

State Appeal Board of Iowa

Financial Report
June 30, 2015

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Independent Auditor's Report

RSM US LLP

Members of the State Appeal Board of Iowa
Des Moines, Iowa

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the State Appeal Board of Iowa as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the State Appeal Board of Iowa's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements 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 Board'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 statements.

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 statements referred to above present fairly, in all material respects, the assets and liabilities arising from the modified cash basis transactions of the State Appeal Board of Iowa as of June 30, 2015, and the respective modified cash basis receipts and disbursements for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements which describes the basis of accounting. The financial statements are prepared on the modified 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.

Emphasis of a Matter

As discussed in Note 1, the financial statements of the State Appeal Board of Iowa are intended to present the assets and liabilities arising from the modified cash basis transactions and modified cash basis receipts and disbursements of only that portion of the General Fund of the State of Iowa that is attributable to the transactions of the State Appeal Board of Iowa. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2015, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

The schedule of tort claims and general claims has not been subjected to the auditing procedures applied in the audit of the modified cash basis financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2016 on our consideration of the State Appeal Board of Iowa'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 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 State Appeal Board of Iowa's internal control over financial reporting and compliance.

RSM US LLP

Des Moines, Iowa
September 13, 2016

State Appeal Board of Iowa

**Balance Sheet - Modified Cash Basis
June 30, 2015**

Assets , intrafund receivable	<u>\$ 74,596</u>
Liabilities , intrafund payable	\$ 74,596
Fund balance	-
Total liabilities and fund balance	<u>\$ 74,596</u>

See Notes to Financial Statements.

State Appeal Board of Iowa

**Statement of Revenue, Expenditures and Changes in Fund Balance - Modified Cash Basis
Year Ended June 30, 2015**

Revenues, standing unlimited appropriation	\$ 20,807,447
Expenditures, claims paid and allocation for payroll and benefits	20,807,447
Fund balance, beginning and end of year	<u><u>\$ -</u></u>

See Notes to Financial Statements.

State Appeal Board of Iowa

Notes to Financial Statements

Note 1. Reporting Entity and Significant Accounting Policies

Reporting Entity:

The State Appeal Board of Iowa (the Appeal Board) consists of the Auditor of State, the Treasurer of State and the Director of the Department of Management. The Appeal Board's actions are governed by various chapters of the State Code of Iowa (the Code). Chapters 25 and 669 of the Code require the Appeal Board to determine the disposition of general and tort claims against the State of Iowa (the State) or its employees, based on recommendations of the State Attorney General's office. An annual report of tort claims and judgments paid and general claims denied is made to the General Assembly.

The Appeal Board is considered an integral part of the State's reporting entity. The accompanying financial statements present only that portion of the General Fund of the State that is attributable to the transactions of the State Appeal Board, a department of the General Fund.

Significant Accounting Policies:

Basis of Presentation – Fund Accounting: The accounts of the Appeal Board are a subfund of the General Fund of the State and organized on the basis of a fund. The operations of the subfund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, receipts and disbursements. The subfund of the Appeal Board is as follows:

Governmental Fund Type: This is the fund type through which most governmental functions typically are financed. Expendable assets are assigned to the Governmental Fund according to the purpose for which they may or must be used, current liabilities are assigned to the fund from which they are paid and the difference between Governmental Fund assets and liabilities, fund equity, is referred to as "fund balance." The measurement focus is on receipts and disbursements rather than on net income determination.

General Fund: The General Fund of the State includes the subfund which comprises the Appeal Board's Governmental Fund Type. This subfund is the general operating fund of the Appeal Board. All State legislative appropriations and other receipts not allocated by law or contractual agreement to another fund are accounted for in this fund.

Basis of Accounting and Appropriation: The Appeal Board uses a modified cash receipts and disbursements basis of accounting. The Appeal Board appropriation revenues are received on the basis of a standing unlimited appropriation from the State Legislature. Such an appropriation provides receipts for the payment of all disbursements approved by the Appeal Board. Therefore, appropriation receipts are recorded when disbursements are recorded. General and tort claims are recorded as disbursements when paid or when formally released for payment by the Attorney General. Administrative claims that are outdated invoices with reverted appropriations available and paid prior to ratification by the Board are recorded as disbursements in the fiscal year if ratified within 60 days after the end of fiscal year. Settlements and judgments are recorded as expenditures and revenues when ratified. Accordingly, the accompanying financial statements do not purport to present the information therein in accordance with U.S. generally accepted accounting principles, which requires the use of the accrual or modified accrual basis of accounting.

State Appeal Board of Iowa

Notes to Financial Statements

Note 2. Officials

The following is a summary of officials as of June 30, 2015:

Name	Title
Appeal Board Members:	
Michael L. Fitzgerald - Chairperson	Treasurer of State
David Roederer - Vice Chairperson	Director, Department of Management
Mary Mosiman - Member	Auditor of State

Risk Manager - Joseph D. Barry

Note 3. Contingencies

The Appeal Board has the authority to approve or deny general claims less than five years old and ratify tort claims not over \$5,000. Further, all tort claims, whatever the amount, must be filed through the Appeal Board.

The Attorney General's office, on behalf of the State of Iowa, has the authority to approve or deny all tort claims.

State Appeal Board of Iowa

**Schedule of Tort Claims and General Claims (Unaudited)
Year Ended June 30, 2015**

As of June 30, 2015, the following tort claims and general claims are pending before the State Appeal Board (unaudited):

Tort claims (1):

Contingent highway tort claims	\$	61,846,815
Contingent highway tort lawsuits		2,425,850
Contingent tort claims for the State General Fund		120,954,072

General claims, contingent general claims of various
State departments

127,593

Total

\$ 185,354,330

- (1) This balance represents the total claim amount of all pending tort and other statutory or constitutional claims and cases against the State. In the aggregate, tort claims liability is estimated at approximately \$20 million.

In addition to the above claims and lawsuits, there are also claims and lawsuits against the State for which no dollar amount has been specified.

