



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 21, 2014

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

The Service Agency had total receipts of \$103,985 for the year ended June 30, 2013, a less than 1 % decrease from the prior year. The receipts included \$51,536 from Appanoose County, \$51,536 from the City of Centerville and miscellaneous receipts of \$913.

Disbursements for the year ended June 30, 2013 totaled \$103,071, a 4% decrease from the prior year, and included \$45,433 for equipment, repair and maintenance, \$31,448 for utilities, \$12,564 for services and \$7,795 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/1314-0004-B00F.pdf>.

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APPANOOSE COUNTY SERVICE AGENCY

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

JUNE 30, 2013

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Financial Statement:	<u>Exhibit</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Balance	A 8
Notes to Financial Statement	9-10
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 <u>Government Auditing Standards</u>	11-12
Schedule of Findings	13-14
Staff	15

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:

Report on the Financial Statement

We have audited the accompanying financial statement of the Appanoose County Service Agency as of and for the year ended June 30, 2013, and the related Notes to Financial Statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 as of June 30, 2013, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.


Basis of Accounting

As described in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 5, 2014 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 in considering the Appanoose County Service Agency's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 5, 2014

Financial Statement

Exhibit A

Appanoose County Service Agency

Statement of Cash Receipts, Disbursements and Changes
in Cash Balance

As of and for the year ended June 30, 2013

Operating receipts:	
County contributions	\$ 51,536
City of Centerville contributions	51,536
Miscellaneous	913
Total operating receipts	<u>103,985</u>
Operating disbursements:	
Equipment, repair and maintenance	45,433
Utilities	31,448
Services	12,564
Supplies	7,795
Insurance	3,430
Miscellaneous	2,401
Total operating disbursements	<u>103,071</u>
Change in cash balance	914
Cash balance beginning of year	<u>32,692</u>
Cash balance end of year	<u>\$ 33,606</u>
Cash Basis Fund Balance	
Unrestricted	<u>\$ 33,606</u>

See notes to financial statement.

Appanoose County Service Agency

Notes to Financial Statement

June 30, 2013

(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 Appanoose County Service 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, 2013 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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Mary Mosiman, CPA
Auditor of State

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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statement of the Appanoose County Service Agency as of and for the year ended June 30, 2013, and the related Notes to Financial Statement, and have issued our report thereon dated March 5, 2014. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Appanoose County Service Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Appanoose County Service Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

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 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2013 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.

Appanoose County Service Agency's Responses to the Findings


The Appanoose County Service Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Appanoose County Service Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 5, 2014

Appanoose County Service Agency

Schedule of Findings

Year ended June 30, 2013

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 statement. 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) 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 – We do as much segregation as possible with limited staff.

Conclusion – Response accepted.

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

Appanoose County Service Agency

Schedule of Findings

Year ended June 30, 2013

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 publications 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. Also, some minutes were published more than 20 days after the meeting.

Recommendation – The Agency should ensure all minutes publications 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 publish the bills on the County and City minutes, so we feel this is a duplication and excess expense for taxpayers. Will make sure minutes are published timely.

Conclusion – Response acknowledged. The Agency should consult legal counsel to determine whether publishing the Agency's bills in the County and City minutes is sufficient to comply with the requirements of Chapter 28E.6 of the Code of Iowa.

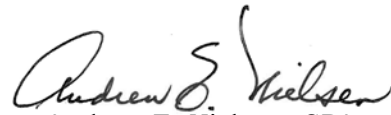
- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Agency's investment policy were noted.

Appanoose County Service Agency

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Kaylynn D. Short, Staff Auditor


Andrew E. Nielsen, CPA
Deputy Auditor of State