

OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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Des Moines, Iowa 50319-0004

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Mary Mosiman, CPA  
Auditor of State

NEWS RELEASE

FOR RELEASE

June 19, 2013

Contact: Andy Nielsen  
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The Office of Auditor of State today released an audit report on the Appanoose County Service Agency in Centerville, Iowa.

The Service Agency had total receipts of \$104,158 for the year ended June 30, 2012. The receipts included \$51,705 from Appanoose County, \$51,705 from the City of Centerville, \$35 from interest on investments and miscellaneous receipts of \$713.

Disbursements totaled \$107,334 for the year ended June 30, 2012, and included \$47,317 for equipment, repair and maintenance, \$33,022 for utilities, \$13,871 for services and \$7,444 for supplies.

A copy of the audit report is available for review in the Appanoose 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/1214-0004-B00F.pdf>.

# # #



**APPANOOSE COUNTY SERVICE AGENCY**

**INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENT  
SCHEDULE OF FINDINGS**

**JUNE 30, 2012**

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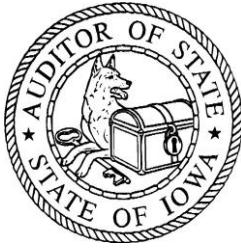
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## **Appanoose County Service Agency**

### **Officials**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Dean Kaster	Member	Appanoose County
Linda Rouse	Member	Appanoose County
Edwin Brand	Member	City of Centerville
Richard Smith	Member	City of Centerville
Larry Bettis	Member	At-large
Gary Anderson, County Sheriff		Appanoose County
Tom Demry, Chief of Police		City of Centerville

**Appanoose County Service Agency**



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Independent Auditor's Report

To the Members of the  
Appanoose County Service Agency:

We have audited the accompanying financial statement of the Appanoose County Service Agency as of and for the year ended June 30, 2012. This financial statement is the responsibility of the Agency's management. Our responsibility is to express an opinion on the financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Appanoose County Service Agency at June 30, 2012, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated June 13, 2013 on our consideration of the Appanoose County Service Agency'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.

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 13, 2013

**Appanoose County Service Agency**

**Financial Statement**

**Exhibit A**

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## Appanoose County Service Agency

Statement of Cash Receipts, Disbursements and Changes  
in Cash Basis Net Assets

As of and for the year ended June 30, 2012

Operating receipts:	
County contributions	\$ 51,705
City of Centerville contributions	51,705
Miscellaneous	713
Total operating receipts	<u>104,123</u>
Operating disbursements:	
Equipment, repair, and maintenance	47,317
Utilities	33,022
Services	13,871
Supplies	7,444
Insurance	3,046
Miscellaneous	2,634
Total operating disbursements	<u>107,334</u>
Deficiency of operating receipts under operating disbursements	(3,211)
Non-operating receipts:	
Interest on investments	<u>35</u>
Change in cash basis net assets	(3,176)
Cash basis net assets beginning of year	<u>35,868</u>
Cash basis net assets end of year	<u>\$ 32,692</u>
<b>Cash Basis Net Assets</b>	
Unrestricted	<u>\$ 32,692</u>

See notes to financial statement.

Appanoose County Service Agency

Notes to Financial Statement

June 30, 2012

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

The Appanoose County Service Agency is a voluntary joint undertaking of Appanoose County and the City of Centerville, Iowa as authorized by Chapter 28E of the Code of Iowa. The purpose of the Agency is to coordinate the public safety and law enforcement activities in Appanoose County and provide centralized law enforcement facilities and equipment for the use of Appanoose County and the City of Centerville.

The governing body of the Agency is comprised of two representatives from Appanoose County, two representatives from the City of Centerville and one at-large member. Each member has one vote.

**A. Reporting Entity**

For financial reporting purposes, the Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency 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 Service Agency are such that exclusion would cause the Agency's financial statement 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 Service Agency 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 Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

**B. Basis of Presentation**

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**C. Basis of Accounting**

The Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statement does not present the financial position and results of operations of the Agency in accordance with U.S. generally accepted accounting principles.

## **(2) Cash and Investments**

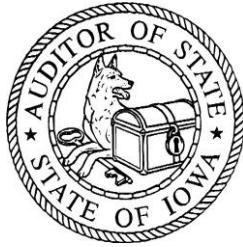
The Agency's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency 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 Agency; 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.

The Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

## **(3) Risk Management**

The Agency 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 Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of a Financial Statement Performed in Accordance with  
Government Auditing Standards

To the Members of the  
Appanoose County Service Agency:

We have audited the accompanying financial statement of the Appanoose County Service Agency as of and for the year ended June 30, 2012, and have issued our report thereon dated June 13, 2013. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. 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

The management of the Appanoose County Service Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Appanoose County Service Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Appanoose County Service Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Appanoose County Service Agency'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 described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 Appanoose County Service Agency's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

### Compliance and Other Matters

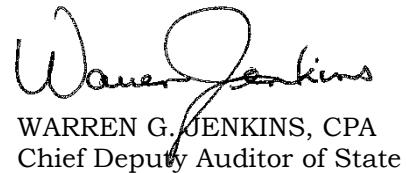
As part of obtaining reasonable assurance about whether the Appanoose County Service Agency's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a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

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Agency. 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.

The Appanoose County Service Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Agency's responses, we did not audit the Appanoose County Service Agency'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 members and customers of the Appanoose County Service Agency and other parties to whom the Agency may report and 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 the Appanoose County Service Agency 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.



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 13, 2013

Appanoose County Service Agency

Schedule of Findings

Year ended June 30, 2012

**Findings Related to the Financial Statement:**

**INTERNAL CONTROL DEFICIENCY:**

(A) 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 individual may have control over the following areas for which no compensating controls exist:

- (1) Bank accounts are not reconciled at the end of each month by an individual who does not sign checks, handle or record cash.
- (2) Checks are not signed by an individual who does not otherwise participate in the preparation of the checks.
- (3) Collection, deposit preparation and reconciliation functions are not segregated from recording and accounting for cash receipts.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Agency should review its operating procedures to obtain the maximum internal control possible under the circumstances. The Agency should utilize current personnel or designate a member of the Board 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 the signature or initials of the reviewer and the date of the review.

Response - Actually the checks are required to have two signatures currently. We will talk to the Agency members about this recommendation.

Conclusion - Response accepted.

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

Appanoose County Service Agency

Schedule of Findings

Year ended June 30, 2012

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

- (1) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- (3) Agency Minutes – No transactions were found that we believe should have been approved in the Agency minutes but were not. Although Agency proceedings were published, the publication did not include a schedule of bills allowed or a list of all salaries paid for services performed as required by Chapter 28E.6 of the Code of Iowa. Some minutes were published more than 20 days after the meeting.

Recommendation – The Agency should ensure all publications of minutes include the schedule of bills allowed and a list of all salaries paid for services performed on an annual basis. In addition, the summary of the proceedings should be submitted for publication within twenty days following adjournment of the meeting.

Response – We will work on this.

Conclusion – Response accepted.

- (4) 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 Agency's investment policy were noted.

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Appanoose County Service Agency

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager  
Tracey L. Gerrish, Staff Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State