

TRIPOLI-READLYN SANITATION AGENCY

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

June 30, 2015

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Tripoli-Readlyn Sanitation Agency

Officials

Name	Title	Representing
Barry Fortsch	Chairperson	Readlyn
Barry Wittenberg	Vice Chairperson	Tripoli
DeAnn Lahmann	Secretary/Treasury	Tripoli
Rollie Ott	Board Member	Readlyn
Kevin Sievers	Board Member	Tripoli
Dan Woods	Board Member	Tripoli

Independent Auditor's Report

To the Members of the
Tripoli-Readlyn Sanitation Agency

Report on the Financial Statements

I have audited the accompanying financial statement of the business type activities of the Tripoli-Readlyn Sanitation Agency as of and for the years ended June 30, 2015 and 2014, and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audits. I conducted my audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business type activities of the Tripoli-Readlyn Sanitation Agency, as of June 30, 2015 and 2014, and the respective changes in its cash basis financial position for the years ended June 30, 2015 and 2014 in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which are a basis of accounting other than U.S. generally accepted accounting principles. My opinions are not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 3 to the financial statements, the Tripoli-Readlyn Sanitation Agency adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. My opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

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

The other information, the Schedule of the Agency's Proportionate Share of the Net Pension Liability and the Schedule of Agency Contributions on pages 13 through 14 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated November 12, 2015 on my consideration of the Tripoli-Readlyn Sanitation Agency's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Tripoli-Readlyn Sanitation Agency's internal control over financial reporting and compliance.



Keith Oltrogge
Certified Public Accountant

November 12, 2015

Financial Statement

Tripoli-Readlyn Sanitation Agency

Statement of Cash Receipts, Disbursements and
Changes in Cash Balances – Proprietary Fund

As of and For the Years ended June 30, 2015 and 2014

	2015	2014
Operating receipts:		
Garbage pick-up	\$ 134,700	134,700
Fees	5,808	5,749
Total operating receipts	<u>\$ 140,508</u>	<u>140,449</u>
Operating disbursements:		
Landfill fees	\$ 23,188	23,133
Wages	57,955	49,316
Gas and oil	9,490	11,944
Advertising	239	282
Legal and accounting	3,600	3,818
Contract labor	915	6,355
Equipment maintenance	6,437	4,670
Insurance	11,901	10,634
Travel	236	145
Supplies	250	519
Utilities	499	610
Benefits	-	502
Payroll taxes	8,189	10,432
Total operating disbursements	<u>\$ 122,899</u>	<u>122,360</u>
Excess of operating receipts over operating disbursements	<u>\$ 17,609</u>	<u>18,089</u>
Non-operating receipts (disbursements):		
Interest on investments	\$ 1,497	3,167
Change in cash balances	\$ 19,106	21,256
Cash balances beginning of year	<u>234,176</u>	<u>212,920</u>
Cash balances end of year	<u>\$ 253,282</u>	<u>234,176</u>
Cash Basis Fund Balances		
Unrestricted	<u>\$ 253,282</u>	<u>234,176</u>

See notes to financial statements.

Tripoli-Readlyn Sanitation Agency

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

For financial reporting purposes, the Tripoli-Readlyn Sanitation Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

C. Measurement Focus and Basis Accounting

Proprietary 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 a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursement.

Tripoli-Readlyn Sanitation Agency

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Tripoli-Readlyn Sanitation Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statement does not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

D. Net Position

Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the agency.

Expendable restricted net position results when constraints placed on the use of cash balances either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Agency does not have any restricted net position at June 30, 2015.

NOTE 2 – CASH AND POOLED INVESTMENTS

The Agency's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Tripoli-Readlyn Sanitation Agency

Notes to Financial Statements

June 30, 2015

NOTE 2 – CASH AND INVESTMENTS (continued)

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

At June 30, 2015, the Agency had the following investments:

Certificates of Deposit	Interest Rate	Date Matures	Cost	Fair Value
American Savings Bank	0.60%	12-21-15	\$ 41,580	\$ 41,580
Readlyn Savings Bank	0.70%	2-16-16	78,926	78,926
Readlyn Savings Bank	1.25%	12-16-15	53,995	53,995
			<u>\$ 174,501</u>	<u>\$ 174,501</u>

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

NOTE 3 – PENSION PLAN

Plan Description – IPERS membership is mandatory for employees of the Agency, except for those covered by another retirement system. Employees of the Agency are provided with pensions through a cost-sharing, multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Tripoli-Readlyn Sanitation Agency

Notes to Financial Statements

June 30, 2015

NOTE 3 – PENSION PLAN (continued)

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Tripoli-Readlyn Sanitation Agency

Notes to Financial Statements

June 30, 2015

NOTE 3 – PENSION PLAN (continued)

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Agency contributed 8.93 percent for a total rate of 14.88 percent.

The Agency's contributions to IPERS for the year ended June 30, 2015 were \$5,175.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the Agency's liability for its proportionate share of the collective net pension liability totaled \$29,260. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the collective net pension liability was based on the Agency's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Agency's proportion was 0.000723 percent, which was an increase of 0.000038 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the Agency's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$2,601, \$5,175 and \$11,195 respectively.

Tripoli-Readlyn Sanitation Agency

Notes to Financial Statements

June 30, 2015

NOTE 3 – PENSION PLAN (continued)

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15%	6.76
Private Equity	13%	11.34
Real Estate	8%	3.52
Core Plus Fixed Income	28%	2.06
Credit Opportunities	5%	3.67
TIPS	5%	1.92
Other Real Assets	2%	6.27
Cash	1%	-0.69
Total	<u>100%</u>	

Tripoli-Readlyn Sanitation Agency

Notes to Financial Statements

June 30, 2015

NOTE 3 – PENSION PLAN (continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 4 – RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 5 – RELATED PARTY TRANSACTIONS

The Cities of Tripoli and Readlyn pay the Agency monthly fees for garbage pick-up. During the fiscal year ending June 30, 2015, the City of Tripoli paid \$83,514 and the City of Readlyn paid \$51,186.

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 12, 2015, which is the date the financial statements were available to be issued.

Other Information

Tripoli-Readlyn Sanitation Agency

Schedule of the Agency's Proportionate Share of the Net Pension Liability

**Iowa Public Employees' Retirement System
Last Fiscal Year***

Other Information

	<u>2015</u>
Agency's proportion of the net pension liability	0.000723%
Agency's proportionate share of the net pension liability	\$ 29,260
Agency's covered-employee payroll	\$ 57,955
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	50.49%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

*The amounts presented for each fiscal year were determined as of June 30.

Tripoli-Readlyn Sanitation Agency

Schedule of Agency Contributions

**Iowa Public Employees' Retirement System
Last 10 Fiscal Years**

Other Information

	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 5,175	\$ 4,311	\$ 3,839	\$ 4,017	\$ 3,303
Contributions in relation to the statutorily required contribution	-5,175	-4,311	-3,839	-4,017	-3,303
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Agency's covered-employee payroll	\$ 57,955	\$ 48,275	\$ 44,279	\$ 49,777	\$ 47,528
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%

See accompanying independent auditor's report.

2010	2009	2008	2007	2006
\$ 3,209	\$ 3,047	\$ 2,482	\$ 1,904	\$ 1,744
<u>-3,209</u>	<u>-3,407</u>	<u>-2,482</u>	<u>-1,904</u>	<u>-1,744</u>
<u>\$ -</u>				
\$ 48,250	\$ 47,988	\$ 41,025	\$ 33,108	\$ 30,338
6.65%	6.35%	6.05%	5.75%	5.75%

Tripoli-Readlyn Sanitation Agency

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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

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

To the Board of Trustees
Tripoli-Readlyn Sanitation Agency

I 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 statements of the business-type activities of the Tripoli-Readlyn Sanitation Agency as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements, and have issued my report thereon dated November 12, 2015. My report expressed unmodified opinions on the financial statements, which were 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 my audit of the financial statements, I considered Tripoli-Readlyn Sanitation Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tripoli-Readlyn Sanitation Agency's internal control. Accordingly, I do not express an opinion on the effectiveness of the Tripoli-Readlyn Sanitation Agency's internal control.

My 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, I identified deficiencies in internal control I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the 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 combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Tripoli-Readlyn Sanitation Agency's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-15 and I-C-15 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-15 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tripoli-Readlyn Sanitation Agency's financial statement is free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statement of the Agency. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Tripoli-Readlyn Sanitation Agency's Responses to the Findings

The Tripoli-Readlyn Sanitation Agency's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. Tripoli-Readlyn Sanitation Agency responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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


Keith Oltrogge
Certified Public Accountant

November 12, 2015

Tripoli-Readlyn Sanitation Agency

Schedule of Findings

Year ended June 30, 2015

Part I – Findings Related to the Financial Statement:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that the same individual is responsible for the preparation of checks and deposits, recording the transaction in the journals, and reconciling the bank statement.

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

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

Conclusion – Response accepted.

Tripoli-Readlyn Sanitation Agency

Schedule of Findings

Year ended June 30, 2015

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

INTERNAL CONTROL DEFICIENCIES (continued):

I-B-15 Preparation of Full Disclosure Financial Statements – Internal controls over financial reporting include actual preparation and review of financial statements, including footnote disclosures, for external reporting, as required by an other comprehensive basis of accounting. The Agency does not have the internal resources to prepare the full-disclosure financial statements required by an other comprehensive basis of accounting for external reporting. While this circumstance is not uncommon for most small governmental entities, it is often not corrected because of cost or other considerations.

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

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

Conclusion – Response acknowledged.

I-C-15 Disbursement Approval – For all transactions tested, there was no evidence of Board approval.

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

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

Conclusion – Response accepted.

Tripoli-Readlyn Sanitation Agency

Schedule of Findings

Year ended June 30, 2015

Part II – Other Findings Related to Required Statutory Reporting:

- (1) Questionable Disbursements – No disbursements I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No disbursements of Agency money for travel expenses of spouses of Commission officials or employees were noted.
- (3) Agency Minutes – No transactions were found that I believe should have been approved in the Agency minutes but were not. However, the minutes, including the schedule of bills allowed and gross salaries, were not published as required by Chapter 28E.6(3) of the Code of Iowa.

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

Response – This recommendation will be followed for future meetings.

Conclusion – Response accepted.

- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Commission’s investment policy were noted.

Tripoli-Readlyn Sanitation Agency

Schedule of Findings

Year ended June 30, 2015

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

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

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

Response – The Agency will contact the bank.

Conclusion – Response accepted.

- (7) Sales Tax – Sales tax is required to be collected and remitted to the State on garbage collection for nonresidential commercial customers.

Recommendation – The Agency should collect and remit sales tax as required.

Response – This will be corrected.

Conclusion – Response accepted.

- (8) Bond Coverage – Surety bond coverage of Agency employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations. Your current bond coverage is \$50,000 or 19.75% of your total assets.