9,706,881</u>	<u>954,368</u>	<u>(5,487)</u>	<u>10,655,762</u>
Governmental activities capital assets, net	<u>\$ 10,913,558</u>	<u>1,620,923</u>	<u>(1,361,819)</u>	<u>11,172,662</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 28,460
Physical health and social services	3,823
Mental health	1,950
County environment and education	37,087
Roads and transportation	510,746
Governmental services to residents	3,287
Administration	17,857
Total depreciation expense - governmental activities	<u>\$ 603,210</u>

**(5) Due to Other Governments**

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

Fund	Description	Amount
Special Revenue:		
Mental Health	Services	\$ 979,155
Agency:		
Agricultural Extension Education	Collections	\$ 80,748
County Assessor		256,397
Schools		5,465,093
Community Colleges		266,958
Corporations		2,116,049
Townships		171,015
Auto License and Use Tax		205,666
ADLM Empowerment		554,784
All other		181,565
Total for agency funds		\$ 9,298,275

**(6) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Conservation Foundation Bank Loan	Sewer Revenue Notes	Sewer Loan	Capital Lease Purchase Agreement	Compensated Absences	Total
Balance beginning of year	\$ 232,000	111,019	120,000	66,896	214,638	744,553
Increases	-	-	-	-	172,513	172,513
Decreases	173,838	1,444	16,351	66,896	160,315	418,844
Balance end of year	\$ 58,162	109,575	103,649	-	226,836	498,222
Due within one year	\$ 58,162	1,509	-	-	160,281	219,952

Conservation Foundation Bank Loan

On March 15, 2006, the Conservation Foundation entered into a promissory note with Iowa Trust and Savings Bank to borrow \$250,000 to purchase land. The interest rate on the loan is 6.25% per annum and the maturity date is March 15, 2007. During the year ended June 30, 2007, the Foundation paid principal of \$173,838 on the loan. The balance of the loan will be paid with grant receipts.

Sewer Revenue Notes

On January 13, 2000, the County entered into a loan agreement with the United States Department of Agriculture providing for the issuance of \$116,200 of sewer revenue notes. The note proceeds were used to defray a portion of the cost of constructing sanitary sewer mains to private septic systems maintained outside the City of Centerville and to connect these mains to the City's wastewater treatment facilities.

Pursuant to an agreement between the County and the City of Centerville, the County shall have ownership of the sanitary sewer mains. However, the constructed mains are considered part of the City's sanitary sewer system for purposes of operation and maintenance and the City has agreed to establish and maintain user fees for the consumers whose residences and businesses are served by the sanitary sewer mains. At the time all payments have been made on the sewer revenue notes, the County will transfer ownership of the sanitary sewer mains to the City.

The resolution providing for the issuance of the sewer revenue notes includes the following provisions:

- (a) The notes are payable solely from the net revenues of the project area and shall not be a general obligation of the County, nor payable in any manner by taxation.
- (b) The City shall establish and provide for the collection of rates to be charged to consumers in the project area to produce gross revenues sufficient to pay the expenses and operation of the new sanitary sewer mains, including the principal of and interest on the outstanding sewer revenue notes.
- (c) Sufficient monthly transfers from the City to the County shall be made to a separate sewer revenue sinking account for the purpose of making note principal and interest payments when due.
- (d) Additional monthly transfers from the City to the County shall be made to a separate sewer revenue reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying note principal and interest payments when insufficient money is available in the sinking account.

With USDA approval, the County has established sewer debt service sinking and reserve accounts within the Debt Service Fund to demonstrate compliance with provisions (c) and (d) above.

Annual debt service requirements to maturity for the sewer revenue notes are as follows:

Year Ending June 30,	\$110,000 Sewer Revenue Notes			\$6,200 Sewer Revenue Notes			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2008	4.50%	\$ 1,428	4,668	4.50%	\$ 81	263	\$ 1,509	4,931	6,440
2009	4.50	1,492	4,604	4.50	85	259	1,577	4,863	6,440
2010	4.50	1,560	4,536	4.50	88	255	1,648	4,791	6,439
2011	4.50	1,630	4,466	4.50	92	252	1,722	4,718	6,440
2012	4.50	1,703	4,393	4.50	97	247	1,800	4,640	6,440
2013-2017	4.50	9,738	20,743	4.50	551	1,168	10,289	21,911	32,200
2018-2022	4.50	12,134	18,346	4.50	688	1,032	12,822	19,378	32,200
2023-2027	4.50	15,121	15,359	4.50	858	863	15,979	16,222	32,201
2028-2032	4.50	18,845	11,636	4.50	1,068	652	19,913	12,288	32,201
2033-2037	4.50	23,480	6,998	4.50	1,331	389	24,811	7,387	32,198
2038-2040	4.50	16,600	1,516	4.50	905	82	17,505	1,598	19,103
Total		<u>\$ 103,731</u>	<u>97,265</u>		<u>\$ 5,844</u>	<u>5,462</u>	<u>\$ 109,575</u>	<u>102,727</u>	<u>212,302</u>

### Sewer Loan

On June 6, 2005, the County entered into a loan agreement to fund sewer line construction along State Highway J South. The loan is to be repaid in ten annual payments of \$18,036, including interest at 8% per annum, as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2008	8.00%	\$ -	-	-
2009	8.00	9,744	8,282	18,026
2010	8.00	10,524	7,512	18,036
2011	8.00	11,366	6,670	18,036
2012	8.00	12,275	5,761	18,036
2013-2016	8.00	59,740	12,409	72,149
Total		\$ 103,649	40,634	144,283

### **(7) Pension and Retirement Benefits**

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$162,649, \$157,450 and \$155,246, respectively, equal to the required contributions for each year.

### **(8) 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.

### **(9) 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, formerly Employee Group Services, Ltd. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$20,000. Claims in excess of coverage are insured through purchase of stop loss insurance.



Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Auxiant from the Employee Group Health Fund. The County records the plan assets and related liabilities of the Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2007 was \$474,437.

Amounts payable from the Employee Group Health Fund at June 30, 2007 total \$41,002, 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 \$187,030 at June 30, 2007 and is reported as a designation of the Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2006	\$ 38,000
Incurred claims (including claims incurred but not reported at June 30, 2007)	440,903
Payment on claims during the fiscal year	<u>(437,901)</u>
Unpaid claims at June 30, 2007	<u><u>\$ 41,002</u></u>

**(10) Commitment**

In September 2006, Appanoose County entered into a 28E Agreement with Monroe County, the Rathbun Lake Resort, the Centerville Area Chamber of Commerce, the Hotel-Motel Tax Commission of the Centerville Area Chamber of Commerce and the Iowa Department of Natural Resources. Under the agreement, the County will make an economic development grant to the Iowa Department of Natural Resources (IDNR) to provide a portion of the funds for IDNR's cost of constructing the Honey Creek Resort State Park. In February 2008, Appanoose County repealed the earlier resolution adopting a loan agreement dated September 1, 2006 and entered into a new agreement with Iowa Trust & Savings Bank for \$400,000, of which \$357,250 is to be paid to the Iowa Department of Natural Resources and \$42,750 is to be retained for the payment of interest on the obligation. Interest only payments at 4.25% per annum shall be payable March 1, 2009 only. Thereafter, both principal and interest on the note shall be payable in 35 equal quarterly installments of \$13,613 commencing on June 1, 2009 and continuing through March 1, 2018. The County has not determined when to draw down the funds. The County plans to use hotel/motel tax revenue to repay the debt.

**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, 2007

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 3,993,206	-	3,993,206
Interest and penalty on property tax	60,462	-	60,462
Intergovernmental	4,031,448	173,838	3,857,610
Licenses and permits	1,130	-	1,130
Charges for service	314,608	-	314,608
Use of money and property	231,721	-	231,721
Miscellaneous	121,740	52,924	68,816
Total receipts	8,754,315	226,762	8,527,553
<b>Disbursements:</b>			
Public safety and legal services	1,367,696	-	1,367,696
Physical health and social services	650,043	-	650,043
Mental health	778,425	-	778,425
County environment and education	501,071	224,577	276,494
Roads and transportation	3,039,286	-	3,039,286
Governmental services to residents	327,366	-	327,366
Administration	648,903	-	648,903
Debt service	43,513	-	43,513
Capital projects	368,714	-	368,714
Total disbursements	7,725,017	224,577	7,500,440
Excess (deficiency) of receipts over (under) disbursements	1,029,298	2,185	1,027,113
Other financing sources, net	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,029,298	2,185	1,027,113
Balance beginning of year	4,292,693	6,133	4,286,560
Balance end of year	\$ 5,321,991	8,318	5,313,673

See accompanying independent auditor's report.

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Budgeted Amounts		Final to Net Variance
Original	Final	
3,725,451	3,720,451	272,755
-	5,000	55,462
3,875,155	4,034,995	(177,385)
800	800	330
257,399	257,399	57,209
48,100	48,100	183,621
168,900	175,082	(106,266)
<u>8,075,805</u>	<u>8,241,827</u>	<u>285,726</u>
1,659,527	1,669,527	301,831
772,126	782,126	132,083
1,417,856	1,417,856	639,431
346,499	860,544	584,050
3,176,000	3,176,000	136,714
328,229	356,354	28,988
770,198	778,598	129,695
26,440	60,640	17,127
578,000	578,000	209,286
<u>9,074,875</u>	<u>9,679,645</u>	<u>2,179,205</u>
(999,070)	(1,437,818)	2,464,931
-	400,000	(400,000)
(999,070)	(1,037,818)	2,064,931
<u>5,021,222</u>	<u>5,021,222</u>	<u>(734,662)</u>
<u>4,022,152</u>	<u>3,983,404</u>	<u>1,330,269</u>

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Appanoose County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 8,754,315	(192,157)	8,562,158
Expenditures	7,725,017	424,132	8,149,149
Net	1,029,298	(616,289)	413,009
Beginning fund balances	4,292,693	43,880	4,336,573
Ending fund balances	\$ 5,321,991	(572,409)	4,749,582

See accompanying independent auditor's report.

Appanoose County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component unit, Internal Service and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service 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 \$604,770. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted by function.

**Appanoose County**

**Other Supplementary Information**



Appanoose County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2007

			Special
	County Recorder's Records Management	Resource Enhancement and Protection	Law Enforcement Forfeiture
<b>Assets</b>			
Cash and pooled investments:			
County Treasurer	\$ 5,786	740	7,788
Conservation Foundation	-	-	-
Accrued interest receivable	-	24	25
Due from other governments	-	2,901	-
	\$ 5,786	3,665	7,813
<b>Fund Equity</b>			
Fund equity:			
Fund balances:			
Reserved for debt service	\$ -	-	-
Unreserved	5,786	3,665	7,813
	\$ 5,786	3,665	7,813

See accompanying independent auditor's report.

Revenue						
Economic Development	Conservation Foundation	HazMat	Prisoner Room and Board	Debt Service	Total	
133,419	-	32,072	3,463	6,690	189,958	
-	8,318	-	-	-	8,318	
-	-	-	-	-	49	
11,120	-	-	-	-	14,021	
144,539	8,318	32,072	3,463	6,690	212,346	
-	-	-	-	6,690	6,690	
144,539	8,318	32,072	3,463	-	205,656	
144,539	8,318	32,072	3,463	6,690	212,346	

Appanoose County

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

Year ended June 30, 2007

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Special Law Enforcement Forfeiture
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	-	-	11,157	-
Charges for service	3,093	-	-	-
Use of money and property	221	-	222	116
Miscellaneous	-	-	-	3,181
Total revenues	3,314	-	11,379	3,297
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	586
County environment and education	-	-	14,736	-
Governmental services to residents	1,950	7	-	-
Debt service	-	-	-	-
Total expenditures	1,950	7	14,736	586
Excess (deficiency) of revenues over (under) expenditures	1,364	(7)	(3,357)	2,711
Other financing sources:				
Operating transfers in	-	-	-	-
Excess (deficiency) of revenue and other financing sources over (under) expenditures	1,364	(7)	(3,357)	2,711
Fund balances beginning of year	4,422	7	7,022	5,102
Fund balances end of year	\$ 5,786	-	3,665	7,813

See accompanying independent auditor's report.

Revenue							
Economic Development	Conservation Foundation	HazMat	Prisoner Room and Board	Emergency Medical Services	Debt Service		Total
111,296	-	-	-	57,666	-		168,962
50,000	173,838	13,689	-	-	6,690		255,374
-	-	-	-	-	-		3,093
-	-	-	-	-	-		559
-	52,924	-	-	-	-		56,105
161,296	226,762	13,689	-	57,666	6,690		484,093
-	-	2,130	10,801	57,666	-		71,183
65,790	224,577	-	-	-	-		305,103
-	-	-	-	-	-		1,957
36,073	-	-	-	-	6,440		42,513
101,863	224,577	2,130	10,801	57,666	6,440		420,756
59,433	2,185	11,559	(10,801)	-	250		63,337
-	-	-	2,046	-	-		2,046
59,433	2,185	11,559	(8,755)	-	250		65,383
85,106	6,133	20,513	12,218	-	6,440		146,963
144,539	8,318	32,072	3,463	-	6,690		212,346

Appanoose County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	2,138	90,926	130,328	5,944
Other County officials	46,322	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	610	1,341	42,765	2,014
Succeeding year	-	78,000	172,000	5,292,000	259,000
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 46,322</b>	<b>80,748</b>	<b>264,267</b>	<b>5,465,093</b>	<b>266,958</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	2,589	-	-
Due to other governments	100	80,748	256,397	5,465,093	266,958
Trusts payable	46,222	-	-	-	-
Compensated absences	-	-	5,281	-	-
<b>Total liabilities</b>	<b>\$ 46,322</b>	<b>80,748</b>	<b>264,267</b>	<b>5,465,093</b>	<b>266,958</b>

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
45,352	8,101	205,666	48,925	564,931	127,169	1,229,480
-	-	-	-	-	10,201	56,523
20,697	914	-	-	-	9	68,350
2,050,000	162,000	-	-	-	1,000	8,014,000
-	-	-	-	-	431	431
-	-	-	-	-	37,000	37,000
-	-	-	-	-	25,917	25,917
<b>2,116,049</b>	<b>171,015</b>	<b>205,666</b>	<b>48,925</b>	<b>564,931</b>	<b>201,727</b>	<b>9,431,701</b>
-	-	-	-	10,147	19,527	32,263
2,116,049	171,015	205,666	-	554,784	181,465	9,298,275
-	-	-	48,925	-	-	95,147
-	-	-	-	-	735	6,016
<b>2,116,049</b>	<b>171,015</b>	<b>205,666</b>	<b>48,925</b>	<b>564,931</b>	<b>201,727</b>	<b>9,431,701</b>

Appanoose County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Balances beginning of year	\$ 41,692	86,780	273,210	5,318,434	240,517
Additions:					
Property and other county tax	-	77,361	264,308	5,269,260	258,032
E911 surcharge	-	-	-	-	-
State tax credits	-	5,273	10,914	321,885	14,659
Drivers license fees	-	-	-	-	-
Office fees and collections	291,646	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	81,942	-	-	-	-
Miscellaneous	-	55	4,768	12,172	152
Total additions	373,588	82,689	279,990	5,603,317	272,843
Deductions:					
Agency remittances:					
To other funds	143,808	-	-	-	-
To other governments	146,147	88,721	288,933	5,456,658	246,402
Trusts paid out	79,003	-	-	-	-
Total deductions	368,958	88,721	288,933	5,456,658	246,402
Balances end of year	\$ 46,322	80,748	264,267	5,465,093	266,958

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
2,077,321	159,063	210,360	20,736	296,876	261,987	8,986,976
2,101,799	158,281	-	-	-	1,205	8,130,246
-	-	-	-	-	80,091	80,091
113,237	10,579	-	-	-	589	477,136
-	-	26,151	-	-	-	26,151
-	-	-	-	-	-	291,646
-	-	2,510,910	-	-	-	2,510,910
-	-	-	-	-	8,021	8,021
-	-	-	233,110	-	-	315,052
3,363	-	-	-	883,934	143,611	1,048,055
2,218,399	168,860	2,537,061	233,110	883,934	233,517	12,887,308
-	-	120,060	-	-	-	263,868
2,179,671	156,908	2,421,695	-	615,879	293,777	11,894,791
-	-	-	204,921	-	-	283,924
2,179,671	156,908	2,541,755	204,921	615,879	293,777	12,442,583
2,116,049	171,015	205,666	48,925	564,931	201,727	9,431,701



Appanoose County

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

For the Last Seven Years

			Modified
	2007	2006	2005
<b>Revenues:</b>			
Property and other county tax	\$ 3,924,593	3,888,466	3,376,236
Interest and penalty on property tax	59,851	125,241	56,042
Intergovernmental	3,906,383	4,200,496	5,542,511
Licenses and permits	1,150	1,273	1,095
Charges for service	314,365	305,369	290,879
Use of money and property	231,993	229,351	138,687
Miscellaneous	123,823	164,629	172,245
<b>Total</b>	<b>\$ 8,562,158</b>	<b>8,914,825</b>	<b>9,577,695</b>
<b>Expenditures:</b>			
<b>Operating:</b>			
Public safety and legal services	\$ 1,393,793	1,398,772	1,317,975
Physical health and social services	646,051	672,060	660,911
Mental health	1,232,827	1,239,386	874,074
County environment and education	501,580	664,331	381,317
Roads and transportation	3,136,545	3,420,703	3,326,026
Governmental services to residents	320,105	455,216	307,411
Administration	656,539	651,470	630,922
Debt service	42,513	14,793	23,311
Capital projects	219,196	3,632,037	1,220,545
<b>Total</b>	<b>\$ 8,149,149</b>	<b>12,148,768</b>	<b>8,742,492</b>

See accompanying independent auditor's report.

Accrual Basis			
2004	2003	2002	2001
2,979,791	2,917,055	2,605,058	2,555,088
62,284	56,392	54,162	52,042
5,480,691	5,590,715	3,588,068	3,867,205
71,649	2,946	67,019	52,820
332,619	312,847	256,193	254,022
26,975	37,884	72,694	147,586
142,631	94,523	98,626	105,587
<b>9,096,640</b>	<b>9,012,362</b>	<b>6,741,820</b>	<b>7,034,350</b>
1,342,719	1,427,258	1,337,345	1,300,341
883,444	584,009	811,548	819,286
1,146,711	978,318	1,181,582	1,239,208
244,308	237,012	348,224	233,879
2,664,836	2,458,484	2,263,656	1,968,983
310,280	262,480	250,279	231,834
815,365	740,411	580,887	561,422
6,440	6,440	5,229	2,421
256,873	381,350	1,015	-
<b>7,670,976</b>	<b>7,075,762</b>	<b>6,779,765</b>	<b>6,357,374</b>

**Schedule 6**

Appanoose County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2007

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		\$ 7,140
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO04(70)--60-04	32,454
Highway Planning and Construction	20.205	BROS-1210(607)--8J-04	301,170
			<u>333,624</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Immunization Grants	93.268	5885I414	4,340
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5886WW01	5,880
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5886WW14	2,625
Des Moines County Public Health:			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	BT04	30,008
			<u>38,513</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		9,713
Refugee and Entrant Assistance	93.566		17
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		2,150
Foster Care - Title IV-E	93.658		5,327
Adoption Assistance	93.659		1,080
State children's Insurance program	93.767		62
Medical Assistance Program	93.778		12,618
Social Services Block Grant	93.667		6,385
Social Services Block Grant	93.667		86,853
			<u>93,238</u>

Appanoose County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2007

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Cooperative Agreements for State-Based Comprehensive			
Breast and Cervical Cancer Early Detection Programs	93.919	5886NB01	<u>30,660</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Homeland Security Cluster:			
Homeland Security Grant Program (non-cash)	97.067		<u>73,185</u>
Emergency Management Performance Grants	97.042		<u>9,146</u>
Total			<u>\$ 620,813</u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Appanoose County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**Appanoose County**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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 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, 2007, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated April 9, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Appanoose County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Appanoose County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Appanoose County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Appanoose County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Appanoose County's financial statements that is more than inconsequential will not be prevented or detected by Appanoose County's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Appanoose County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-07, II-C-07 and II-G-07 are material weaknesses.

#### Compliance and Other Matters

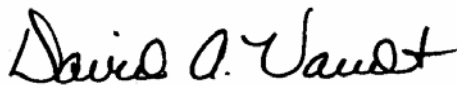
As part of obtaining reasonable assurance about whether Appanoose County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

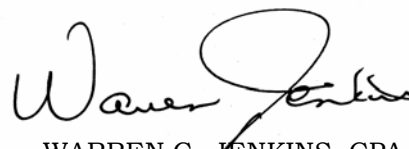
Appanoose County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Appanoose County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Appanoose County and other parties to whom Appanoose County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 9, 2008

**Independent Auditor's Report on Compliance  
with Requirements Applicable to Each Major Program  
and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**



**Appanoose County**



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

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Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Officials of Appanoose County:

Compliance

We have audited the compliance of Appanoose County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2007. Appanoose County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Appanoose County's management. Our responsibility is to express an opinion on Appanoose County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about Appanoose County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Appanoose County's compliance with those requirements.

In our opinion, Appanoose County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

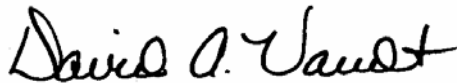
The management of Appanoose County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Appanoose County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Appanoose County's internal control over compliance.

A control deficiency in the County's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Appanoose County and other parties to whom Appanoose County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 9, 2008

Appanoose County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2007

**Part I: Summary of the Independent Auditor's Results**

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Appanoose County did not qualify as a low-risk auditee.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

**Part II: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

II-A-07 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	Applicable Offices
(1) Receipts - opening and listing mail receipts, collecting, depositing, posting and daily reconciling.	Sheriff and Recorder
(2) Cash - preparing bank reconciliations, handling and recording cash.	Sheriff

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Responses:

Sheriff – Discussed with Board of Supervisors and additional funds are being sought for additional staff.

Recorder – The Recorder will open the mail and enter documents into the fee book as the Deputy rings up the transactions on the cash register. Both the Recorder and Deputy will check and initial the daily cash summary report.

Conclusion – Responses accepted.

II-B-07 County Auditor – Warrants are allowed to be returned to the person who prepared the claims or warrants for payment prior to being mailed.

Recommendation – After signing, the warrants should be mailed without allowing them to return to individuals who prepared the claims or warrants for payment.

Response – We are doing this now.

Conclusion – Response accepted.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

II-C-07 Financial Reporting – During the audit, we identified material amounts of revenues, expenditures, receivables, payables and capital asset additions not recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all revenues, expenditures, receivables, payables and capital asset additions are indentified and included in the County’s financial statements.

Response – We will work on this more carefully.

Conclusion- Response accepted.

II-D-07 Information Systems – The County does not have a written disaster recovery plan for its computer based operating systems.

Recommendation – The County should develop a written disaster recovery plan in order to improve the County’s control over computer based systems.

Response – We are working on the plan.

Conclusion – Response accepted.

II-E-07 Capital Assets – The County’s capital asset listing was not updated for additions and deletions. This matter was resolved for audit purposes.

Recommendation – Procedures should be implemented to ensure the capital assets listing is updated for additions and deletions in a timely manner.

Response – We will work on this.

Conclusion – Response accepted.

II-F-07 County Engineer – State warrants were not deposited timely with the County Treasurer.

Recommendation – All receipts should be deposited in a timely manner.

Response – Appanoose County Secondary Roads will make an effort to correct our deficiencies.

Conclusion – Response accepted.

II-G-07 County Mental Health Department – The County receives medicaid billings from the Iowa Department of Human Services (DHS) each month. The County Mental Health Department is responsible for reviewing the billings and entering the data into the CoMIS computer system. The CoMIS computer system generates an amount payable to DHS which is submitted to the County Auditor’s Office for payment. The Mental Health department did not enter the medicaid data into the CoMIS system or generate payments to DHS in a timely manner. As a result, the County has not paid DHS for medicaid billings dating back as far as December 2004. The amount owed for the billings at June 30, 2007 totals \$431,521.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Recommendation – The County’s Central Point Coordinator (CPC) should implement procedures to ensure the medicaid billings are entered into the CoMIS computer system in a timely manner. Also, the CPC should ensure payments to DHS are made in a timely manner.

Response – The CPC office is currently entering medicaid claims in CoMIS and then forwarding the accounts payable to the County Auditor’s office. All reviewed and accepted claims will be completed by fiscal year ending June 30, 2008. The CPC office has been and remains concerned about the lack of administrative support regarding data entry. The CPC office plans to contact the local community college regarding internship support to this office.

Conclusion – Response accepted.

II-H-07 General Assistance – Acting as the fiscal agent, the General Assistance Director maintains a separate bank account for state and federal grants related to the Appanoose, Davis, Lucas and Monroe County Decategorization Board. The activity is not accounted for as a fund in the County’s accounting system but, for audit purposes, the activity has been included as an Agency Fund.

The Decategorization Board may act as a committee of the Empowerment Board if an Empowerment area includes a decategorization project in accordance with Chapter 28.7(c) of the Code of Iowa. The Empowerment Board has designated Appanoose County as the fiscal agent for grant and other moneys administered by the Empowerment Board as required by Chapter 28.7(a) of the Code of Iowa.

Recommendation – Since the County acts as the fiscal agent of the Empowerment Board, the grant activity accounted for in the separate bank account should be included as an Agency Fund of the County and should be recorded in the receipt and disbursement cycles of the County’s accounting system.

Response – All of the contracts under which General Assistance has been acting as fiscal agent have expired. The subject account will be closed as soon as all pending bills and payments have been processed.

Conclusion – Response acknowledged. The separate bank account should be closed and the balance transferred to the County as soon as possible.

II-I-07 County Sheriff – One check was issued and held in the County Sheriff’s office for several months before delivery to the vendor.

Recommendation – After the merchandise is available, a check should be issued to the vendor.

Response – The cars were ordered and were not shipped or prepared for pick-up at the indicated time frame by vendor. The check was not mailed until merchandise was available to protect funds from being used until merchandise was delivered.

Conclusion – Response acknowledged. However, checks should not be issued until the merchandise is available.

Appanoose County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2007

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



Appanoose County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2007

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

No material weaknesses in internal control over the major program were noted.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

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

IV-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted by function.

The notice of the November 2006 budget amendment hearing was not published at least 10 days prior to the hearing as required by Chapters 331.434(2) and 331.435 of the Code of Iowa.

The original budget was not appropriated until July 18, 2005 and the minutes did not include an itemization of the budget appropriations by department.

Recommendation – Budget appropriations should be authorized by resolution before any disbursements are made as required by Chapter 331.434(6) of the Code of Iowa and should include the detail of the appropriations by department.

Response – We will try to ensure this does not happen in the future.

Conclusion – Response accepted.

IV-B-07 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.

IV-C-07 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-07 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>
Kevin Smith, Secondary Roads Equipment Operator, owner of Kevin Smith Excavating	Excavating services	\$ 1,100

In accordance with Chapter 331.342(10) of the Code of Iowa, the excavating services from Kevin Smith Excavating do not appear to represent a conflict of interest since total cumulative transactions were less than \$1,500 during the fiscal year.

IV-E-07 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.

IV-F-07 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-07 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.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

IV-H-07 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).

IV-I-07 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2007 for the County Extension Office did not exceed the amount budgeted.

Certain minutes of the County Agricultural Extension Council were not signed as required by Chapter 176A.14(3) of the Code of Iowa.

Recommendation – The minutes should be signed to authenticate the record, as required.

Response – We will try to do better.

Conclusion – Response accepted.

II-J-07 Rent on Conservation Residence – The County Conservation Board's residence policy provides for a housing allowance to be paid to an employee residing in a County owned residence. The policy states the housing allowance is equal to the amount of rent charged by the County to the employee.

During the year ended June 30, 2007, the County paid \$7,202 in housing allowance to the conservation employee. The allowance was paid through payroll and was subject to federal and state income tax withholdings, as well as FICA and IPERS.

The rent income was credited to the Appanoose Conservation Foundation rather than to the County. Chapter 331.427 of the Code of Iowa requires all county revenues from taxes and other sources for general county services be credited to the General Fund of the County.

Recommendation – All County revenue should be credited to the County's General Fund as required by Chapter 331.427 of the Code of Iowa.

Conservation Response – The Appanoose County Conservation Board and Appanoose Conservation Foundation will take the State Auditor's recommendations under advisement and look into these matters.

Conclusion – Response acknowledged. The County should also consult with the County Attorney.

IV-K-07 Board of Health – The Board of Health is required to give notice of the time, date and place of each meeting and its tentative agenda. The notice shall include advising the news media who have filed a request for notice with the Board of Health and posting the notice on a bulletin board or other prominent place which is easily accessible to the public. The notice is required to be given at least twenty-four hours prior to the meeting of the Board of Health. The Board of Health is not posting notices of meetings in the courthouse.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Recommendation – The Board of Health should ensure proper public notice is given prior to meetings as required by Chapter 21.4 of the Code of Iowa.

Response – This office will provide official notice of public Board of Health meetings through two mediums, primarily newspaper and posting the notice at the entrance of the courthouse. This will be done so that the public will have access to the information 24 hours before the meeting.

Conclusion – Response accepted.

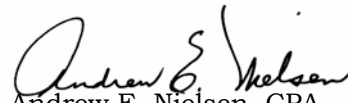
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Appanoose County

Staff

This audit was performed by:

K. David Voy, CPA, Manager  
Heather L. Templeton, Senior Auditor  
Keith C. Kistenmacher, Assistant Auditor  
Tiffany M. Maske, Assistant Auditor  
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