

EMMET COUNTY COUNCIL OF GOVERNMENTS  
ESTHERVILLE, IOWA

INDEPENDENT AUDITORS' REPORTS  
FINANCIAL STATEMENT  
OTHER INFORMATION  
SCHEDULE OF FINDINGS

DECEMBER 31, 2012

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## EMMET COUNTY COUNCIL OF GOVERNMENTS

### Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Tim Schumacher	Chairperson	Emmet County
Gene Haukoos	Vice-Chairperson	City of Estherville
Penny Clayton	Secretary-Treasurer	City of Estherville
Jon Martyr	Member	Emmet County
Harold Sawyer	Member	City of Estherville
Steve Woodley	Member	City of Estherville
Bob Gommels	Member	City of Gruver
Max Cole	Member	City of Ringsted

Emmet County Council of Governments

# Brinkman & Reed, CPA's

103 South Sixth Street    Estherville, Iowa 51334    712-362-5891 Phone    712-362-7172 Fax

## INDEPENDENT AUDITORS' REPORT

To the Members of  
Emmet County Council of Governments:

### Report on the Financial Statement

We have audited the accompanying financial statement of the Emmet County Council of Governments as of and for the year ended December 31, 2012, and the related notes to the 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 the 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 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 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 Council'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 Council'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 that 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 Emmet County Council of Governments as of December 31, 2012, and the changes in its cash basis financial position for the year then ended in conformity 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 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 other information, Management's Discussion and Analysis on pages 7 through 10, has not been subjected to the auditing procedures applied in the audit of the basic financial statement, 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 24, 2013 on our consideration of the Emmet County Council of Governments' internal control over financial reporting and 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 the 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 Emmet County Council of Government's internal control over financial reporting and compliance.

*Brinkman & Reed, CPA's*

BRINKMAN & REED, CPA's

September 24, 2013

Emmet County Council of Governments (ECCOG)  
Estherville, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS - 2012

ECCOG provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of ECCOG is for the year ended December 31, 2012. We encourage readers to consider this information in conjunction with ECCOG's financial statement, which follows:

**2012 FINANCIAL HIGHLIGHTS**

- ECCOG's operating receipts decreased \$8,768 or 2% from 2011 to 2012.
- ECCOG's operating disbursements decreased \$22,631, or 5% from 2011 to 2012.

**USING THIS ANNUAL REPORT**

ECCOG has elected to present its financial statement on a cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and related assets and liabilities. Under ECCOG's cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to ECCOG's cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to ECCOG's financial statement. The annual report consists of the financial statement and other information as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of ECCOG's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Balance presents information on ECCOG's operating receipts and disbursements, non-operating receipts and disbursements and whether ECCOG's cash basis financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

Emmet County Council of Governments (ECCOG)  
Estherville, Iowa

**FINANCIAL ANALYSIS OF ECCOG**

**Statement of Cash Receipts, Disbursements and Changes in Cash Balance**

The purpose of the statement is to present the receipts received by ECCOG and the disbursements paid by ECCOG, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine ECCOG's cash basis financial position by analyzing the increases and decreases in ECCOG's cash balance.

Operating receipts are received for gate fees from accepting solid waste, recycling revenue, and a financial contribution from Emmet County. Operating disbursements are disbursements paid to operate ECCOG. Non-operating receipts and disbursements are for interest on investments and miscellaneous income. A summary of cash receipts, disbursements and changes in cash balance for the years ended December 31, 2011 and 2012 are presented below:

	<u>2011</u>	<u>2012</u>
Operating Receipts:		
Solid Waste Income.....	\$385,234	\$397,388
Recycling Income .....	36,610	27,688
Emmet County Contribution.....	12,000	-0-
<b>Total Operating Receipts .....</b>	<b><u>\$433,844</u></b>	<b><u>\$425,076</u></b>
Operating Disbursements:		
Personnel Services:		
Operations Salaries.....	\$ 53,104	\$ 55,537
Employee Health Insurance.....	22,964	20,864
Extra Help .....	17,437	18,043
Administrative Salaries .....	-0-	5,356
Social Security.....	5,356	5,991
IPERS .....	5,150	6,586
<b>Total Personnel Services .....</b>	<b><u>\$ 104,011</u></b>	<b><u>\$ 112,377</u></b>
Operations:		
Landfill Fees.....	\$244,122	\$253,823
Equipment Maintenance .....	8,541	6,442
Recycling Supplies .....	13,036	9,182
Insurance and Bonds .....	11,791	11,692
Diesel Fuel .....	11,169	9,091
Household Hazardous Waste Fees .....	-0-	7,343
Building Maintenance .....	1,094	676
Electricity.....	3,126	2,959
Professional Services .....	3,400	3,600
Natural Gas.....	2,660	1,513
Engineering Services.....	152	115



Emmet County Council of Governments (ECCOG)  
Estherville, Iowa

In 2012 total operating receipts were \$425,076, an \$8,768 (2%) decrease from 2011. In 2012, total operating disbursements were \$426,194, a \$22,631 (5%) decrease from 2011. The decrease in revenue was due to a delayed request for and receipt of the contribution from Emmet County. The decrease in disbursements was a result of decreased capital improvements.

A small portion of ECCOG's cash balance, \$4,000 (1.4%), is restricted for closure cost. State and federal laws and regulations require ECCOG to place funds aside to perform closure functions at the transfer station site upon closing. The remaining cash balance, \$284,567 (98.6%), is unrestricted and can be used to meet ECCOG's obligations as they come due. The unrestricted cash balance increased by \$110 in 2012. The Board of Directors of ECCOG has designated \$100,000 of unrestricted cash balance for future equipment replacement and building improvements.

**LONG-TERM DEBT**

On December 31, 2012, ECCOG had no long-term debt.

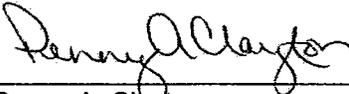
**ECONOMIC FACTORS**

ECCOG's financial position remained constant during the current fiscal year. The continually changing state regulations continue to be a concern for ECCOG officials. Some of the realities that may potentially become challenges for ECCOG to meet are:

- Equipment and facilities require constant maintenance and repair/replacement.
- State restrictions on items permitted to be taken to the landfill are increasing which also increases ECCOG's cost of "proper disposal."
- Arbitrary and unrealistic state recycling goals will increase the cost for ECCOG customers.
- Closure / Post Closure requirements and unrealistic mandates placed on the City of Spencer by the State will continue to increase ECCOG's landfill fees annually.

**CONTACTING ECCOG'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers and creditors with a general overview of ECCOG's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact ECCOG, P.O. Box 417, Estherville, IA 51334.



Penny A. Clayton  
Secretary-Treasurer

9-20-13

Emmet County Council of Governments

Financial Statement

EMMET COUNTY COUNCIL OF GOVERNMENTS  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCE  
YEAR ENDED DECEMBER 31, 2012

Exhibit A

Operating Receipts:	
Solid Waste Income	\$ 397,388
Recycling Income	<u>27,688</u>
Total Operating Receipts	<u>425,076</u>
Operating Disbursements:	
Personnel Services:	
Operations Salaries	55,537
Employee Health Insurance	20,864
Extra Help	18,043
IPERS	6,586
Social Security	5,991
Administrative Salaries	<u>5,356</u>
Total Personnel Services	<u>112,377</u>
Operations:	
Landfill Fees	253,823
Insurance and Bonds	11,692
Recycling Supplies	9,182
Diesel Fuel	9,091
Household Hazardous Waste Fees	7,343
Equipment Maintenance	6,442
Professional Services	3,600
Electricity	2,959
Miscellaneous	1,702
Natural Gas	1,513
Building Maintenance	676
Telephone	534
Office Supplies	489
Sanitary Sewer	480
Water	433
Printing	292
Road Gravel	286
Clothing Allowance	150
Gas and Oil	147
Postage	129
Engineering Services	<u>115</u>
Total Operations	<u>311,078</u>

EMMET COUNTY COUNCIL OF GOVERNMENTS  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCE  
YEAR ENDED DECEMBER 31, 2012

Exhibit A

Operating Disbursements (Continued):	
Capital Improvements:	
Building Improvements	2,739
Total Capital Improvements	<u>2,739</u>
Total Operating Disbursements	<u>426,194</u>
Deficiency of Operating Receipts Under Operating Disbursements	<u>(1,118)</u>
Non-Operating Receipts:	
Interest on Investments	679
Other Income	<u>549</u>
Net Non-Operating Receipts	<u>1,228</u>
Change in Cash Balance	110
Cash Balance Beginning of Year	<u>288,457</u>
Cash Balance End of Year	<u>\$ 288,567</u>
<b>Cash Basis Fund Balance</b>	
Restricted for:	
Closure	\$ 4,000
Unrestricted	<u>284,567</u>
Total Cash Basis Fund Balance	<u>\$ 288,567</u>

EMMET COUNTY COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2012

(1) Summary of Significant Accounting Policies

The Emmet County Council of Governments (ECCOG) was established in 1973 as an intergovernmental cooperative agency under Chapter 28E of the Code of Iowa. The purpose of ECCOG is to provide for the proper disposal of solid waste generated from the member governments within Emmet County.

The government of Emmet County and the cities of Estherville, Gruver, Ringsted and Wallingford are presently members of ECCOG.

A. Reporting Entity

For financial reporting purposes, Emmet County Council of Governments has included all funds, organizations, agencies, boards, commissions and authorities. The Council 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 Council are such that exclusion would cause the Council'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 Council 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 Council. The Council has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Council 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

Emmet County Council of Governments maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Council is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and postclosure care. Accordingly, the financial statement does not present the financial position and results of operations of the Council in accordance with U.S. generally accepted accounting principles.

EMMET COUNTY COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENT - CONTINUED  
DECEMBER 31, 2012

D. Net Position

Funds set aside for payment of closure costs are classified as restricted.

(2) Cash and Investments

The Council's deposits in banks at December 31, 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.

The Council 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 Council; 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 Council has not formally adopted an investment policy.

The Council had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Pension and Retirement Benefits

The Council 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 Council is required to contribute 8.07% of annual covered payroll for the period from January 1, 2012 through June 30, 2012 and 5.78% and 8.67% respectively for the period from July 1, 2012 through December 31, 2012. Contribution requirements are established by state statute. The Council's contributions to IPERS for the years ended December 31, 2012, 2011, and 2010 were \$6,586, \$5,150 and \$4,460, respectively, equal to the required contributions for each year.

(4) Compensated Absences

Council employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Council until used or paid. The Council's approximate liability for earned vacation payments at

EMMET COUNTY COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENT - CONTINUED  
DECEMBER 31, 2012

(4) Compensated Absences - Continued

December 31, 2012 was \$317. This liability has been computed based on rates of pay in effect at December 31, 2012.

(5) Risk Management

The Council is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Council's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Council's contributions to the Pool for the year ended December 31, 2012 were \$6,395.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by Travelers Insurance Company.

EMMET COUNTY COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENT - CONTINUED  
DECEMBER 31, 2012

(5) Risk Management – continued

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of December 31, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Council also carries commercial insurance purchased from other insurers for coverage associated with Workers Compensation Insurance. The Council assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(6) Major Customer

A material part of the Council's business is dependent upon a customer, the loss of which would have a materially adverse effect on the Council. During the year ended December 31, 2012, the customer accounted for approximately 61% of revenues.

(7) Major Supplier

The Council has one major vendor which supplies the landfill for solid waste disposal.

(8) Landfill Operator Contract

On May 26, 2011, the Council approved a contract for sanitary landfill services at the Northern Plains Regional Landfill with the City of Spencer, Iowa (the Operator) for the period of July 1, 2011 through June 30, 2014. Under the contract, the Operator is to maintain and operate the landfill site in substantial compliance with all applicable laws, rules and regulations. The Operator is to furnish all labor, tools and equipment necessary for the operation of the landfill. The Council, as part of the contract, agrees to not utilize the services of any other landfill sanitary disposal project during the term

EMMET COUNTY COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENT - CONTINUED  
DECEMBER 31, 2012

(8) Landfill Operator Contract – Continued

of the Agreement. The contract stipulates a charge of \$43.21 for each ton of solid waste the Council delivers to the landfill plus the solid waste tax which is currently \$4.75 per ton for a total of \$47.96 per ton. The per ton fee shall be increased 3.5% on July 1 of each year during the term of the agreement. The contract also allows the Operator to charge a per ton surcharge to cover the increased costs if the Operator's costs increase by more than 10% from circumstances that are beyond the reasonable control of the Operator. For these services, the operator was paid \$252,372 during the year ended December 31, 2012.

(9) Closure Costs

To comply with state regulations, the Council is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces that have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles that will remain on site, including the rinsing of all surfaces which have come in contact with solid waste, and the removal and proper management of all washwater in the washwater management system.

To comply with state regulations, the Council is required to maintain a closure account as financial assurance for the closure care costs. The effect of the state requirement is to commit landfill owners to perform certain closing functions as a condition for the right to operate the transfer station.

The total closure care costs for the Council as of December 31, 2012 have been estimated at \$3,370. The balance has been restricted and is fully funded at December 31, 2012.

(10) Other Postemployment Benefits (OPEB)

Plan Description – The Council operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees. There are 2 active and 0 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the Council. The Council currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Council and plan members are \$731 for single coverage. The same monthly premiums apply to retirees. For the year ended December 31, 2012, the Council contributed \$20,864 and plan members eligible for benefits contributed \$0 to the plan.

**Independent Auditors' 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**

Emmet County Council of Governments

# Brinkman & Reed, CPA's

103 South Sixth Street Estherville, Iowa 51334 712-362-5891 Phone 712-362-7172 Fax

## Independent Auditors' 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  
Emmet County Council of Governments:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and that standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statement of Emmet County Council of Governments as of and for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated September 24, 2013. 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 accounting principles generally accepted in the United States of America.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Emmet County Council of Governments' 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 effectiveness of Emmet County Council of Governments' internal control. Accordingly, we do not express an opinion on the effectiveness of Emmet County Council of Governments' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

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 Emmet County Council of Governments' financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item (II-A-12) to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Emmet County Council of Governments' 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 Emmet County Council of Governments' operations for the year ended December 31, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Council. 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.

In addition, we noted other matters involving internal control and its operation that we have reported to management of Emmet County Council of Governments in a separate letter dated September 24, 2013.

### Emmet County Council of Governments' Response to Findings

Emmet County Council of Governments' response to the findings identified in our audit is described in the accompanying Schedule of Findings. Emmet County Council of Governments' response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

### 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 result of that testing and not to provide an opinion on the effectiveness of the Council'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 Council'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 Emmet County Council of Governments 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.

*Brinkman + Reed, CPA's*

BRINKMAN & REED, CPA's

September 24, 2013

EMMET COUNTY COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS  
YEAR ENDED DECEMBER 31, 2012

Part I: Summary of the Independent Auditors' Results:

- (a) An unmodified opinion was issued on the financial statement which was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statement.

EMMET COUNTY COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS  
YEAR ENDED DECEMBER 31, 2012

Part II: Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

II-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. One person has primary control over charge accounts, including billing, posting transactions to accounts receivable and reconciling payments to receivable records.

Recommendation - We realize that segregation of duties is difficult with a limited number of office employees. However, the Council should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Other Findings Related to Required Statutory Reporting:

III-A-12 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.

III-B-12 Travel Expense - No disbursements of Council money for travel expenses of spouses of Council officials or employees were noted.

III-C-12 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not. However, the schedules of bills allowed were not published as required by Chapter 28E.6(3) of the Code of Iowa.

Recommendation – The Council should include a schedule of bills allowed in the minutes that are published.

Response – We will consider publishing a schedule of bills.

Conclusion – Response accepted.

EMMET COUNTY COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS  
YEAR ENDED DECEMBER 31, 2012

Part III: Other Findings Related to Required Statutory Reporting – continued:

III-D-12 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 were noted.

III-E-12 Financial Assurance – The Council has elected to demonstrate financial assurance for closure care by establishing a local government dedicated fund as provided in Chapter 567-106.18(5) of the Iowa Administrative Code (IAC). The calculation is made as follows:

Total estimated costs for closure care	<u>Closure</u> <u>\$ 3,370</u>
Balance of funds held in the local government dedicated fund at December 31, 2012	<u>\$ 4,000</u>
Amount Council has restricted for closure care at December 31, 2012	<u>\$ 4,000</u>

# Brinkman & Reed, CPA's

103 South Sixth Street Estherville, Iowa 51334 712-362-5891 Phone 712-362-7172 Fax

September 24, 2013

Emmet County Council of Governments  
P.O. Box 417  
Estherville, IA 51334



In planning and performing our audit of the financial statements of Emmet County Council of Governments (ECCOG) as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered ECCOG's internal control over financial reporting as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ECCOG's internal control. Accordingly, we do not express an opinion on the effectiveness of ECCOG's internal control.

However, during our audit we became aware of a deficiency in internal control other than significant deficiencies and material weaknesses and a matter that is an opportunity for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding this matter. We previously reported on ECCOG's internal control in our report dated September 24, 2013. This letter does not affect our report dated September 24, 2013, on the financial statements of ECCOG.

When reviewing the accounts payable invoices for proper cancellation, it was noted in several instances that the invoices were not marked as paid, only the claim form was. When invoices are not properly cancelled, there is an opportunity for employees to commit fraud by paying a bill twice and personally cashing the second check. We recommend that both the invoice and the claim form be marked paid to remove this opportunity.

We will review the status of this comment during our next audit engagement. We will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

Sincerely,

*Brinkman & Reed CPA's*  
Brinkman & Reed, CPA's