

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE

February 17, 2022

Contact: Ernest Ruben
515/281-5834

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 \$365,187 for the year ended June 30, 2021, a 93.4% increase over the prior year. Disbursements for the year ended June 30, 2021 totaled \$114,186, a 29.8% decrease from the prior year. The significant increase in receipts is primarily due to Appanoose County increasing their contributions by \$250,000 in fiscal year 2021 to provide funding for the construction of a law enforcement center. The significant decrease in disbursements is primarily due to costs associated with major repairs and upgrades to equipment completed in the prior fiscal year.

AUDIT FINDINGS

Sand reported two findings related to the receipt and disbursement of taxpayer funds. The findings are located on pages 16 and 17 of this report. The findings address a lack of segregation of duties and lack of an investment policy. Sand provided the Service Agency with a recommendation to address each of the findings.

Both findings discussed above are 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://www.auditor.iowa.gov/reports/file/67879/embed>.

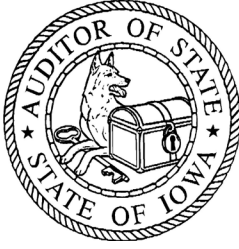
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APPANOOSE COUNTY SERVICE AGENCY

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

JUNE 30, 2021

Appanoose County Service Agency



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February 10, 2022

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, 2021. 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 that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

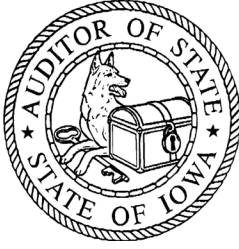
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Appanoose County Service Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Jeff Kulmatycki	Member	Appanoose County
Mark McGill	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, 2021, 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, 2021, 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 10, 2022 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.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

February 10, 2022

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, 2021

Operating receipts:	
County contributions	\$ 57,022
City of Centerville contributions	57,022
Miscellaneous	<u>931</u>
Total operating receipts	<u>114,975</u>
Operating disbursements:	
Equipment, repair and maintenance	20,208
Utilities	34,305
Services	38,285
Supplies	3,182
Insurance	9,522
Miscellaneous	<u>8,684</u>
Total operating disbursements	<u>114,186</u>
Excess of operating receipts over operating disbursements	<u>789</u>
Non-operating receipts:	
County capital contribution	250,000
Interest on investments	<u>212</u>
Total non-operating receipts	<u>250,212</u>
Change in cash balance	251,001
Cash balance beginning of year	<u>62,499</u>
Cash balance end of year	<u>\$ 313,500</u>
Cash Basis Fund Balance	
Unrestricted	<u>\$ 313,500</u>

See notes to financial statement.

Appanoose County Service Agency

Notes to Financial Statement

June 30, 2021

(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, 2021 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) Operating Leases

The Agency entered into leases for copiers during the year ended June 30, 2017 and June 30, 2021. The following is a schedule of future minimum lease payments required under the operating lease agreements:

Year ending June 30,	Copiers
2022	\$ 5,917
2023	3,511
2024	3,511
2025	3,511
2026	2,926
Total	\$ 19,376

Lease expense for these copiers for the year ended June 30, 2021 totaled \$5,724.

(4) 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.

(5) COVID-19

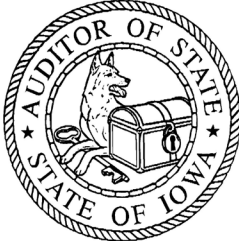
In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the Appanoose County Service Agency, remains uncertain.

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.

(6) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

Appanoose County Service Agency



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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, 2021, and the related Notes to Financial Statement, and have issued our report thereon dated February 10, 2022. 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 as a basis for designing audit procedures that are 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, 2021 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.

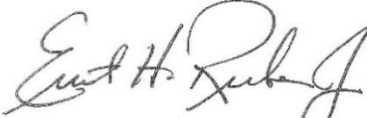
The Appanoose County Service Agency's Responses to the Findings

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.


Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

February 10, 2022

Appanoose County Service Agency

Schedule of Findings

Year ended June 30, 2021

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 person has control over each of the following areas:

- (1) Generally, one individual may have control over collecting, depositing, posting and daily reconciling of receipts for which no compensating controls exist.
- (2) Incoming mail is opened by an employee who is authorized to make entries to the accounting records and the listing of receipts is not compared to the cash receipts record or bank deposit 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 office employees. However, the Agency should review its control procedures to obtain the maximum internal control possible under the circumstances, including utilizing available staff or designating a member of the Agency to provide additional control through independent reviews and verification.

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, 2021

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 Disbursements – No disbursements of Agency money for travel disbursements 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.
- (4) Agency Minutes – No transactions were found that we believe should have been approved in the Agency minutes but were not.
- (5) 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 getting an investment policy developed.

Conclusion – Response accepted.

Appanoose County Service Agency

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy
Suzanne R. Dahlstrom, CPA, Manager
Taylor A. Hepp, Staff Auditor