

REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT
OTHER INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013

**REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA**

TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditor's Report	2
Management's Discussion and Analysis	4
Financial Statement:	<u>Exhibit</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Balance	A 8
Notes to the Financial Statement	10
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of a Financial Statement in Accordance With <i>Government Auditing Standards</i>	15
Schedule of Findings and Responses	17

REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA

OFFICIALS

JUNE 30, 2013

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Dan Ray	Chairperson	Iowa County
Ray Garringer	Vice-Chairperson	Iowa County
Gary Edwards	Secretary-Treasurer	Iowa County
Keith Stanerson	Board Member	Iowa County
James Reinhart	Board Member	Iowa County
Al Chipman	Board Member	Iowa County
Jerry Denzler	Board Member	Iowa County
Adam Grier	Board Member	City of Williamsburg
Marion Conner	Board Member	City of Millersburg
Lars Lavender	Board Member	City of Parnell
Steve Swender	Board Member	City of Ladora
Scott Romine	Board Member	City of North English
Jerry Smith	Board Member	City of Marengo
Alice DeRycke	Board Member	Iowa County Health Department
Richard D. Hellier	Director	

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
and Executive Board
Regional Environmental Improvement
Commission of Iowa County, Iowa
Marengo, Iowa

Report on the Financial Statement

We have audited the accompanying financial statement of the Regional Environmental Improvement Commission of Iowa County, Iowa, as of and for the year ended June 30, 2013, 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 maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 Commission'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 Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Regional Environmental Improvement Commission of Iowa County, Iowa, as of June 30, 2013, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than the U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter

Other Matters

Disclaimer of Opinion on Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement. The other information, Management's Discussion and Analysis on pages 4 through 7, has not been subjected to the auditing procedures applied in the audit of the 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 March 25, 2014 on our consideration of the Regional Environmental Improvement Commission of Iowa County, Iowa's 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 the Regional Environmental Improvement Commission of Iowa County, Iowa's internal control over financial reporting and compliance.

Winkel, Parker & Foster, CPA PC

Iowa City, Iowa
March 25, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Regional Environmental Improvement Commission of Iowa County provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Regional Environmental Improvement Commission of Iowa County is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Commission's financial statement, which follows.

2013 FINANCIAL HIGHLIGHTS

The Commission's operating receipts increased by \$61,651, or approximately 6.8% from fiscal 2012 to fiscal 2013.

The Commission's operating disbursements increased by \$18,753 or approximately 2.9% from fiscal 2012 to fiscal 2013.

The Commission's cash balance increased by \$322,137, or approximately 14.3% from June 30, 2012 to June 30, 2013.

USING THIS ANNUAL REPORT

The Commission has elected to present its financial statement on the 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 the related assets and liabilities. Under the Commission's cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues and liabilities and the 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 the Commission's cash basis of accounting.

This discussion and analysis is intended to serve as an introduction of the Regional Environmental Improvement Commission's financial statement. The annual report consists of a financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Commission's financial activities.

- The Statement of Cash Receipts, Disbursements and Changes in Cash Balance presents information on the Commission's operating receipts and disbursements, non-operating receipts and disbursements and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.
- The Notes to the Financial Statement provides additional information essential for a full understanding of the data provided in the financial statement.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

The purpose of the statement is to present the receipts received by the Commission and the disbursements paid by the Commission, 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 the Commission's cash basis financial position by analyzing the increase and decrease in the Commission's cash balance.

Operating receipts are received from gate fees from accepting solid waste and assessments from the members of the Commission. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are from interest on investments and for construction costs. A summary of cash receipts, disbursements and changes in cash balance for the years ended June 30, 2013 and June 30, 2012, is presented below:

	Changes in Cash Basis Net Assets	
	<u>2013</u>	<u>2012</u>
OPERATING RECEIPTS:		
Assessments:		
Iowa County	\$ 133,024	\$ 128,336
Cities	<u>116,208</u>	<u>109,248</u>
	\$ 249,232	\$ 237,584
Gate fees – solid waste	691,863	638,261
Agriculture income	--	2,761
Miscellaneous income and reimbursements	<u>22,539</u>	<u>23,377</u>
Total operating receipts	<u>\$ 963,634</u>	<u>\$ 901,983</u>
OPERATING DISBURSEMENTS:		
Salaries and wages	\$ 222,282	\$ 213,174
Payroll taxes	16,431	15,248
Employer share of IPERS	18,778	16,687
Benefits	95,994	102,437
Continuing education	1,835	1,655
Equipment purchased	26,420	--
Equipment repairs and rental	26,684	19,235
Equipment fuel	21,122	20,140
Recycling and cleanup expenses	9,746	11,182

Engineering fees	35,761	40,904
Lab fees	27,591	17,376
Leachate pumping system	17,626	26,302
Waste tire expense	4,056	6,778
Audit	6,700	6,625
Legal fees	3,459	95
Insurance	27,802	28,232
Scale house	84	451
Electricity & gas	9,423	11,871
Supplies	6,747	5,138
Rock and rock hauling	4,358	9,886
Monitoring fees	1,400	1,400
Semi-annual reports	3,750	1,000
Advertising	922	1,397
Agriculture expenses	--	462
DNR – tonnage fees	22,821	24,807
Buildings and grounds maintenance	3,993	30,325
ECICOG assessment	9,290	7,150
Office supplies and postage	4,443	2,936
Telephone	2,564	2,379
Vehicle expenses	14,816	17,024
Travel and mileage	--	714
Computer programming and expenses	1,821	535
Cover material	12,875	--
Miscellaneous expenses	2,614	1,910
Total operating disbursements	<u>\$ 664,208</u>	<u>\$ 645,455</u>
Excess of Operating Receipts Over Operating Disbursements	<u>\$ 299,426</u>	<u>\$ 256,528</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):		
Interest on cash investments – unrestricted	\$ 3,185	\$ 1,200
Interest on cash investments – closure/post-closure care	19,526	30,156
Loan repayment	--	(23,636)
Loan interest	--	(875)
Net non-operating receipts (disbursements)	<u>\$ 22,711</u>	<u>\$ 6,845</u>
Change in Cash Balance	\$ 322,137	\$ 263,373
Cash Balance, beginning of year	<u>2,252,924</u>	<u>1,989,551</u>
Cash Balance, end of year	<u>\$2,575,061</u>	<u>\$2,252,924</u>
Cash Basis Fund Balance		
Restricted for closure/post-closure care	\$1,902,574	\$1,883,048
Unrestricted	672,487	369,876
Total cash basis fund balance	<u>\$2,575,061</u>	<u>\$2,252,924</u>

In fiscal year 2013, operating receipts increased by \$61,651, or approximately 6.8%, from fiscal 2012. This increase was primarily a result of more gate receipts. In fiscal 2013, operating disbursements increased by \$18,753, from fiscal 2012. The increase in disbursements was primarily due to salaries and wages, benefits, equipment fuel, lab fees, leachate system, building and grounds maintenance.

A portion of the Commission's cash balance, \$1,902,574 (74%), is restricted for closure and post-closure care. State and federal laws and regulations require the Commission to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining cash balance, \$672,487 (26%), is unrestricted and can be used to meet the Commission's obligations as they come due. The restricted cash balance increased \$19,526, or 1%, during the year. The increase was due to additional earnings on investments. The unrestricted cash balance increased \$302,611, or 82%, during the year due to increased gate receipts.

LONG-TERM DEBT

At June 30, 2013, the Commission had no outstanding long-term debt.

ECONOMIC FACTORS

The Regional Environmental Improvement Commission continued to improve its operating financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- Facilities require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated, presenting an ongoing challenge to maintain up-to-date technology at a reasonable cost.
- Annual deposits required to be made to closure and post-closure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional information, contact the Regional Environmental Improvement Commission of Iowa County, P.O. Box 371, Marengo IA 52301.

FINANCIAL STATEMENT

**REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA**

Statement of Cash Receipts, Disbursements
and Changes in Cash Balance

Year Ended June 30, 2013

Page 1 of 2

OPERATING RECEIPTS

Assessments:

Iowa County

\$ 133,024

Cities

116,208

249,232

Gate fees - solid waste

691,863

Miscellaneous income and reimbursements

22,539

Total Operating Receipts

963,634

OPERATING DISBURSEMENTS

Personnel costs:

Salaries and wages

222,282

Payroll taxes

16,431

Employer share of IPERS

18,778

Benefits

95,994

353,485

Continuing education

1,835

Equipment purchased

26,420

Equipment repairs and rental

26,684

Equipment fuel

21,122

Recycling and cleanup expenses

9,746

Engineering fees

35,761

Lab fees

27,591

Leachate pumping system

17,626

Waste tire expense

4,056

Audit

6,700

Legal fees

3,459

Insurance

27,802

Scale house

84

Electricity and gas

9,423

Supplies

6,747

Rock and rock hauling

4,358

Monitoring fees

1,400

Semi-annual reports

3,750

Subtotal

588,049

**REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA**

Statement of Cash Receipts, Disbursements
and Changes in Cash Balance

Year Ended June 30, 2013

Page 2 of 2

OPERATING DISBURSEMENTS (Continued)

Subtotal forward	588,049
Advertising	922
Iowa Department of Natural Resources - tonnage fees	22,821
Buildings and grounds maintenance	3,993
ECICOG assessment	9,290
Office supplies and postage	4,443
Telephone	2,564
Vehicle expenses	14,816
Computer programming and expenses	1,821
Cover material	12,875
Miscellaneous expenses	<u>2,614</u>
Total Operating Disbursements	<u>664,208</u>
Excess of Operating Receipts Over Operating Disbursements	<u>299,426</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS)	
Interest on cash investments - unrestricted	3,185
Interest on cash investments - closure/post-closure care	<u>19,526</u>
Net Non-Operating Receipts (Disbursements)	<u>22,711</u>
Change in Cash Balance	322,137
Cash balance, beginning of year	<u>2,252,924</u>
Cash balance, end of year	<u><u>\$ 2,575,061</u></u>
Cash Basis Fund Balance	
Restricted for closure/post-closure care	\$ 1,902,574
Unrestricted	<u>672,487</u>
Total cash basis fund balance	<u><u>\$ 2,575,061</u></u>

See Notes to the Financial Statement.

**REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA**

Notes to the Financial Statement

June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Regional Environmental Improvement Commission of Iowa County, Iowa (REIC) is a voluntary joint undertaking of units of government in Iowa County, Iowa, pursuant to the provisions of Chapter 28E of the Code of Iowa.

The REIC was established on May 4, 1971, for the purpose of assisting individuals and communities in Iowa County, Iowa in their efforts to collect, transport, and dispose of solid waste and to otherwise preserve and improve the natural environment of said region. The REIC is further established for the purpose of developing, operating and maintaining sanitary landfill and recycling facilities to carry out the foregoing purpose.

The members of the REIC include Iowa County and the cities of Ladora, Marengo, Millersburg, North English, Parnell and Williamsburg. The governing body of the REIC is composed of seven representatives from Iowa County, one representative from each of the six member cities, and one representative from the Iowa County Health Department. The representatives are appointed by the participating political subdivisions and each has one vote.

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

Certain representatives of the REIC governing body are also members of other county and city boards and commissions in Iowa County. Those boards and commissions are not financially accountable to the REIC or the nature and significance of the relationship with the REIC are such that exclusion does not cause the financial statements of the REIC to be misleading or incomplete.

Basis of Presentation - The accounts of the REIC 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.

Basis of Accounting - The REIC maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the REIC are 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 post-closure care costs. Accordingly, the financial statements do not present the financial position and results of operations of the REIC in accordance with U.S. generally accepted accounting principles.

Net Position - Funds set aside for payment of closure and post-closure care costs are classified as restricted.

**REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA**

Notes to the Financial Statement

June 30, 2013

NOTE 2. CASH AND INVESTMENTS

The REIC's deposits in banks at June 30, 2013 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 REIC 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 Board; 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 in certificates of deposit are carried at cost.

The REIC's deposits as of and during the year ended June 30, 2013 were maintained in checking accounts, savings accounts, money market accounts and certificates of deposit.

Interest Rate Risk - The REIC's investment policy does not limit the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and uses of the REIC.

NOTE 3. CLOSURE AND POST-CLOSURE CARE COSTS

To comply with federal and state regulations, the REIC is required to complete a monitoring system plan and a closure/post-closure plan and to provide funding necessary to effect closure and post-closure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and post-closure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of compacted clay and twenty-four inches of soil to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

**REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA**

Notes to the Financial Statement

June 30, 2013

NOTE 3. CLOSURE AND POST-CLOSURE CARE COSTS (Continued)

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and post-closure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in post-closure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the post-closure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes to inflation or deflation, changes in technology, or changes in applicable laws and regulations.

The total costs for the REIC as of June 30, 2013 have been estimated to be \$753,300 for closure and \$1,059,000 for post-closure care, for a total of \$1,812,300. The estimated remaining life of the landfill is 2 years, with approximately 73 percent of the landfill's capacity used as of June 30, 2013. The REIC has established a Closure/Post-Closure Trust Fund in accordance with Chapter 567-113.14(6)"a" of the Iowa Administrative Code to accumulate resources to fund these costs. At June 30, 2013, the balance in this fund was \$1,902,574.

NOTE 4. PENSION AND RETIREMENT BENEFITS

The REIC 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 5.78% of their annual covered salary and the REIC is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by state statute. The REIC's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$18,824, \$16,687 and \$14,123, respectively, equal to the required contributions for each year.

NOTE 5. RELATED PARTY TRANSACTIONS

The REIC had business transactions with related parties, totaling \$1,095 during the year ended June 30, 2013.

NOTE 6. RISK MANAGEMENT

The REIC 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 679 members include various government 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.

**REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA**

Notes to the Financial Statement

June 30, 2013

NOTE 6. RISK MANAGEMENT (Continued)

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' basic 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 sufficient, by the subsequent year's member contributions.

The REIC'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 REIC's annual contributions to the Pool for the year ended June 30, 2013 were \$17,245.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automotive, police professional, and public officials' liability risk 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 the Travelers Insurance Company.

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 that 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 June 30, 2013, settled claims have not exceeded the risk pool or reinsurance company 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 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 capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The REIC also carries commercial insurance purchased from other insurers for worker's compensation coverage. The REIC 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.

**REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA**

Notes to the Financial Statement

June 30, 2013

NOTE 7. SOLID WASTE TONNAGE FEES RETAINED

The REIC has established accounts for restricting and using those portions of solid waste tonnage fees retained for ground water and waste recycling purposes in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2013, the REIC had \$23,469 of unspent tonnage fees.

NOTE 8. COMPENSATED ABSENCES

REIC employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. Sick leave hours paid upon termination, retirement or death are reduced by one-half and are paid at the then effective hourly rate of that employee. These accumulations are not recognized as disbursements by the REIC until used or paid. The REIC's approximate liability for earned compensated absences payable to employees at June 30, 2013 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 11,217
Sick leave	<u>28,443</u>
Total	<u>\$ 39,660</u>

This liability has been computed based on rates of pay as of June 30, 2013.

NOTE 9. INTERFUND TRANSFERS

The REIC has established a Closure/Post-Closure Trust Fund to fund certain required closure and post-closure care costs. Annual deposits are required to be made within 30 days of the close of the fiscal year. During the year ended June 30, 2013, it was determined that the trust fund balance is sufficient to fully fund the estimated closure and post-closure care costs, and no transfer was necessary for the year.

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS

The REIC operates a single-employer health benefit plan which provides medical/prescription drug/dental benefits for employees and retirees and their spouses. There are five active members and no retirees in the plan. Retirees may participate in the plan until they are eligible for Medicare coverage. Benefits under the plan are provided through a fully-insured plan with Wellmark.

Contribution requirements of plan members are established by and may be amended by the REIC. The REIC currently finances the benefit plan on a pay-as-you-go basis. The REIC pays the full amount of single coverage amounts, and 85 percent of the difference between single coverage and 2-person/member+child(ren)/family coverage amounts. The most recent monthly premium for the 2-person/member+child(ren)/family medical/prescription drug coverage is \$1,480.18 per member. The most recent monthly premiums for the dental coverage are \$43.21 for 2-person and member+child(ren) coverage and \$120.07 for family coverage. During the year ended June 30, 2013, the REIC contributed \$89,666 to the plan and plan members contributed \$11,304 to the plan.

**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
and Executive Board
Regional Environmental Improvement
Commission of Iowa County, Iowa
Marengo, Iowa

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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Regional Environmental Improvement Commission of Iowa County, Iowa (REIC), as of and for the year ended June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated March 25, 2014. 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 the REIC's internal control over financial reporting (internal control) to determine the 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 REIC's internal control. Accordingly, we do not express an opinion on the effectiveness of the REIC's 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 Part II of the accompanying Schedule of Findings and Responses, 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 that a material misstatement of the REIC's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Responses as item II-A-13 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the REIC's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance and other matters that are described in Part III of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the REIC's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the REIC. 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.

REIC's Responses to Findings

The REIC's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The REIC's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the REIC'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 REIC'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 REIC 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.

Winkel, Parker & Fortu, CPA PC

Iowa City, Iowa
March 25, 2014

**REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA**

Schedule of Findings and Responses

Year Ended June 30, 2013

Part I. Summary of the Independent Auditor's Results:

- (a) An unqualified 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 accounting principles generally accepted in the United States.
- (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 noncompliance which is material to the financial statement.

Part II. Findings Related to the Financial Statement

Internal Control Deficiencies

II-A-13 Segregation of Duties

Comment - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that substantially all of the custody of the accounting records and the performance of control procedures are concentrated among two persons.

Recommendation - The limited number of personnel makes it difficult to achieve ideal internal accounting control through the segregation of employee duties. The concentration of closely related duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, and the analysis of financial information by a small staff makes it difficult to establish an ideal system of automatic internal checks on accounting records accuracy and reliability. When this condition exists, management's close supervision and review of accounting information is the best means of preventing or detecting errors and irregularities. We recommend that management and the Board of Directors review the internal control policies and procedures on a regular basis to obtain the maximum internal control possible under the circumstances.

Response - We have some Board members involved in some procedures in our system, primarily approval of invoices for payment. We have implemented several new procedures over the past few years. These new procedures have strengthened controls over cash collections and deposits and bank reconciliations. We will continue to review our operational procedures and segregate duties to the extent possible under the circumstances.

Conclusion - Response accepted.

Instances of Noncompliance

No matters were noted.

**REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA**

Schedule of Findings and Responses

Year Ended June 30, 2013

Part III. Other Findings Related to Required Statutory Reporting

- III-13-1 **Questionable Disbursements** - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-13-2 **Travel Expense** - No expenditures of REIC money for travel expenses of spouses of REIC officials or employees were noted. No travel advances for REIC officials or employees were noted.
- III-13-3 **Board Minutes** - No transactions were found that we believe should have been approved by the Board and noted in the minutes. The minutes of the Board meetings for the fiscal year were either not published within 20 days of the date of the meeting, or were not published as required by Chapter 28E.6(3) of the Code of Iowa.

Recommendation - The REIC should ensure that the minutes of all meetings are published within 20 days of the meeting as required by Chapter 28E.6(3) of the Code of Iowa.

Response - This issue has been discussed with the REIC Director and the REIC Recording Secretary. We will make every effort to publish within the 20 day requirement.

Conclusion - Response accepted.

- III-13-4 **Deposits and Investments** - No instances of non-compliance with the REIC's investment policy and Chapters 12B and 12C of the Code of Iowa were noted.
- III-13-5 **Solid Waste Fees Retained** - During the year ended June 30, 2013 the REIC used or retained solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.
- III-13-6 **Financial Assurance** - The REIC has demonstrated financial assurance for closure and post-closure care costs by establishing a trust fund as provided by Chapter 567-113.14(6)"a" of the Iowa Administrative Code. The calculation is as follows:

Total estimated closure and post-closure costs	\$ 1,812,300
Less value of the trust fund on July 31, 2012	1,883,048
	\$ (70,748)
Projected deposit:	
The above amount divided by the remaining estimated useable life. The remaining estimated useable life is two years.	\$ -

No contribution to the trust fund for the year ended June 30, 2013 was required, as the estimated closure and post-closure care costs are covered by the balance in the trust fund.

**REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA**

Schedule of Findings and Responses

Year Ended June 30, 2013

Other Findings Related to Statutory Reporting (Continued)

III-13-7 **Business Transactions** - Business transactions between the REIC and related parties are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Richard A. Heller, son of REIC Director, Richard D. Heller: Owner - Owl Technology	Dell computer purchase Office chair and printer	\$ 1,025 70

The transactions with Mr. Heller do not appear to represent a conflict of interest. The purchases were based on best price available.