

EMMET COUNTY COUNCIL OF GOVERNMENTS
ESTHERVILLE, IOWA

INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENT
OTHER INFORMATION
SCHEDULE OF FINDINGS

DECEMBER 31, 2014

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EMMET COUNTY COUNCIL OF GOVERNMENTS

Officials

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

*Passed away June 12, 2014

**Appointed by Council July 21, 2014

***Resigned August 2014

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, 2014, and the related Notes to 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 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 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 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 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 Emmet County Council of Governments as of December 31, 2014, 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 U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

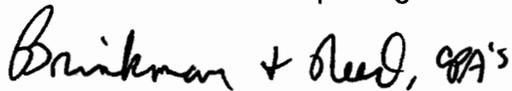
Other Matters

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 23, 2015 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 Governments' internal control over financial reporting and compliance.



BRINKMAN & REED, CPA's

September 23, 2015

Emmet County Council of Governments (ECCOG)
Estherville, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS - 2014

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, 2014. We encourage readers to consider this information in conjunction with ECCOG's financial statement, which follows:

2014 FINANCIAL HIGHLIGHTS

- ECCOG's operating receipts increased \$73,822 or 16% from 2013 to 2014.
- ECCOG's operating disbursements increased \$38,642 or 8% from 2013 to 2014.
- ECCOG's cash balance increased \$12,425 or 5% from 2013 to 2014.

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, 2014 and 2013 are presented below:

	<u>2013</u>	<u>2014</u>
Operating Receipts:		
Solid Waste Income	\$390,576	\$475,138
Recycling Income	28,311	29,571
Emmet County Contribution	24,000	12,000
Total Operating Receipts	<u>\$442,887</u>	<u>\$516,709</u>
Operating Disbursements:		
Personnel Services:		
Operations Salaries	\$ 57,948	\$ 60,029
Extra Help	20,569	18,569
Employee Health Insurance	14,255	10,901
Administrative Salaries.....	6,027	6,000
Social Security	7,058	6,475
IPERS	8,111	7,526
Total Personnel Services	<u>\$ 113,968</u>	<u>\$ 109,500</u>
Operations:		
Landfill Fees	\$253,675	\$322,805
Equipment Maintenance	15,166	7,188
Recycling Supplies	2,220	1,180
Insurance and Bonds	14,393	14,183
Diesel Fuel.....	10,054	10,702
Household Hazardous Waste Fees.....	8,677	9,455
Building Maintenance.....	3,538	3,473
Electricity	4,021	4,130
Professional Services.....	3,800	4,100
Natural Gas.....	2,415	3,472
Engineering Services	673	143

Emmet County Council of Governments (ECCOG)
Estherville, Iowa

Operating Disbursements:

Operations (Continued):

Miscellaneous	\$ 1,896	\$ 634
Equipment Hire	193	35
Office Supplies	1,048	1,051
Road Gravel	-0-	-0-
Printing	265	225
Postage	88	298
Telephone	536	562
Water	436	436
Gas and Oil	214	136
Sanitary Sewer	480	480
Tools	70	-0-
Total Operations	\$323,858	\$384,688

Operating Disbursements:

Capital Improvements:

	<u>2013</u>	<u>2014</u>
Closure/Post-Closure Costs	\$ -0-	\$ -0-
New Equipment	28,545	10,825
Building Improvements	-0-	-0-
Total Capital Improvements	28,545	10,825
Total Operating Disbursements	\$466,371	\$505,013

Excess of Operating Receipts

Over Operating Disbursements \$ (23,484) \$ 11,696

Non-Operating Receipts:

Interest on Investments

754	729
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Net Non-Operating Receipts \$ 754 \$ 729

Change in Cash Balance \$ (22,730) \$ 12,425

Cash Balance Beginning of Year \$288,567 \$265,837

Cash Balance End of Year \$265,837 \$278,262

Cash Basis Fund Balance:

Restricted for Closure	\$ 4,000	\$ 4,000
Unrestricted	261,837	274,262

Total Cash Basis Fund Balance \$265,837 \$278,262

Emmet County Council of Governments (ECCOG)
Estherville, Iowa

In 2014 total operating receipts were \$516,709, a \$73,822 (16%) increase from 2013. In 2014, total operating disbursements were \$505,013 a \$38,642 (8%) increase from 2013. The increase in revenue was due to an increase in asphalt shingle disposal due to a severe storm in June. The increase in disbursements was a result of increased landfill costs for the shingle disposal offset by a reduction in health insurance costs and capital equipment purchases.

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, \$274,262 (98.6%), is unrestricted and can be used to meet ECCOG's obligations as they come due. The unrestricted cash balance increased by \$12,425 in 2014. 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, 2014, ECCOG had no long-term debt.

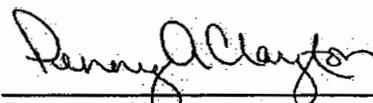
ECONOMIC FACTORS

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

9-19-15.

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, 2014

Exhibit A

Operating Receipts:	
Solid Waste Income	\$ 475,138
Recycling Income	29,571
Emmet County Contribution	<u>12,000</u>
Total Operating Receipts	<u>516,709</u>
Operating Disbursements:	
Personnel Services:	
Operations Salaries	60,029
Extra Help	18,569
Employee Health Insurance	10,901
IPERS	7,526
Social Security	6,475
Administrative Salaries	<u>6,000</u>
Total Personnel Services	<u>109,500</u>
Operations:	
Landfill Fees	322,805
Equipment Maintenance	7,188
Insurance and Bonds	14,183
Diesel Fuel	10,702
Household Hazardous Waste Fees	9,455
Electricity	4,130
Professional Services	4,100
Building Maintenance	3,473
Natural Gas	3,472
Recycling Supplies	1,180
Miscellaneous	634
Office Supplies	1,051
Engineering Services	143
Telephone	562
Sanitary Sewer	480
Water	436
Printing	225
Gas and Oil	136
Equipment Hire	35
Postage	<u>298</u>
Total Operations	<u>384,688</u>

EMMET COUNTY COUNCIL OF GOVERNMENTS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCE
YEAR ENDED DECEMBER 31, 2014

Exhibit A

Operating Disbursements (Continued):	
Capital Improvements:	
New Equipment	<u>10,825</u>
Total Capital Improvements	<u>10,825</u>
Total Operating Disbursements	<u>505,013</u>
Excess of Operating Receipts	
Over Operating Disbursements	<u>11,696</u>
Non-Operating Receipts:	
Interest on Investments	<u>729</u>
Net Non-Operating Receipts	<u>729</u>
Change in Cash Balance	12,425
Cash Balance Beginning of Year	<u>265,837</u>
Cash Balance End of Year	<u>\$278,262</u>
Cash Basis Fund Balance	
Restricted for:	
Closure	\$ 4,000
Unrestricted	<u>274,262</u>
Total Cash Basis Fund Balance	<u>\$278,262</u>

EMMET COUNTY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2014

(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 Armstrong, 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, 2014

D. Net Position

Funds set aside for payment of closure and postclosure care are classified as restricted.

(2) Cash and Investments

The Council's deposits in banks at December 31, 2014 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 5.95% of their annual salary and the Council is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The Council's contributions to IPERS for the years ended December 31, 2014, 2013, and 2012 were \$7,526, \$8,111, and \$6,586, 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, 2014

(4) Compensated Absences - Continued

December 31, 2014 was \$913. This liability has been computed based on rates of pay in effect at December 31, 2014.

(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 741 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% of basis rate 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, 2014 were \$6,606.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Council's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Council's risk-sharing certificate.

EMMET COUNTY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENT - CONTINUED
DECEMBER 31, 2014

(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, 2014, 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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Council also carries commercial insurance purchased from other insurers for coverage associated with the employee blanket bond in the amount of \$20,000. 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, 2014, the customer accounted for approximately 49% 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, 2014

(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 \$321,149 during the year ended December 31, 2014.

On March 27, 2014, 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, 2014 through June 30, 2017. 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 of the Agreement. The contract stipulates a charge of \$47.22 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 \$51.97 per ton. The per ton fee shall be increased 2.0% 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.

(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 wastewater, 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 wastewater in the wastewater 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, 2014 have been estimated at \$3,730. The balance has been restricted and is fully funded at December 31, 2014.

EMMET COUNTY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENT - CONTINUED
DECEMBER 31, 2014

(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 \$522 for single coverage. The same monthly premiums apply to retirees. For the year ended December 31, 2014, the Council contributed \$10,901 and plan members eligible for benefits contributed \$0 to the plan.

(11) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27. This statement will be implemented for the year ending December 31, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

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 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, the financial statement of Emmet County Council of Governments as of and for the year ended December 31, 2014, and the related notes to the financial statement, and have issued our report thereon dated September 23, 2015. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

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 the 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-13) 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, 2014 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.

Emmet County Council of Governments' Responses to Findings

Emmet County Council of Governments' responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Emmet County Council of Governments' 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 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, CPAs

BRINKMAN & REED, CPA's

September 23, 2015

EMMET COUNTY COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2014

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, 2014

Part II: Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

II-A-13 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-13 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-13 Travel Expense - No disbursements of Council money for travel expenses of spouses of Council officials or employees were noted.

III-C-13 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

EMMET COUNTY COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2014

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

III-D-13 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-13 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>\$ 3,730</u>
Balance of funds held in the local government dedicated fund at December 31, 2014	<u>\$ 4,000</u>
Amount Council has restricted for closure care at December 31, 2014	<u>\$ 4,000</u>