



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE February 14, 2017

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 \$136,642 for the year ended June 30, 2016, a 4.5% increase over the prior year. The receipts included \$69,759 from the City of Centerville, \$64,759 from Appanoose County and miscellaneous receipts of \$2,065.

Disbursements for the year ended June 30, 2016 totaled \$159,131, a 33% increase over the prior year, and included \$51,877 for equipment, repair and maintenance, \$54,034 for services, \$35,781 for utilities and \$8,063 for supplies.

The significant increase in disbursements is due to costs related to a jail feasibility study and a needs assessment.

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 <https://auditor.iowa.gov/reports/1614-0004-B00F>.

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APPANOOSE COUNTY SERVICE AGENCY

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

JUNE 30, 2016

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Appanoose County Service Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Neal Smith	Member	Appanoose County
Mark Waits	Member	Appanoose County
Ron Creagan	Member	City of Centerville
Jay Dillard	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, 2016, 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, 2016, 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 February 3, 2017 on our consideration of the Appanoose County Service Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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

February 3, 2017

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, 2016

Operating receipts:	
County contributions	\$ 64,759
City of Centerville contributions	69,759
Miscellaneous	2,065
Total operating receipts	<u>136,583</u>
Operating disbursements:	
Equipment, repair and maintenance	51,877
Utilities	35,781
Services	54,034
Supplies	8,063
Insurance	4,729
Miscellaneous	4,647
Total operating disbursements	<u>159,131</u>
Deficiency of operating receipts under operating disbursements	(22,548)
Non-operating receipts:	
Interest on investments	59
Change in cash balance	(22,489)
Cash balance beginning of year	56,681
Cash balance end of year	<u>\$ 34,192</u>
Cash Basis Fund Balance	
Unrestricted	<u>\$ 34,192</u>

See notes to financial statement.

Appanoose County Service Agency

Notes to Financial Statement

June 30, 2016

(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 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 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, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The 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. 72.

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



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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 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, 2016, and the related Notes to Financial Statement, and have issued our report thereon dated February 3, 2017. 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 the 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.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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, we identified a deficiency in internal control, described in the accompanying Schedule of Findings as item (A), we consider 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 an 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, 2016 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

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

February 3, 2017

Appanoose County Service Agency

Schedule of Findings

Year ended June 30, 2016

Finding Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCY:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Agency’s financial statement.

Condition – One individual handles cash and has control over receipts, including collecting, depositing, recording and reconciling. Bank accounts are not reconciled at the end of each month by an individual who does not sign checks, handle or record cash. In addition, bank reconciliations are not reviewed by an independent person.

Cause – The Agency has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Agency’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of 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 documented by the signature or initials of the reviewer and the date of the review.

Response – With our limited financial and human resources, we will do our best to segregate duties as much as possible.

Conclusion – Response accepted.

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

Appanoose County Service Agency

Schedule of Findings

Year ended June 30, 2016

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 as required by Chapter 28E.6 of the Code of Iowa. Also, the summary of proceedings for two meetings were published more than 20 days after the meetings. In addition, certain minutes were not signed by the Agency Chair.

Recommendation – The Agency should ensure all minutes publications include the schedule of bills allowed. In addition, the summary of the proceedings should be submitted for publication within twenty days following adjournment of the meeting. All minutes should be signed to authenticate the action taken.

Response – Since our last audit's recommendation, the Agency Chair has begun signing all minutes. We will look into publishing the bills allowed and determine if it is financially feasible.

Conclusion – Response acknowledged. The Agency should ensure the schedules of bills allowed are published, as required, and should submit the summary of proceedings for publication within twenty days following adjournment of each meeting.

- (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:

Tammy A. Hollingsworth, CIA, Manager
Cole L. Hocker, Staff 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'.

Andrew E. Nielsen, CPA
Deputy Auditor of State