



**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

**NEWS RELEASE**

FOR RELEASE

March 14, 2011

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 \$13,295,034 for the year ended June 30, 2010, which included \$693,084 in tax credits from the state. The County forwarded \$9,335,391 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,959,643 of the local tax revenue to finance County operations, a 3.74% increase over the prior year. Other revenues included charges for service of \$830,730, operating grants, contributions and restricted interest of \$4,145,107, capital grants, contributions and restricted interest of \$2,525,660, local option sales and services tax of \$497,722, hotel/motel tax of \$208,582, unrestricted investment earnings of \$40,919 and other general revenues of \$187,686.

Expenses for County operations totaled \$8,908,123, a 6.75% decrease from the prior year. Expenses included \$3,195,540 for roads and transportation, \$1,662,660 for public safety and legal services and \$1,003,300 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/1010-0004-B00F.pdf>.

###



**APPANOOSE COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2010**

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	25
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	26
Statement of Cash Flows	I	27
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	28
Notes to Financial Statements		29-41
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		44-45
Budget to GAAP Reconciliation		46
Notes to Required Supplementary Information – Budgetary Reporting		47
Schedule of Finding Progress for the Retiree Health Plan		48
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	50-51
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	52-53
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	54-55
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	56-57
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	58-59
Schedule of Expenditures of Federal Awards	6	60-61
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 <u>Government Auditing Standards</u>		63-64
Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		67-68
Schedule of Findings and Questioned Costs		69-77
Staff		78

**Appanoose County**

**Officials**

Dean Kaster	Board of Supervisors	Jan 2011
Jody McDanel	Board of Supervisors	Jan 2013
Linda Rouse	Board of Supervisors	Jan 2013
Linda Demry	County Auditor	Jan 2013
Mary Kay Williams	County Treasurer	Jan 2011
Teddy Walker	County Recorder	Jan 2011
Gary Anderson	County Sheriff	Jan 2013
Richard Scott	County Attorney	Jan 2011
Michael Barth	County Assessor	Jan 2016

**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

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, 2010, 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.

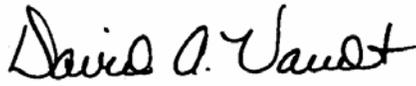
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2010, 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 February 22, 2011 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 44 through 48 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 six years ended June 30, 2009 (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 effects of 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

February 22, 2011

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

Appanoose County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2010 FINANCIAL HIGHLIGHTS

- The County's governmental activities revenues increased 7.4%, or approximately \$850,000, from fiscal year 2009 to fiscal year 2010. Operating grants, contributions and restricted interest and capital grants, contributions and restricted interest increased approximately \$191,000 and \$352,000, respectively.
- The County's governmental activities expenses decreased 6.75%, or approximately \$645,000, from fiscal year 2009 to fiscal year 2010. Public safety and legal services expenses and roads and transportation expenses decreased approximately \$186,000 and \$612,000, respectively.
- The County's net assets increased 18.6%, or approximately \$3,488,000, from June 30, 2009 to June 30, 2010.

### 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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 federal 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

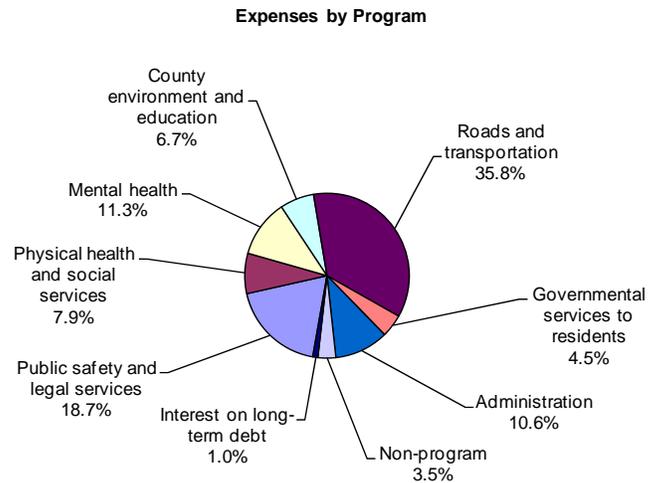
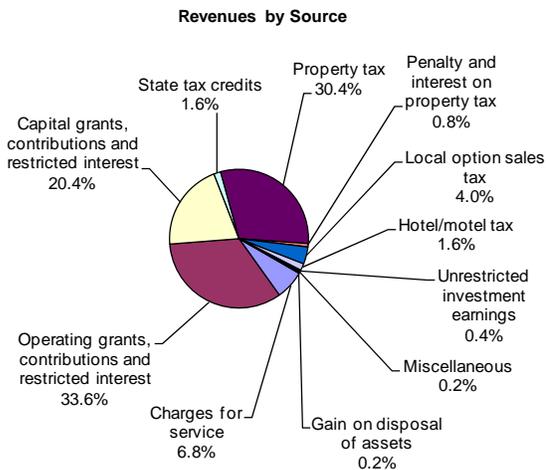
As noted earlier, net assets may serve over time as a useful indicator of financial position. Appanoose County's net assets increased from \$18,744,692 at the end of fiscal year 2009 to \$ 22,332,618 at the end of fiscal year 2010. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2010	2009
Current and other assets	\$ 13,803,751	13,811,258
Capital assets	15,229,577	12,613,871
Total assets	<u>29,033,328</u>	<u>26,425,129</u>
Long-term liabilities	2,028,890	2,170,352
Other liabilities	4,771,820	5,510,085
Total liabilities	<u>6,800,710</u>	<u>7,680,437</u>
Net assets:		
Invested in capital assets, net of related debt	15,139,577	12,523,871
Restricted	4,158,109	3,584,844
Unrestricted	<u>2,934,932</u>	<u>2,635,977</u>
Total net assets	<u>\$ 22,232,618</u>	<u>18,744,692</u>

Net assets of Appanoose County's governmental activities increased approximately \$3,488,000 over fiscal year 2009. 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 \$2,636,000 at June 30, 2009 to approximately \$2,935,000 at June 30, 2010, an increase of 11.3%.

**Changes in Net Assets of Governmental Activities**

	Year ended June 30,	
	2010	2009
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 830,730	802,656
Operating grants, contributions and restricted interest	4,145,107	3,954,487
Capital grants, contributions and restricted interest	2,525,660	2,173,290
<b>General revenues:</b>		
Property tax	3,751,961	3,590,325
Penalty and interest on property tax	87,468	75,480
State tax credits	207,682	226,408
Local option sales tax	497,722	494,887
Hotel/motel tax	208,582	106,218
Grants and contributions not restricted to specific purposes	66,045	-
Unrestricted investment earnings	40,919	83,941
Gain on disposal of assets	20,813	-
Miscellaneous	13,360	37,952
<b>Total revenues</b>	<b>12,396,049</b>	<b>11,545,644</b>
<b>Program expenses:</b>		
Public safety and legal services	1,662,660	1,848,979
Physical health and social services	700,270	741,280
Mental health	1,003,300	1,080,561
County environment and education	597,127	371,085
Roads and transportation	3,195,540	3,807,520
Governmental services to residents	404,607	414,322
Administration	948,032	755,796
Non-program	310,275	435,508
Interest on long-term debt	86,312	98,254
<b>Total expenses</b>	<b>8,908,123</b>	<b>9,553,305</b>
<b>Increase in net assets</b>	<b>3,487,926</b>	<b>1,992,339</b>
<b>Net assets beginning of year</b>	<b>18,744,692</b>	<b>16,752,353</b>
<b>Net assets end of year</b>	<b>\$ 22,232,618</b>	<b>18,744,692</b>



The increased taxable property valuation of approximately \$8,301,000 raised the County's property and other county tax revenue approximately \$162,000 in fiscal year 2010. The total Appanoose County assessed taxable property valuation for taxes payable in fiscal year 2011 increased approximately \$9,046,000. However the tax levy is set to decrease \$0.37816 per \$1,000 of taxable valuation. Based on this decrease, property tax revenue is budgeted to decrease approximately \$5,500 next year.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Appanoose County completed the year, its governmental funds reported a combined fund balance of approximately \$8.45 million, an increase of approximately \$740,000 over last year's total of approximately \$7.71 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 increased. The ending fund balance increased \$185,677 over the prior year to approximately \$5,350,000. Total revenues increased 5.75% over the prior year and included increases in intergovernmental and property and other county tax. Total expenditures increased 6.58% over the prior year and included increases in county environment and education, primarily due to the construction of a trail and bridge for the Conservation Department.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,007,000, a decrease of 6.4% from the prior year. The Mental Health Fund balance at year end increased \$438,578 over the prior year to \$969,107.
- The Rural Services Fund revenues increased \$52,137, primarily due to property and other county tax, and expenditures increased \$5,095. The fund balance increased approximately \$150,000 over the prior year to \$920,789.
- The Secondary Roads Fund balance decreased approximately \$137,000 from the prior year. Expenditures increased approximately \$59,000 over the prior year, due primarily to an increase in road and bridge projects. Revenues increased approximately \$315,000 over the prior year, due primarily to a greater amount of federal assistance revenue than was received in the prior year.

### **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 for a Conservation grant and disbursements related to the County catching up on back mental health payments. The second amendment resulted in increases in budgeted receipts and disbursements for conservation and secondary roads due to conservation grants received and increased disbursements and public safety and legal services due to the Sheriff's office disbursements being greater than expected.

The County's total receipts were \$ 422,430 less than the final budget amount. Actual receipts for intergovernmental and use of money and property were approximately \$665,000 and \$62,000, respectively, less than budgeted. This was primarily due to the County using conservative estimates in budgeting receipts and interest rates being less than originally anticipated.

Total disbursements were \$ 1,970,564 less than the amended budget. Actual disbursements for the mental health, county environment and education and roads and transportation functions were approximately \$ 425,000, \$393,000 and \$1,282,000, respectively, less than budgeted. Mental health disbursements were less than budgeted based on less clientele than expected in the group home. County environment and education disbursements were less

than budgeted due to grant funds budgeted but not received. The capital projects disbursements were greater than budgeted by \$571,563 due to timing of projects.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2010, Appanoose County had approximately \$15.3 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,	
	2010	2009
Land	\$ 637,132	637,132
Buildings and improvements	665,082	681,670
Equipment and vehicles	2,016,118	1,868,323
Infrastructure	11,639,947	7,972,266
Construction in progress	271,298	1,454,480
Total	\$ 15,229,577	12,613,871

This year's major additions included:

Motor grader	\$ 226,486
Ford cab and chassis	91,725
Three Ford Crown Victorias	70,439
Other	33,484
Total	\$ 422,134

The County had depreciation expense of \$658,257 in fiscal year 2010 and total accumulated depreciation of \$4,953,890 at June 30, 2010. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### Long-Term Debt

At June 30, 2010, Appanoose County had \$1,828,742 in long-term debt outstanding, compared to \$1,945,987 at June 30, 2009, as shown below.

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2010	2009
Conservation Foundation loan	\$ 90,000	90,000
Honey Creek loan	353,742	390,987
Solid waste revenue bonds	1,385,000	1,465,000
Total	\$ 1,828,742	1,945,987

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 approximately \$17 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

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

From fiscal year 2009 to fiscal year 2010, the countywide and the rural services property taxable valuations increased approximately \$8.3 million and \$13.4 million, respectively. From fiscal year 2010 to fiscal year 2011, the countywide and the rural services property taxable valuations increased approximately \$9 million and \$3.4 million, respectively.

Amounts budgeted for disbursements in the fiscal year 2011 operating budget are approximately \$10.4 million, an increase of 4% over the fiscal year 2010 actual disbursements of approximately \$10 million. The County's total governmental funds are projected to end fiscal year 2011 with a decrease in fund balances of approximately \$697,000 from fiscal year 2010.

## **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, 2010

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments:	
County Treasurer	\$ 7,287,098
Conservation Foundation	74,963
Receivables:	
Property tax:	
Delinquent	41,805
Succeeding year	3,743,000
Interest and penalty on property tax	30,960
Accounts	7,162
Loan	1,385,000
Accrued interest	1,542
Due from other governments	875,286
Inventories	238,060
Prepaid expenses	118,875
Capital assets - depreciable (net of accumulated depreciation)	908,430
Capital assets - non-depreciable	14,321,147
	<u>29,033,328</u>
<b>Total assets</b>	
<b>Liabilities</b>	
Accounts payable	350,706
Accrued interest payable	11,516
Salaries and benefits payable	35,841
Due to other governments	515,026
Deferred revenue:	
Succeeding year property tax	3,743,000
Other	115,731
Long-term liabilities:	
Portion due or payable within one year:	
Conservation Foundation loan	90,000
Honey Creek loan	38,973
Solid waste revenue bonds	80,000
Compensated absences	164,996
Portion due or payable after one year:	
Honey Creek loan	314,769
Solid waste revenue bonds	1,305,000
Compensated absences	23,154
Net OPEB liability	11,998
	<u>6,800,710</u>
<b>Total liabilities</b>	
<b>Net Assets</b>	
Invested in capital assets, net of related debt	15,139,577
Restricted for:	
Supplemental levy purposes	1,717,696
Mental health purposes	975,458
Secondary roads purposes	982,557
Debt service	250
Other purposes	482,148
Unrestricted	2,934,932
	<u>22,232,618</u>
<b>Total net assets</b>	
	<u>\$ 22,232,618</u>

See notes to financial statements.

Appanoose County

Statement of Activities

Year ended June 30, 2010

	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	\$ 1,662,660	129,937	98,044	-	(1,434,679)
Physical health and social services	700,270	99,011	453,933	-	(147,326)
Mental health	1,003,300	-	831,664	-	(171,636)
County environment and education	597,127	9,543	276,496	-	(311,088)
Roads and transportation	3,195,540	44,831	2,404,536	2,525,660	1,779,487
Governmental services to residents	404,607	207,367	25,980	-	(171,260)
Administration	948,032	5,740	-	-	(942,292)
Non-program	310,275	334,301	-	-	24,026
Interest on long-term debt	86,312	-	54,454	-	(31,858)
<b>Total</b>	<b>\$ 8,908,123</b>	<b>830,730</b>	<b>4,145,107</b>	<b>2,525,660</b>	<b>(1,406,626)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					3,751,961
Penalty and interest on property tax					87,468
State tax credits					207,682
Local option sales and services tax					497,722
Hotel/motel tax					208,582
Grants and contributions not restricted to specific purposes					66,045
Unrestricted investment earnings					40,919
Gain on disposal of assets					20,813
Miscellaneous					13,360
<b>Total general revenues</b>					<b>4,894,552</b>
Change in net assets					3,487,926
Net assets beginning of year					18,744,692
Net assets end of year					<b>\$ 22,232,618</b>

See notes to financial statements.

Appanoose County  
Balance Sheet  
Governmental Funds

June 30, 2010

<b>Assets</b>	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Cash and pooled investments:				
County Treasurer	\$ 3,706,754	1,514,163	882,356	572,340
Conservation Foundation	-	-	-	-
Receivables:				
Property tax:				
Delinquent	31,416	7,137	3,252	-
Succeeding year	2,516,000	572,000	655,000	-
Interest and penalty on property tax	30,960	-	-	-
Accounts	48	-	-	7,114
Loan	1,385,000	-	-	-
Accrued interest	1,539	-	-	-
Due from other governments	213,310	-	41,778	594,716
Inventories	-	-	-	238,060
Prepaid expenditures	118,875	-	-	-
<b>Total assets</b>	<b>\$ 8,003,902</b>	<b>2,093,300</b>	<b>1,582,386</b>	<b>1,412,230</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 57,126	30,408	1,901	172,793
Salaries and benefits payable	13,531	-	1,444	20,175
Due to other governments	-	515,026	-	-
Deferred revenue:				
Succeeding year property tax	2,516,000	572,000	655,000	-
Other	67,017	6,759	3,252	494,737
Total liabilities	2,653,674	1,124,193	661,597	687,705
Fund balances:				
Reserved for:				
Supplemental levy purposes	1,716,508	-	-	-
Debt service	-	-	-	-
Loan receivable	1,385,000	-	-	-
Unreserved, reported in:				
General fund	2,248,720	-	-	-
Special revenue funds	-	969,107	920,789	724,525
Total fund balances	5,350,228	969,107	920,789	724,525
<b>Total liabilities and fund balances</b>	<b>\$ 8,003,902</b>	<b>2,093,300</b>	<b>1,582,386</b>	<b>1,412,230</b>

See notes to financial statements.

Nonmajor	Total
382,641	7,058,254
74,963	74,963
-	41,805
-	3,743,000
-	30,960
-	7,162
-	1,385,000
3	1,542
25,482	875,286
-	238,060
-	118,875
<u>483,089</u>	<u>13,574,907</u>
-	262,228
691	35,841
-	515,026
-	3,743,000
-	571,765
<u>691</u>	<u>5,127,860</u>
-	1,716,508
250	250
-	1,385,000
-	2,248,720
482,148	3,096,569
<u>482,398</u>	<u>8,447,047</u>
<u>483,089</u>	<u>13,574,907</u>

**Appanoose County**

Appanoose County

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

June 30, 2010

**Total governmental fund balances (page 19)** \$ 8,447,047

***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 governmental funds. The cost of assets is \$20,183,467 and the accumulated depreciation is \$4,953,890. 15,229,577

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 456,034

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. 140,366

Long-term liabilities, including loans, bonds, compensated absences, other postemployment employee benefits and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (2,040,406)

**Net assets of governmental activities (page 16)** \$ 22,232,618

See notes to financial statements.

Appanoose County

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

Year ended June 30, 2010

	Special Revenue		
	General	Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 2,667,881	569,208	650,093
Local option sales and services tax	-	-	298,633
Interest and penalty on property tax	78,520	-	-
Intergovernmental	1,005,500	875,794	81,191
Licenses and permits	147	-	-
Charges for service	320,423	-	4,658
Use of money and property	38,095	-	-
Miscellaneous	27,601	105	-
Total revenues	<u>4,138,167</u>	<u>1,445,107</u>	<u>1,034,575</u>
<b>Expenditures:</b>			
Operating:			
Public safety and legal services	1,335,259	-	297,755
Physical health and social services	670,652	-	27,000
Mental health	-	1,006,529	-
County environment and education	435,940	-	63,834
Roads and transportation	-	-	-
Governmental services to residents	411,515	-	-
Administration	949,871	-	-
Debt service	144,045	-	-
Capital projects	-	-	-
Total expenditures	<u>3,947,282</u>	<u>1,006,529</u>	<u>388,589</u>
Excess (deficiency) of revenues over (under) expenditures	<u>190,885</u>	<u>438,578</u>	<u>645,986</u>
<b>Other financing sources (uses):</b>			
Operating transfers in	-	-	-
Operating transfers out	(5,208)	-	(495,940)
Total other financing sources (uses)	<u>(5,208)</u>	<u>-</u>	<u>(495,940)</u>
Net change in fund balances	185,677	438,578	150,046
Fund balances beginning of year	<u>5,164,551</u>	<u>530,529</u>	<u>770,743</u>
Fund balances end of year	<u>\$ 5,350,228</u>	<u>969,107</u>	<u>920,789</u>

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	118,543	4,005,725
99,545	99,544	497,722
-	-	78,520
3,060,708	28,355	5,051,548
1,160	-	1,307
207	2,310	327,598
-	56	38,151
60,166	147,469	235,341
<u>3,221,786</u>	<u>396,277</u>	<u>10,235,912</u>
-	69,432	1,702,446
-	-	697,652
-	-	1,006,529
-	160,769	660,543
3,023,143	-	3,023,143
-	1,868	413,383
-	6,557	956,428
-	59,929	203,974
831,500	-	831,500
<u>3,854,643</u>	<u>298,555</u>	<u>9,495,598</u>
(632,857)	97,722	740,314
495,940	5,208	501,148
-	-	(501,148)
<u>495,940</u>	<u>5,208</u>	-
(136,917)	102,930	740,314
861,442	379,468	7,706,733
<u>724,525</u>	<u>482,398</u>	<u>8,447,047</u>

Appanoose County

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances -  
Governmental Funds to the Statement  
of Activities

Year ended June 30, 2010

**Net change in fund balances - Total governmental funds (page 23)** \$ 740,314

**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	\$ 1,375,912	
Capital assets contributed by the Iowa Department of Transportation and others	1,877,238	
Depreciation expense	<u>(658,257)</u>	2,594,893

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report proceeds from the disposition as an increase in financial resources. 20,813

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	3,138	
Other	<u>(75,188)</u>	(75,050)

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. 117,245

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	36,215	
Other postemployment benefits	(11,998)	
Interest on long-term debt	<u>417</u>	24,634

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. 65,077

**Change in net assets of governmental activities (page 17)** \$ 3,487,926

See notes to financial statements.

Appanoose County  
Statement of Net Assets  
Proprietary Fund  
June 30, 2010

	<u>Internal Service - Employee Group Health</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 228,844
<b>Liabilities</b>	
Accounts payable	<u>88,478</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ 140,366</u></u>

See notes to financial statements.

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

Year ended June 30, 2010

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Contributions and reimbursements from operating funds		\$ 543,085
Reimbursements from employees and others		140,407
Refunds		155,938
Total operating revenues		<u>839,430</u>
Operating expenses:		
Medical and health services	\$ 608,662	
Accounting, auditing and clerical	6,746	
Supplemental insurance	161,745	
Miscellaneous	35	777,188
Operating income		<u>62,242</u>
Non-operating revenues:		
Interest income		<u>2,835</u>
Net income		65,077
Net assets beginning of year		<u>75,289</u>
Net assets end of year		<u><u>\$ 140,366</u></u>

See notes to financial statements.

Appanoose County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2010

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 543,085
Cash received from employees and others	140,407
Cash received from refunds	155,938
Cash paid to suppliers for services	(839,792)
Net cash used by operating activities	(362)
Cash flows from investing activities:	
Interest on investments	2,835
Net increase in cash and cash equivalents	2,473
Cash and cash equivalents beginning of year	226,371
Cash and cash equivalents end of year	\$ 228,844
<b>Reconciliation of operating income to net cash used by operating activities:</b>	
Operating income	\$ 62,242
Adjustment to reconcile operating loss to net cash used by operating activities:	
Decrease in accounts payable	(62,604)
Net cash used by operating activities	\$ (362)

See notes to financial statements.

Appanoose County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2010

**Assets**

Cash and pooled investments:

County Treasurer	\$ 816,232
Other County officials	56,680

Receivables:

Property tax:

Delinquent	138,871
Succeeding year	8,798,000

Accrued interest	17
------------------	----

Special assessments	6,000
---------------------	-------

Accounts	13,989
----------	--------

<b>Total assets</b>	<u>9,829,789</u>
---------------------	------------------

**Liabilities**

Accounts payable	15,730
------------------	--------

Due to other governments	9,725,651
--------------------------	-----------

Trusts payable	81,471
----------------	--------

Compensated absences	6,937
----------------------	-------

<b>Total liabilities</b>	<u>9,829,789</u>
--------------------------	------------------

<b>Net assets</b>	<u><u>\$ -</u></u>
-------------------	--------------------

See notes to financial statements.

Appanoose County

Notes to Financial Statements

June 30, 2010

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

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

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

A. Reporting Entity

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

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

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

The Conservation Foundation 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, ADLM Counties Environmental Public Health Agency, ADLM Facilities Management Systems Commission and South Iowa Area Crime Commission Service Agency.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net 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 this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues 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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there 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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2009.

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 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, intangibles 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
Intangibles	25,000
Equipment and vehicles	5,000

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

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

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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as 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 and unspent grant proceeds.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is generally paid upon retirement. Such payment shall not exceed 90 days or a total dollar amount of \$2,000 for noncontract employees at least age 62 and \$2,700 for secondary roads contract employees. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets.

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, 2010, disbursements exceed the amount budgeted in the capital projects function.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2010 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, 2010, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$4,302,857 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, 2010 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads Prisoner Room and Board	Special Revenue: Rural Services General	\$ 495,940 5,208
Total		<u>\$ 501,148</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, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 637,132	-	-	637,132
Construction in progress, road network	1,454,480	2,871,016	(4,054,198)	271,298
Total capital assets not being depreciated	<u>2,091,612</u>	<u>2,871,016</u>	<u>(4,054,198)</u>	<u>908,430</u>
Capital assets being depreciated:				
Buildings	1,023,871	-	-	1,023,871
Equipment and vehicles	4,552,153	422,134	(193,580)	4,780,707
Infrastructure, other	998,530	111,112	-	1,109,642
Infrastructure, road network	8,417,731	3,943,086	-	12,360,817
Total capital assets being depreciated	<u>14,992,285</u>	<u>4,476,332</u>	<u>(193,580)</u>	<u>19,275,037</u>
Less accumulated depreciation for:				
Buildings	342,201	16,588	-	358,789
Equipment and vehicles	2,683,830	255,151	(174,393)	2,764,588
Infrastructure, other	215,995	26,752	-	242,747
Infrastructure, road network	1,228,000	359,766	-	1,587,766
Total accumulated depreciation	<u>4,470,026</u>	<u>658,257</u>	<u>(174,393)</u>	<u>4,953,890</u>
Total capital assets being depreciated, net	<u>10,522,259</u>	<u>3,818,075</u>	<u>(19,187)</u>	<u>14,321,147</u>
Governmental activities capital assets, net	<u>\$ 12,613,871</u>	<u>6,689,091</u>	<u>(4,073,385)</u>	<u>15,229,577</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 43,162
Physical health and social services	3,823
County environment and education	38,670
Roads and transportation	555,259
Administration	17,343
Total depreciation expense - governmental activities	<u>\$ 658,257</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	\$ 515,026
Agency:		
Agricultural Extension Education	Collections	\$ 105,706
County Assessor		278,099
Schools		5,951,272
Community Colleges		328,281
Corporations		2,345,655
Townships		179,379
Auto License and Use Tax		247,245
ADLM Empowerment		160,227
All other		129,787
Total for agency funds		\$ 9,725,651

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Conservation Foundation Loan	Honey Creek Loan	Solid Waste Revenue Bonds	Compensated Absences	Other Post-employment Benefits	Total
Balance beginning of year	\$ 90,000	390,987	1,465,000	224,365	-	2,170,352
Increases	-	-	-	197,260	11,998	209,258
Decreases	-	37,245	80,000	233,475	-	350,720
Balance end of year	\$ 90,000	353,742	1,385,000	188,150	11,998	2,028,890
Due within one year	\$ 90,000	38,973	80,000	164,996	-	373,969

Conservation Foundation Loan

On August 27, 2008, the Conservation Foundation entered into a loan with Iowa Trust and Savings Bank to borrow \$90,000 to purchase land. The interest rate on the loan is 6.0% per annum with an initial maturity date of August 27, 2009. The maturity date for the loan was extended to August 27, 2011.

Honey Creek Loan

In March 2008, the County entered into a loan agreement with Iowa Trust and Savings Bank for \$400,000, of which \$357,250 was remitted to the Iowa Department of Natural Resources and \$42,750 was remitted to Rathbun Lake Resort, Inc. to be deposited in a

separate account. Principal and interest is payable in 35 equal quarterly installments of \$13,613 beginning on June 1, 2009 and continuing through March 1, 2018, as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	4.25%	\$ 38,973	15,480	54,453
2012	4.25	40,745	13,708	54,453
2013	4.25	42,673	11,780	54,453
2014	4.25	44,654	9,800	54,454
2015	4.25	46,727	7,727	54,454
2016-2018	4.25	139,970	9,778	149,748
Total		\$ 353,742	68,273	422,015

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

#### Solid Waste Revenue Bonds

On September 18, 2007, the County issued solid waste revenue bonds of \$1,540,000 for the Rathbun Area Solid Waste Management Commission (RASWMC). The County loaned the bond proceeds to RASWMC to be used to pay costs of acquiring works and facilities useful for collection and disposal of solid waste by the Rathbun Area Solid Waste Management Commission on behalf of Appanoose County, including the acquisition of vehicles, rolling stock and other related equipment to be used in connection with the collection, transportation and disposal of solid waste in conformity with a resolution of the Board of Supervisors. The bonds will be paid from the General Fund from the loan repayments from RASWMC. The principal balance on the bonds at June 30, 2010 totaled \$1,385,000.

#### **(7) Loan Receivable**

The County entered into an agreement with the Rathbun Area Solid Waste Management Commission (RASWMC) for the loan of bond proceeds detailed in Note 6 of the Notes to Financial Statements. Under the agreement, the RASWMC is to make annual payments to the County equal to the annual bond payments required on the revenue bonds. The annual principal and interest payments from RASWMC are credited to the General Fund. The following is a schedule of the future payments to be received by the County.

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	4.15%	\$ 80,000	60,325	140,325
2012	4.15	85,000	57,005	142,005
2013	4.15	90,000	53,477	143,477
2014	4.15	90,000	49,743	139,743
2015	4.15	95,000	46,008	141,008
2016 - 2020	4.15 - 4.35	335,000	183,640	518,640
2021 - 2025	4.40 - 4.60	415,000	103,653	518,653
2026 - 2027	4.65 - 4.70	195,000	13,817	208,817
Total		\$ 1,385,000	567,668	1,952,668

**(8) 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 4.30% of their annual covered salary and the County is required to contribute 6.65% 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, 2010, 2009 and 2008 were \$196,840, \$179,622 and \$166,913, respectively, equal to the required contributions for each year.

**(9) Other Postemployment Benefits (OPEB)**

The County implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions, during the year ended June 30, 2010.

Plan Description. The County operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 76 active and 3 retired members in the plan.

The medical coverage is provided through a fully self-funded plan administered by the County. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 21,331
Interest on net OPEB obligation	-
Adjustment to annual required contributions	-
Annual OPEB cost	<u>21,331</u>
Contribution made	<u>(9,333)</u>
Increase in net OPEB obligation	11,998
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>\$ 11,998</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the County contributed \$9,333 to the medical plan. Plan members eligible for benefits contributed \$21,055, or 69% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 21,331	43.8%	\$ 11,998

Funded Status and Funding Progress. As of June 30, 2010, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$185,166, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$185,166. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,950,000 and the ratio of UAAL to covered payroll was 6.3%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table projected to 2010 using Scale AA, applied on a gender-specific basis.

The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(10) Risk Management**

The County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Employee Health Insurance Plan**

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Auxiant, 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 \$35,000. 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, 2010 was \$543,085.

Amounts payable from the Employee Group Health Fund at June 30, 2010 total \$88,478, 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 \$140,366 at June 30, 2010 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 June 30, 2009	\$ 151,082
Incurred claims (including claims incurred but not reported at June 30, 2010)	608,662
Payment on claims during the fiscal year	<u>(671,266)</u>
Unpaid claims at June 30, 2010	<u>\$ 88,478</u>

**(12) Construction Commitments**

The County has entered into contracts totaling \$719,210 for bridge construction and roadway paving. As of June 30, 2010, costs of \$247,433 on the projects have been incurred. The balance of \$471,777 remaining on the contracts at June 30, 2010 will be paid as work on the projects progresses.

**Appanoose County**

**Required Supplementary Information**

Appanoose County

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

Required Supplementary Information

Year ended June 30, 2010

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 4,518,686	-	4,518,686
Interest and penalty on property tax	77,254	-	77,254
Intergovernmental	4,779,997	-	4,779,997
Licenses and permits	1,287	-	1,287
Charges for service	328,628	-	328,628
Use of money and property	37,988	10	37,978
Miscellaneous	333,834	93,015	240,819
<b>Total receipts</b>	<b>10,077,674</b>	<b>93,025</b>	<b>9,984,649</b>
<b>Disbursements:</b>			
Public safety and legal services	1,703,275	-	1,703,275
Physical health and social services	698,207	-	698,207
Mental health	1,478,742	-	1,478,742
County environment and education	682,260	53,404	628,856
Roads and transportation	3,014,049	-	3,014,049
Governmental services to residents	413,401	-	413,401
Administration	975,351	-	975,351
Nonprogram	-	-	-
Debt service	197,854	5,475	192,379
Capital projects	871,563	-	871,563
<b>Total disbursements</b>	<b>10,034,702</b>	<b>58,879</b>	<b>9,975,823</b>
Excess (deficiency) of receipts over (under) disbursements	42,972	34,146	8,826
Other financing sources, net	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	42,972	34,146	8,826
Balance beginning of year	7,090,245	40,817	7,049,428
Balance end of year	<b>\$ 7,133,217</b>	<b>74,963</b>	<b>7,058,254</b>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
4,453,033	4,453,033	65,653
4,000	4,000	73,254
4,794,696	5,444,626	(664,629)
650	650	637
269,320	269,320	59,308
100,300	100,300	(62,322)
135,150	135,150	105,669
9,757,149	10,407,079	(422,430)
1,851,214	1,881,031	177,756
781,025	835,280	137,073
1,303,253	1,903,253	424,511
767,636	1,021,728	392,872
3,163,000	4,295,667	1,281,618
458,996	458,996	45,595
901,439	1,026,439	51,088
-	18,553	18,553
205,440	205,440	13,061
300,000	300,000	(571,563)
9,732,003	11,946,387	1,970,564
25,146	(1,539,308)	1,548,134
199,000	199,000	(199,000)
224,146	(1,340,308)	1,349,134
5,073,541	4,295,722	2,753,706
5,297,687	2,955,414	4,102,840

Appanoose County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,077,674	158,238	10,235,912
Expenditures	10,034,702	(539,104)	9,495,598
Net	42,972	697,342	740,314
Beginning fund balances	7,090,245	616,488	7,706,733
Ending fund balances	\$ 7,133,217	1,313,830	8,447,047

See accompanying independent auditor's report.

Appanoose County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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 ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, 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 \$2,214,384. 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, 2010, disbursements exceeded the amount budgeted in the capital projects function.

---

Appanoose County

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 185	185	0.00%	\$ 2,950	6.3%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**Other Supplementary Information**

Appanoose County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2010

	County Recorder's Records Management	Resource Enhancement and Protection	Law Enforcement Forfeiture	Special Economic Development
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ 7,960	20,329	3,879	267,636
Conservation Foundation	-	-	-	-
Accrued interest receivable	1	1	1	-
Due from other governments	-	-	-	25,482
<b>Total assets</b>	<b>\$ 7,961</b>	<b>20,330</b>	<b>3,880</b>	<b>293,118</b>
<b>Fund Equity</b>				
Liabilities:				
Salaries and benefits payable	\$ -	691	-	-
Fund equity:				
Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved	7,961	19,639	3,880	293,118
<b>Total fund equity</b>	<b>7,961</b>	<b>19,639</b>	<b>3,880</b>	<b>293,118</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,961</b>	<b>20,330</b>	<b>3,880</b>	<b>293,118</b>

See accompanying independent auditor's report.

Revenue					
Conservation Foundation	HazMat	Prisoner Room and Board	Future Tax Payments	Debt Service	Total
-	63,702	14,674	4,211	250	382,641
74,963	-	-	-	-	74,963
-	-	-	-	-	3
-	-	-	-	-	25,482
74,963	63,702	14,674	4,211	250	483,089
-	-	-	-	-	691
-	-	-	-	250	250
74,963	63,702	14,674	4,211	-	482,148
74,963	63,702	14,674	4,211	250	482,398
74,963	63,702	14,674	4,211	250	483,089

Appanoose County

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

Year ended June 30, 2010

	County Recorder's Records Management	Resource Enhancement and Protection	Law Enforcement Forfeiture	Special Economic Development
Revenues:				
Property and other county tax	\$ -	-	-	49,352
Local option sales and services tax	-	-	-	99,544
Intergovernmental	-	15,961	-	-
Charges for service	2,310	-	-	-
Use of money and property	10	28	8	-
Miscellaneous	-	-	-	-
Total revenues	2,320	15,989	8	148,896
Expenditures:				
Operating:				
Public safety and legal services	-	-	1,351	-
County environment and education	-	17,886	-	68,372
Governmental services to residents	1,868	-	-	-
Administration	-	-	-	-
Debt service	-	-	-	-
Total expenditures	1,868	17,886	1,351	68,372
Excess (deficiency) of revenues over (under) expenditures	452	(1,897)	(1,343)	80,524
Operating transfers in	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	452	(1,897)	(1,343)	80,524
Fund balances beginning of year	7,509	21,536	5,223	212,594
Fund balances end of year	\$ 7,961	19,639	3,880	293,118

See accompanying independent auditor's report.

Revenue							
Honey Creek Loan	Conservation Foundation	HazMat	Prisoner Room and Board	Emergency Medical Services	Future Tax Payments	Debt Service	Total
-	-	-	-	64,980	4,211	-	118,543
-	-	-	-	-	-	-	99,544
-	-	12,394	-	-	-	-	28,355
-	-	-	-	-	-	-	2,310
-	10	-	-	-	-	-	56
54,454	93,015	-	-	-	-	-	147,469
54,454	93,025	12,394	-	64,980	4,211	-	396,277
-	-	2,016	-	66,065	-	-	69,432
21,107	53,404	-	-	-	-	-	160,769
-	-	-	-	-	-	-	1,868
-	-	-	-	-	6,557	-	6,557
54,454	5,475	-	-	-	-	-	59,929
75,561	58,879	2,016	-	66,065	6,557	-	298,555
(21,107)	34,146	10,378	-	(1,085)	(2,346)	-	97,722
-	-	-	5,208	-	-	-	5,208
(21,107)	34,146	10,378	5,208	(1,085)	(2,346)	-	102,930
21,107	40,817	53,324	9,466	1,085	6,557	250	379,468
-	74,963	63,702	14,674	-	4,211	250	482,398

Appanoose County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	2,433	42,561	151,831	8,340
Other County officials	56,680	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,273	3,108	73,441	3,941
Succeeding year	-	102,000	249,000	5,726,000	316,000
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Accounts	-	-	-	-	-
<b>Total assets</b>	<b>\$ 56,680</b>	<b>105,706</b>	<b>294,669</b>	<b>5,951,272</b>	<b>328,281</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	11,786	-	-
Due to other governments	100	105,706	278,099	5,951,272	328,281
Trusts payable	56,580	-	-	-	-
Compensated absences	-	-	4,784	-	-
<b>Total liabilities</b>	<b>\$ 56,680</b>	<b>105,706</b>	<b>294,669</b>	<b>5,951,272</b>	<b>328,281</b>

See accompanying independent auditor's report.

Corpor- ations	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
59,349	4,592	247,245	24,891	160,216	114,774	816,232
-	-	-	-	-	-	56,680
56,306	787	-	-	-	15	138,871
2,230,000	174,000	-	-	-	1,000	8,798,000
-	-	-	-	11	6	17
-	-	-	-	-	6,000	6,000
-	-	-	-	-	13,989	13,989
<b>2,345,655</b>	<b>179,379</b>	<b>247,245</b>	<b>24,891</b>	<b>160,227</b>	<b>135,784</b>	<b>9,829,789</b>
-	-	-	-	-	3,944	15,730
2,345,655	179,379	247,245	-	160,227	129,687	9,725,651
-	-	-	24,891	-	-	81,471
-	-	-	-	-	2,153	6,937
<b>2,345,655</b>	<b>179,379</b>	<b>247,245</b>	<b>24,891</b>	<b>160,227</b>	<b>135,784</b>	<b>9,829,789</b>

Appanoose County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Balances beginning of year	\$ 61,734	89,742	276,408	5,631,171	308,261
Additions:					
Property and other county tax	-	102,336	248,846	5,728,942	315,983
E911 surcharge	-	-	-	-	-
State tax credits	-	4,983	13,763	310,616	17,086
Drivers license fees	-	-	-	-	-
Office fees and collections	462,967	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	88,953	-	-	-	-
Miscellaneous	-	156	24,337	21,243	536
Total additions	551,920	107,475	286,946	6,060,801	333,605
Deductions:					
Agency remittances:					
To other funds	268,413	-	-	-	-
To other governments	108,595	91,511	268,685	5,740,700	313,585
Trusts paid out	179,966	-	-	-	-
Total deductions	556,974	91,511	268,685	5,740,700	313,585
Balances end of year	\$ 56,680	105,706	294,669	5,951,272	328,281

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Tax Sale Redemption	ADLM Empowerment	Other	Total
2,340,324	179,378	210,290	26,867	156,211	126,716	9,407,102
2,282,237	170,673	-	-	-	972	8,849,989
-	-	-	-	-	57,895	57,895
129,239	9,129	-	-	-	586	485,402
-	-	75,130	-	-	-	75,130
-	-	-	-	-	-	462,967
-	-	2,704,680	-	-	-	2,704,680
-	-	-	-	-	16,823	16,823
-	-	-	222,705	-	-	311,658
10,069	-	-	-	669,181	178,900	904,422
2,421,545	179,802	2,779,810	222,705	669,181	255,176	13,868,966
-	-	127,221	-	-	-	395,634
2,416,214	179,801	2,615,634	-	665,165	246,108	12,645,998
-	-	-	224,681	-	-	404,647
2,416,214	179,801	2,742,855	224,681	665,165	246,108	13,446,279
2,345,655	179,379	247,245	24,891	160,227	135,784	9,829,789

Appanoose County

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

For the Last Ten Years

	2010	2009	2008	2007
<b>Revenues:</b>				
Property and other county tax	\$ 4,005,725	3,637,673	3,503,441	3,400,281
Local option sales and services tax	497,722	494,887	528,769	524,312
Interest and penalty on property tax	78,520	75,235	66,110	59,851
Intergovernmental	5,051,548	4,725,998	4,519,436	3,906,383
Licenses and permits	1,307	2,790	3,115	1,150
Charges for service	327,598	303,891	320,864	314,365
Use of money and property	38,151	80,878	261,837	231,993
Miscellaneous	235,341	234,417	238,469	123,823
<b>Total</b>	<b>\$ 10,235,912</b>	<b>9,555,769</b>	<b>9,442,041</b>	<b>8,562,158</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 1,702,446	1,837,930	1,463,922	1,393,793
Physical health and social services	697,652	727,099	672,941	646,051
Mental health	1,006,529	1,075,797	1,166,537	1,232,827
County environment and education	660,543	532,833	701,906	501,580
Roads and transportation	3,023,143	3,377,865	3,350,109	3,136,545
Governmental services to residents	413,383	401,885	342,162	320,105
Administration	956,428	722,593	689,098	656,539
Debt service	203,974	363,354	92,781	42,513
Capital projects	831,500	417,520	122,777	219,196
<b>Total</b>	<b>\$ 9,495,598</b>	<b>9,456,876</b>	<b>8,602,233</b>	<b>8,149,149</b>

See accompanying independent auditor's report.

Modified Accrual Basis					
2006	2005	2004	2003	2002	2001
3,348,920	3,058,156	2,979,791	2,917,055	2,605,058	2,555,088
539,546	318,080	-	-	-	-
125,241	56,042	62,284	56,392	54,162	52,042
4,200,496	5,542,511	5,480,691	5,590,715	3,588,068	3,867,205
1,273	1,095	71,649	2,946	67,019	52,820
305,369	290,879	332,619	312,847	256,193	254,022
229,351	138,687	26,975	37,884	72,694	147,586
164,629	172,245	142,631	94,523	98,626	105,587
8,914,825	9,577,695	9,096,640	9,012,362	6,741,820	7,034,350
1,398,772	1,317,975	1,342,719	1,427,258	1,337,345	1,300,341
672,060	660,911	883,444	584,009	811,548	819,286
1,239,386	874,074	1,146,711	978,318	1,181,582	1,239,208
664,331	381,317	244,308	237,012	348,224	233,879
3,420,703	3,326,026	2,664,836	2,458,484	2,263,656	1,968,983
455,216	307,411	310,280	262,480	250,279	231,834
651,470	630,922	815,365	740,411	580,887	561,422
14,793	23,311	6,440	6,440	5,229	2,421
3,632,037	1,220,545	256,873	381,350	1,015	-
12,148,768	8,742,492	7,670,976	7,075,762	6,779,765	6,357,374

**Schedule 6**

Appanoose County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture:			
Emergency Watershed Protection Program	10.923	69-6114-9-14	\$ 30,956
Emergency Watershed Protection Program	10.923	69-6114-9-14a	<u>24,923</u>
Total direct			<u>55,879</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>8,687</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C004 (71)--8J-04	172,199
Highway Planning and Construction	20.205	BROS-C004 (75)--8J-04	120,227
AARA - Highway Planning and Construction	20.205	ESL-C004 (78)--8J-04	<u>150,000</u>
			<u>442,426</u>
U.S. Department of Education:			
Iowa Department of Transportation:			
ARRA - State Fiscal Stabilization Fund (SFSF) Government Services, Recovery Act	84.397	S397A090016A	<u>22,820</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5880 BT04	46,962
Public Health Emergency Preparedness	93.069		<u>19,873</u>
			<u>66,835</u>
Immunization Cluster:			
Immunization Grants	93.268	5889I404	3,709
Immunization Grants	93.268	5880I404	<u>1,066</u>
			4,775
ARRA - Immunization Cluster total	93.712	5880I404	<u>1,095</u>
			<u>5,870</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance			
	93.283	5880NB01	<u>42,709</u>
Iowa Department of Human Services:			
Child Care and Development Block Grant	93.575		<u>98,927</u>
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		<u>4,304</u>
Refugee and Entrant Assistance - State Administered Programs	93.566		<u>24</u>

Appanoose County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2010

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		2,277
Foster Care - Title IV-E	93.658		4,660
Adoption Assistance	93.659		1,158
Children's Health Insurance Program	93.767		53
Medical Assistance Program	93.778		9,830
Social Services Block Grant	93.667		4,567
Social Services Block Grant	93.667		89,128
			<u>93,695</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR1727	34,711
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR1737	68,492
			<u>103,203</u>
Hazard Mitigation Grant	97.039	DR1737	6,899
Total indirect			<u>914,377</u>
Total			<u>\$ 970,256</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, 2010, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 22, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10, II-B-10 and II-C-10 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-D-10 through II-G-10 to be significant deficiencies.

## Compliance and Other Matters

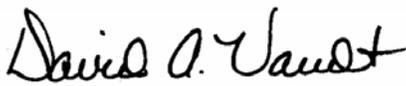
As part of obtaining reasonable assurance about whether Appanoose County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2010 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

February 22, 2011

**Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on 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

State Capitol Building  
Des Moines, Iowa 50319-0004

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

David A. Vaudt, CPA  
Auditor of State

Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on 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 Appanoose County, Iowa's compliance, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Appanoose County's major federal programs for the year ended June 30, 2010. Appanoose County's major federal programs are 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 each of its major federal programs 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 programs 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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

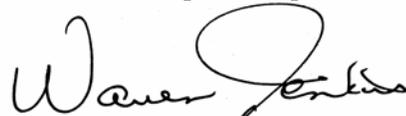
A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-10, III-B-10 and III-C-10 to be significant deficiencies.

Appanoose County's responses to the 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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 22, 2011

Appanoose County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over a major program were disclosed by the audit of the financial statements, none of which were considered to be material weaknesses.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
  - CFDA Number 20.205 – ARRA – Highway Planning and Construction and Highway Planning and Construction.
  - CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters).
- (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, 2010

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

**SIGNIFICANT DEFICIENCIES:**

II-A-10 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) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	Sheriff, Treasurer, Agricultural Extension and Recorder
(2) Bank accounts are not reconciled at the end of each month by an individual who does not sign checks, handle or record cash.	Treasurer and Recorder
(3) Checks are not signed by an individual who does not otherwise participate in the preparation of the checks.	Sheriff and Recorder
(4) Collection, deposit preparation and reconciliation functions are not segregated from the recording and accounting for cash receipts.	Sheriff, Treasurer, Agricultural Extension and Recorder

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 or other County employees 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 – A second signature or review of checks will be made. The Sheriff will reconcile the receipts listing to the accounting records and initial and date. The Sheriff will assign an independent employee to review the petty cash fund and initial and date.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Recorder – It is very hard to segregate duties when there are only two people in the Recorder’s Office. We do the best we can with limited number of employees we have. The Recorder or Deputy Recorder opens the mail and enters the documents on the fee book, the other person enters the transaction on the cash register and the computer. The Recorder or the Deputy Recorder fills out the daily deposit and the other person checks the deposit. The Recorder and the Deputy Recorder review and initial daily balance sheet and bank statement.

Treasurer – I have segregated duties within the office – everyone is cross-trained to work in all areas, with certain staff having more expertise in certain areas. We are all involved in the day to day processing and balancing. We just do not initial.

Agricultural Extension – An office assistant will open mail daily, stamp the backs of checks when received, and document checks received. Another office assistant will then receipt checks, make deposits and update and enter into the accounting system. A board member will randomly compare the office assistant’s list with the accounting system printouts.

Conclusions – Responses accepted.

- II-B-10 Financial Reporting – During the audit, we identified material amounts of revenues, expenditures, receivables and payables 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 and payables are identified and included in the County’s financial statements.

Response – We will work to ensure this is done.

Conclusion- Response accepted.

- II-C-10 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 September 1997. The amount owed for the billings at June 30, 2010 totals \$95,909. These billings are included in the Due to Other Governments liability on the governmental funds Balance Sheet and the Statement of Net Assets.

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.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Response – We will work with the CPC to get this resolved.

Conclusion – Response accepted.

- II-D-10 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 will work on this.

Conclusion – Response accepted.

- II-E-10 Capital Assets – The County’s capital asset listing was not updated for additions and deletions. This 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 begin to implement a capital asset listing.

Conclusion – Response accepted.

- II-F-10 Timely Deposit – State warrants were not deposited timely with the County Treasurer by the County Engineer, Agricultural Extension, County Sheriff and Board of Health.

Additionally, the quarterly fees for two quarters were not remitted to the County Treasurer timely by the County Sheriff.

Recommendation – All receipts should be deposited timely and quarterly fees should be remitted to the County Treasurer timely.

Responses:

County Engineer – Practices have been put in place to ensure timely deposits are taken to the County Treasurer within one to two business days of receipt.

Agricultural Extension – Will make deposits once a week as needed.

County Sheriff – A better review of State warrants will be made and deposited in a timely manner. A new accounting program has been implemented which will allow more timely quarterly deposits to the County Treasurer.

Public Health – Appanoose County Public Health policy was to do a deposit once a week usually on Fridays. The Department will do their best to deposit state warrants within a couple days of receiving them instead of waiting for once a week.

Conclusions – Responses accepted.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

II-G-10 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.

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 – The account closed out during the fiscal year with all of the funds being spent. An account of this type will not be used in the future.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

**CFDA Number 97.036: Disaster Grants – Public Assistance  
(Presidentially Declared Disasters)**

**Pass-through Number: DR 1763**

**Federal Award Year: 2009**

**U.S. Department of Homeland Security**

**Passed through the Iowa Department of Public Defense,**

**Iowa Homeland Security and Emergency Management Division**

III-A-10 Equipment Rates – According to OMB Circular A-133 Compliance Supplement “The PA program restricts eligible direct costs for applicant-owned equipment used to perform eligible work to reasonable rates that were established under State guidelines, or when the hourly rate exceeds \$75, rates may be determined on a case-by-case basis by FEMA. When local guidelines are used to establish equipment rates, reimbursement is based on those rates or rates in a Schedule of Equipment Rates published by FEMA, whichever is lower.” The rates to be used are those in effect at the time of the disaster, rather than when the work is completed. These would have been the rates used when the project worksheet (PW) was approved. The County used current rates rather than the rates approved on the PW for certain types of equipment used for two small projects and one large project tested.

This error does not result in questioned costs for the small projects since they receive the approved estimated amount regardless of the actual costs. This also does not result in questioned costs for the large project since actual costs are much higher than the approved estimate and the project has not been closed out.

Recommendation – The County should implement procedures to ensure the proper rate is being charged for equipment rates.

Response and Corrective Action planned – Correct rates have been determined and will be used moving forward.

Conclusion – Response accepted.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

III-B-10 Program Reporting – The public assistance administrative plan from the Iowa Department of Public Defense, Iowa Homeland Security and Emergency Management Division requires quarterly reports for all open projects for each disaster. These quarterly reports are prepared by the County Engineer’s assistant. However, there is no independent review or reconciliation of the information presented.

Recommendation – The County should implement procedures to provide for an independent review of all reports for reasonableness and completeness.

Response and Corrective Action planned – New and upcoming quarterly reports will be completed by the Office Manager and reviewed by the County Engineer.

Conclusion – Response accepted.

III-C-10 Program Reporting – The public assistance administrative plan from the Iowa Department of Public Defense, Iowa Homeland Security and Emergency Management Division requires quarterly reports for all open projects for each disaster. Quarterly reports for those projects under the control of the Appanoose County Conservation Board (ACCB) were not submitted during the year ended June 30, 2010.

Recommendation – The Appanoose County Conservation Board should implement procedures to ensure the required reports are submitted as required.

Response and Corrective Action planned – In the future, the ACCB will in good faith complete the quarterly reports as required and be approved at ACCB meetings.

Conclusion – Response accepted.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

IV-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amount budgeted in the capital projects function.

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

Response – Will monitor this more closely.

Conclusion – Response accepted.

IV-B-10 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-10 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-10 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-E-10 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-10 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-10 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.

IV-H-10 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-10 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, 2010 for the County Extension Office did not exceed the amount budgeted.

Appanoose County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

IV-J-10 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, 2010, the County paid \$6,000 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.

Response – The Appanoose County Conservation Board believes this is not County revenue since the Appanoose Conservation Foundation paid for the house to be built along with paying for all maintenance and upkeep of the residence. Therefore revenue is credited to the Foundation and not the current County fiscal year.

Conclusion – Response acknowledged. The County should consult the County Attorney regarding this matter.

IV-K-10 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows County’s to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. An image of the back side of each cancelled check was not obtained by the County Sheriff.

Recommendation – The County Sheriff’s Office should obtain and retain an image of both the front and back of each cancelled check as required by Chapter 554D.114 of the Code of Iowa.

Response – The current financial institution has been made aware of the issue and they will attempt to forward the back of the checks as requested.

Conclusion – Response accepted.

---

Appanoose County

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager  
Michael R. Field, Staff Auditor  
Samantha J. Brink, CPA, Staff Auditor  
Jessica P.B. Green, Staff Auditor  
Gelu Sherpa, CPA, Staff Auditor  
Melody M. Babcock, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State