

TRIPOLI-READLYN SANITATION AGENCY

INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENT  
OTHER INFORMATION  
SCHEDULE OF FINDINGS

June 30, 2012

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## **Tripoli-Readlyn Sanitation Agency**

### **Officials**

<b>Name</b>	<b>Title</b>	<b>Representing</b>
Barry Fortsch	Chairperson	Readlyn
Fred Homeister	Vice Chairperson	Tripoli
DeAnn Lahmann	Secretary/Treasury	Tripoli
Carol Ambrose	Board Member	Readlyn
Barry Wittenburg	Board Member	Tripoli
Kevin Sievers	Board Member	Tripoli
Dan Woods	Board Member	Tripoli

**Independent Auditor's Report**

To the Members of the Tripoli-Readlyn Sanitation Agency:

I have audited the accompanying financial statement of the business type activities of the Tripoli-Readlyn Sanitation Agency as of and for the year ended June 30, 2012, which comprise the Agency's basic financial statement listed in the table of contents. This financial statement is the responsibility of the Agency's management. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In my opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the business type activities of the Tripoli-Readlyn Sanitation Agency as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated January 4, 2013 on my consideration of the Tripoli-Readlyn Sanitation Agency's internal control over financial reporting and my 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 my 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 compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Tripoli-Readlyn Sanitation Agency has not presented a Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the financial statements.

  
Keith Oltrogge  
Certified Public Accountant

December 27, 2012

## **Financial Statement**

**Tripoli-Readlyn Sanitation Agency**

**Statement of Cash Receipts, Disbursements and  
Changes in Cash Basis Net Assets**

**Year ended June 30, 2012**

<b>Operating receipts:</b>	
Garbage pick-up	\$ 127,552
Fees	6,868
Total operating receipts	<u>\$ 134,420</u>
<b>Operating disbursements:</b>	
Landfill fees	\$ 22,144
Wages	49,773
Gas and oil	12,651
Advertising	177
Contract labor	1,094
Equipment maintenance	2,736
Insurance	12,090
Equipment	93,402
Supplies	496
Utilities	444
Payroll taxes	9,555
Total operating disbursements	<u>\$ 204,562</u>
Excess of operating receipts over operating disbursements	<u>\$ -70,142</u>
Non-operating receipts (disbursements):	
Interest on investments	<u>\$ 1,470</u>
Net change in cash basis net assets	\$ -68,672
Cash basis net assets beginning of year	<u>287,587</u>
Cash basis net assets end of year	<u>\$ 218,915</u>
<b>Cash Basis Net Assets</b>	
Unrestricted	<u>\$ 218,915</u>

See notes to financial statements.

## **Tripoli-Readlyn Sanitation Agency**

### **Notes to Financial Statements**

**June 30, 2012**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Tripoli-Readlyn Sanitation Agency operates under a 28E Agreement with the Cities of Tripoli and Readlyn, Iowa. It has a separate governing body, the Board of Trustees, whom are appointed to one-year terms. The Agency maintains its own system of books, records and accounts apart from the Cities of Tripoli and Readlyn. The Cities of Tripoli and Readlyn are audited separately.

##### **A. Reporting Entity**

For financial reporting purposes, the Tripoli-Readlyn Sanitation 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 disbursement.

**Tripoli-Readlyn Sanitation Agency**

**Notes to Financial Statements**

**June 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

C. Basis of Accounting

The Tripoli-Readlyn Sanitation 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 statements do not present financial position and results of operations of the Agency in accordance with U.S. generally accepted accounting principles.

D. Net Assets

Net assets are reported in the following categories:

*Nonexpendable restricted net assets* are subject to externally imposed stipulations which require them to be maintained permanently by the agency.

*Expendable restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Agency does not have any restricted net assets at June 30, 2012.

**NOTE 2 – CASH AND INVESTMENTS**

The Agency's deposits in banks at June 30, 2012 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 insure there will be no loss of public funds.

**Tripoli-Readlyn Sanitation Agency**

**Notes to Financial Statements**

**June 30, 2012**

**NOTE 2 – CASH AND INVESTMENTS (continued)**

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.

Investments are in Certificates of Deposit and are stated at fair value.

At June 30, 2012, the Agency had the following investments:

Certificates of Deposit	Interest Rate	Date Matures	Cost	Fair Value
American Savings Bank	0.95%	12-21-12	\$ 40,707	\$ 40,707
Readlyn Savings Bank	1.15%	2-16-14	76,597	76,597
Readlyn Savings Bank	1.00%	8-20-12	27,000	27,000
Readlyn Savings Bank	2.04%	12-26-12	50,000	50,000
			<u>\$ 194,304</u>	<u>\$ 194,304</u>

Interest Rate Risk – The agency manages interest rate risk with segmented time distribution.

**NOTE 3 – PENSION AND RETIREMENT BENEFITS**

The Agency contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual salary and the Agency is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the year ended June 30, 2012, was \$4,017, equal to the required contribution for the year.

**Tripoli-Readlyn Sanitation Agency**

**Notes to Financial Statements**

**June 30, 2012**

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

**NOTE 5 – RELATED PARTY TRANSACTIONS**

The Cities of Tripoli and Readlyn pay the Agency monthly fees for garbage pick-up. During the fiscal year ending June 30, 2012, the City of Tripoli paid \$78,926 and the City of Readlyn paid \$48,374.

**NOTE 6 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 4, 2013, which is the date the financial statements were available to be issued.

**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**

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Directors of the Tripoli-Readlyn Sanitation Agency:

I have audited the accompanying financial statement of the Tripoli-Readlyn Sanitation Agency as of and for the year ended June 30, 2012, and have issued my report thereon dated January 4, 2013. My report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. I conducted my 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.

Internal Control Over Financial Reporting

The management of the Tripoli-Readlyn Sanitation Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the Tripoli-Readlyn Sanitation Agency's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Tripoli-Readlyn Sanitation Agency's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Tripoli-Readlyn Sanitation Agency's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and another deficiency I consider to be a significant deficiency.

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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Tripoli-Readlyn Sanitation Agency's financial statement will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying Schedule of Findings as items I-A-12 and I-C-12 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-12 to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tripoli-Readlyn Sanitation Agency's financial statement is free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that 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, 2012 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statement of the Agency. Since my 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 Tripoli-Readlyn Sanitation Agency's written responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the Agency's responses, I did not audit the Tripoli-Readlyn Sanitation Agency's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members customers of the Tripoli-Readlyn Sanitation Agency and other parties to whom the Agency may report and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the Tripoli-Readlyn Sanitation Agency during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

  
Keith Oltrogge  
Certified Public Accountant

January 4, 2013

**Tripoli-Readlyn Sanitation Agency**

**Schedule of Findings**

**Year ended June 30, 2012**

**Part I – Findings Related to the Financial Statement:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-12 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that the same individual is responsible for preparation of checks and deposits, recording the transaction in the journals, and reconciling the bank statement.

Recommendation – With a limited number of personnel involved in accounting for Agency activity, an ideal system of segregation of accounting duties and functions cannot be achieved to assure adequate internal control over the safeguarding of assets and the reliability of financial records and reporting. This is not unusual in an organization of your size. Under these circumstances, the most effective control lie in (1) the Board’s knowledge of the Agency’s financial operations and (2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transactions.

Response – Every effort will be made to further evaluate and restructure accounting tasks limited by the number of employees available to perform said functions.

Conclusion – Response accepted.

**Tripoli-Readlyn Sanitation Agency**

**Schedule of Findings**

**Year ended June 30, 2012**

**Part I – Findings Related to the Financial Statement (continued):**

**INTERNAL CONTROL DEFICIENCIES (continued):**

I-B-12 Preparation of Full Disclosure Financial Statements – Internal controls over financial reporting include actual preparation and review of financial statement, including footnote disclosure, for external reporting, as required by an other comprehensive basis of accounting. The Agency does not have internal resources to prepare the full-disclosure financial statements required by another comprehensive basis of accounting for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with this condition because of cost or other considerations.

Recommendation – I recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and prepare full disclosure financial statements for external reporting purposes is difficult. However, I recommend that Agency officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

Response – We recognize our limitations, however it is not fiscally responsible to add additional staff at this time.

Conclusion – Response acknowledged.

I-C-12 Disbursement Approval – For all transactions tested, there was no evidence of Board approval.

Recommendation – The Agency should ensure all expenditures are properly approved. For payments made in advance of Board meetings, the Agency should maintain documentation of the Board's approval of claims for payment, such as a Board member's initials and date of approval. The Agency should also review the list of bills presented to the Board at regular meetings to ensure all claims are included.

Response – We will ensure all expenditures are properly approved and maintain documentation of the approval of disbursements made in advance of Board approval by having a Board member initial and date the claims.

Conclusion – Response accepted.

**Tripoli-Readlyn Sanitation Agency**

**Schedule of Findings**

**Year ended June 30, 2012**

**Part II – Other Findings Related to Required Statutory Reporting:**

- (1) Questionable Disbursements – No disbursements I 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 Commission officials or employees were noted.
- (3) Agency Minutes – No transactions were found that I believe should have been approved in the Agency minutes but were not. However, the minutes, including the schedule of bills allowed and gross salaries, were not published as required by Chapter 28E.6(3) of the Code of Iowa.

Recommendation – The Agency should ensure the minutes are published as required.

Response – This recommendation will be followed for future meetings.

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 Commission’s investment policy were noted, except as follows:

A resolution naming official depositories has not been adopted by the Commission.

Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted in accordance with Chapter 12C of the Code of Iowa.

Response – A resolution naming official depositories with sufficient amounts will be adopted.

Conclusion – Response accepted.

**Tripoli-Readlyn Sanitation Agency**

**Schedule of Findings**

**Year ended June 30, 2012**

**Part II – Other Findings Related to Required Statutory Reporting (continued):**

- (5) Business Transactions – No business transaction between the Agency and Agency officials or employees were noted.
- (6) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Agency retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Agency did not retain images of the front and back of all checks.

Recommendation – The Agency should obtain front and back images of all checks as required by Chapter 554D.114 of the Code of Iowa.

Response – The Agency will contact the bank.

Conclusion – Response accepted.