



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

NEWS RELEASE

Contact: Brian Brustkern
515/281-5834

FOR RELEASE

March 24, 2025

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 \$571 for the year ended June 30, 2024, a 98.8% decrease from the prior year. Disbursements for the year ended June 30, 2024 totaled \$95,980, a 53.1% decrease from the prior year. The significant decrease in receipts is primarily due to the Agency halting collections of City and County contributions during fiscal year 2024. The significant decrease in disbursements is primarily due to increased costs for furniture and equipment related to the construction of a law enforcement center.

AUDIT FINDING

Sand reported one finding related to the receipt and disbursement of taxpayer funds. The finding is located on page 17 of this report. The finding addresses the lack of an investment policy. Sand provided the Service Agency with a recommendation to address the finding.

The 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 website at [Audit Reports – Auditor of State](#).

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APPANOOSE COUNTY SERVICE AGENCY

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

JUNE 30, 2024

Appanoose County Service Agency



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Rob Sand
Auditor of State

March 17, 2025

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, 2024. 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>
Jeff Kulmatycki	Member	Appanoose County
Mark McGill	Member	Appanoose County
Ron Creagan	Member	City of Centerville
Brad Brauman	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 Audit of the Financial Statement

Opinion

We have audited the financial statement of the Appanoose County Service Agency as of and for the year ended June 30, 2024, and the related Notes to Financial Statement which, collectively comprise the Appanoose County Service Agency's basic financial statement as listed in the table of contents.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the respective cash basis financial position of the Appanoose County Service Agency as of June 30, 2024, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Appanoose County Service Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Substantial Doubt about the Agency's Ability to Continue as a Going Concern

The accompanying financial statement has been prepared assuming the Appanoose County Service Agency will continue as a going concern. As discussed in Note 4 to the financial statement, the Agency has taken steps towards the dissolution of the Agency and the original 28E agreement and has stated that substantial doubt exists about the Agency's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 4. The financial statement does not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for 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.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Appanoose County Service Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 Appanoose County Service Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Appanoose County Service Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 17, 2025 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.



Brian R. Brustkern, CPA
Deputy Auditor of State

March 17, 2025

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, 2024

Operating receipts:	
Miscellaneous	\$ 318
Operating disbursements:	
Utilities	12,535
Services	1,470
Insurance	8,908
Miscellaneous	1,435
Total operating disbursements	<u>24,348</u>
Deficiency of operating receipts under operating disbursements	(24,030)
Non-operating receipts (disbursements):	
Interest on investments	253
Furniture and equipment	(71,632)
Total non-operating receipts (disbursements)	<u>(71,379)</u>
Change in cash balance	(95,409)
Cash balance beginning of year	<u>143,400</u>
Cash balance end of year	<u>\$ 47,991</u>
Cash Basis Fund Balance	
Unrestricted	<u>\$ 47,991</u>

See notes to financial statement.

Appanoose County Service Agency

Notes to Financial Statement

June 30, 2024

(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, 2024 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) Going Concern

In December 2020, Appanoose County and the City of Centerville entered into a new 28E agreement to provide more complete public safety programs for the people of both the County and City. The agreement provides for the construction of a law enforcement center by the County and the leasing of a portion of the space to the City for City police operations. In January 2023, the Agency approved halting the collection of County and City contributions in order to spend down the fund balance of the Agency. This was done in anticipation of the dissolution of the Agency and the original 28E agreement.



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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 auditing standards generally accepted in the United States of America 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, 2024, and the related Notes to Financial Statement, and have issued our report thereon dated March 17, 2025. 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.

Report on 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 (internal control) 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Appanoose County Service Agency's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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 noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of noncompliance 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, 2024 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 Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Appanoose County Service Agency's response to the finding identified in our audit and described in the accompanying Schedule of Findings. The Appanoose County Service Agency's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

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.



Brian R. Brustkern, CPA
Deputy Auditor of State

March 17, 2025

Appanoose County Service Agency

Schedule of Findings

Year ended June 30, 2024

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over financial reporting were noted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Appanoose County Service Agency

Schedule of Findings

Year ended June 30, 2024

Other Findings Related to Required Statutory Reporting:

- 2024-A 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.
- 2024-B Travel Disbursements – No disbursements of Agency money for travel disbursements of spouses of Agency officials or employees were noted.
- 2024-C 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.
- 2024-D Agency Minutes – No transactions were found that we believe should have been approved in the Agency minutes but were not.
- 2024-E Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 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 – The Agency will get an investment policy passed.

Conclusion – Response accepted.

Appanoose County Service Agency

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Deputy
Jennifer L. Wall, CPA, Director
Kerillos M. Hana, Staff Auditor