

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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

**NEWS RELEASE**

Contact: Marlys Gaston  
515/281-5834

FOR RELEASE March 16, 2021

Auditor of State Rob Sand today released an audit report on the Appanoose County Service Agency in Centerville, Iowa.

**FINANCIAL HIGHLIGHTS**

The Service Agency had total receipts of \$188,779 for the year ended June 30, 2020, a 27.1% increase over the prior year. Disbursements for the year ended June 30, 2020 totaled \$162,694, a 4.1% increase over the prior year. The increase in receipts is primarily due to the City of Centerville increasing their contributions by \$15,000 in fiscal year 2020 in order to match Appanoose County contributions which were made in prior years.

**AUDIT FINDINGS**

Sand reported three findings related to the receipt and disbursement of taxpayer funds. The findings are located on pages 14 and 15 of this report. The findings address issues such as a lack of segregation of duties. Sand provided the Service Agency with a recommendation to address each of the findings.

One finding discussed above is repeated from the prior year. The Agency has a fiduciary responsibility to provide oversight of the Agency's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercise in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

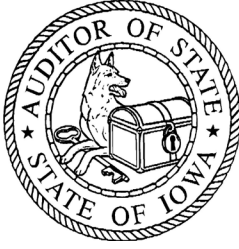
# # #

**APPANOOSE COUNTY SERVICE AGENCY**

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

**JUNE 30, 2020**

**Appanoose County Service Agency**



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Rob Sand  
Auditor of State

March 11, 2021

Appanoose County Service Agency  
Centerville, Iowa

Dear Agency Officials:

I am pleased to submit to you the financial and compliance audit report for the Appanoose County Service Agency for the year ended June 30, 2020. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the Appanoose County Service Agency throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515/281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand  
Auditor of State

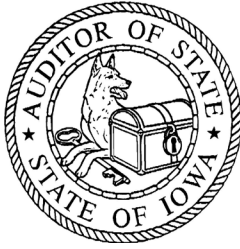
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## Appanoose County Service Agency

### 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



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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, 2020, 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

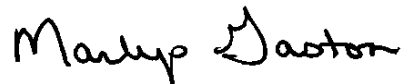
In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Appanoose County Service Agency as of June 30, 2020, and the changes in its cash basis financial position for the year then ended in accordance with the basis 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 11, 2021 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 solely 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 effectiveness of the Agency's 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.



Marlys K. Gaston, CPA  
Deputy Auditor of State

March 11, 2021



**Appanoose County Service Agency**

## **Basic Financial Statement**

**Appanoose County Service Agency**

## Appanoose County Service Agency

Statement of Cash Receipts, Disbursements and Changes  
in Cash Balance

As of and for the year ended June 30, 2020

Operating receipts:	
County contributions	\$ 77,215
City of Centerville contributions	92,215
Miscellaneous	<u>19,290</u>
Total operating receipts	<u>188,720</u>
Operating disbursements:	
Equipment, repair and maintenance	66,862
Utilities	37,095
Services	39,705
Supplies	4,064
Insurance	8,745
Miscellaneous	<u>6,223</u>
Total operating disbursements	<u>162,694</u>
Excess of operating receipts over operating disbursements	26,026
Non-operating receipts:	
Interest on investments	<u>59</u>
Change in cash balance	26,085
Cash balance beginning of year	<u>36,414</u>
Cash balance end of year	<u>\$ 62,499</u>
<b>Cash Basis Fund Balance</b>	
Unrestricted	<u>\$ 62,499</u>

See notes to financial statement.

Appanoose County Service Agency

Notes to Financial Statement

June 30, 2020

**(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, 2020 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.

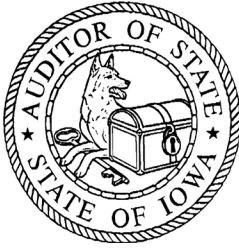
**(3) Risk Management**

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.

**(4) COVID-19**

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the Appanoose County Service Agency, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the Agency. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the Appanoose County Service Agency's operations and finances.



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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, 2020, and the related Notes to Financial Statement, and have issued our report thereon dated March 11, 2021. 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 first paragraph of this section 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 have not been identified. 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, 2020 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.

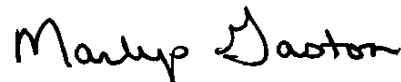
### The Appanoose County Service Agency's Responses to the Findings

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.



Marlys K. Gaston, CPA  
Deputy Auditor of State

March 11, 2021



Appanoose County Service Agency

Schedule of Findings

Year ended June 30, 2020

**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.

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 an official to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and should be documented by the signature or initials of the reviewer and the date of the review. Reviews of the bank reconciliations should include verification of the bank balances and reconciling items.

Response – The Agency will ensure they take all available actions to segregate duties.

Conclusion – Response accepted.

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

Appanoose County Service Agency

Schedule of Findings

Year ended June 30, 2020

**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) Restricted Donor Activity – No transactions were noted between the Appanoose County Service Agency Board, Appanoose County Service Agency officials and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (3) Agency Minutes – Except for the item below, no transactions were found that we believe should have been approved in the Agency minutes but were not.

During our review of disbursements, one of twenty-five disbursements was not approved by the Agency Board prior to payment.

Also, as required by Chapter 28E.6 of the Code of Iowa, proceedings publications must be published no more than 20 days after the meetings. For one Agency proceeding, the minutes were published 33 days after the meeting.

Recommendation – The Agency should ensure disbursements are approved by the Board prior to payment. Also, the Agency should comply with the Code of Iowa and publish Council meeting minutes, including a list of disbursements, within 20 days of the meeting.

Response – We will work on developing a policy to address timely approval in the future. Also, we will see to it that the minutes are published in a timely fashion by creating a checklist as a double check.

Conclusion – Response accepted.

- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy were noted, except as follows:

The Agency has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The Agency should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Response – We will work on creating an investment policy.

Conclusion – Response accepted.

Appanoose County Service Agency

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy  
Suzanne R. Dahlstrom, CPA, Manager  
Alyson J. Logel, Staff Auditor