

**ADLM COUNTIES ENVIRONMENTAL
PUBLIC HEALTH AGENCY**

Independent Auditors' Reports
Financial Statement and
Required Supplementary Information
Schedule of Findings and Responses

June 30, 2016

ADLM COUNTIES ENVIRONMENTAL PUBLIC HEALTH AGENCY

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ADLM COUNTIES ENVIRONMENTAL PUBLIC HEALTH AGENCY

Commission Members

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Dale Taylor	Chair	Davis County
Larry Davis	Vice-Chair	Lucas County
Denny Amoss	Secretary	Monroe County
Mark Waits	Member	Appanoose County

Officials

Dianna Daly-Husted	Director
Sherry Lutz	Environmental Health Officer
Stacie Prevo	Environmental Health Officer
Misty Rosenberg	Administrative Assistant

Offices located in:
Burlington
(319) 753-9877
Cedar Rapids
(319) 393-2374
Centerville
(641) 437-4296
Fairfield
(641) 472-6171
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Ottumwa
(641) 683-1823
Pella
(641) 628-9411
West Des Moines
(515) 657-5800

Independent Auditors' Report

To the Members of ADLM Counties
Environmental Public Health Agency

We have audited the accompanying statement of cash receipts, disbursements and changes in cash basis net position of the ADLM Counties Environmental Public Health Agency, as of and for the year ended June 30, 2016, 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 this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for 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 error or fraud.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the ADLM Counties Environmental Public Health Agency as of June 30, 2016, and the changes in its cash basis financial position for the year then ended in conformity with the cash basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, this financial statement is prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Our audit was performed for the purpose of forming an opinion on the financial statement of ADLM Counties Environmental Public Health Agency taken as a whole. The accompanying management's discussion and analysis on pages 4-6 is presented to supplement the basic financial statement. We have applied certain limited procedures to the supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statement. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2017, on our consideration of the ADLM Counties Environmental Public Health Agency'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 financing reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

TDE&T CPAs and Advisors, P.C.

Pella, Iowa
February 13, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

ADLM Counties Environmental Public Health Agency provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

FINANCIAL HIGHLIGHTS

- The Agency's operating receipts increased 8.7% or \$31,117 from fiscal 2015 to fiscal 2016.
- The Agency's operating disbursements increased 4.9% or \$16,003 from fiscal 2015 to fiscal 2016.
- The Agency's non-operating disbursements increased 335% or \$29,738 from fiscal 2015 to fiscal 2016.
- The Agency's cash basis net position increased 4.8%, or \$7,858, from June 30, 2015 to June 30, 2016.

USING THIS ANNUAL REPORT

The Agency 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 accounting principles generally accepted in the United States of America. 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 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 their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to ADLM Counties Environmental Public Health Agency's financial statement. The annual report consists of the financial statement and other information, as follows:

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

The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Position presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's 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.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Position

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

Operating receipts are received for contributions from member counties, operating grants, licenses, permits, inspections and sales and other receipts. Operating disbursements are disbursements paid to operate the Agency. Non-operating disbursements are for debt service. A summary of cash receipts, disbursements and changes in cash basis net position for the years ended June 30, 2016 and 2015 are presented below:

	<u>Changes in Cash Basis Net Position</u>	
	<u>Year ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Operating receipts:		
Licenses, permits, inspections and sales	\$ 151,308	136,142
Contributions from member counties	168,000	152,800
State grants	40,682	40,351
Insurance reimbursement	316	497
Rent income	9,420	9,315
Training	9,834	7,334
Management fees	5,880	5,880
Miscellaneous	<u>4,308</u>	<u>6,312</u>
Total operating receipts	<u>389,748</u>	<u>358,631</u>
Operating disbursements:		
Salaries and benefits	222,119	211,926
Office supplies, equipment and furniture	19,433	25,695
Travel	25,234	24,396
Telephone	4,910	4,702
Building maintenance, utilities and insurance	14,725	15,320
Well testing and abandonment	41,267	27,256
Food program expenses	-	97
Legal services	8,265	7,857
Miscellaneous	<u>7,331</u>	<u>10,032</u>
Total operating disbursements	<u>343,284</u>	<u>327,281</u>
Excess of operating receipts over operating disbursements	<u>46,464</u>	<u>31,350</u>
Non-operating disbursements:		
Funds transferred to ADLM Facilities Management	(29,738)	-
Community facility revenue bond payments	<u>(8,868)</u>	<u>(8,868)</u>
Total non-operating disbursements	<u>(38,606)</u>	<u>(8,868)</u>
Net change in cash basis net position	7,858	22,482
Cash basis net position beginning of year	<u>164,272</u>	<u>141,790</u>
Cash basis net position end of year	\$ <u>172,130</u>	<u>164,272</u>
Cash Basis Net position		
Unrestricted	\$ <u>172,130</u>	<u>164,272</u>

In fiscal year 2016, operating receipts increased approximately \$31,100 or 8.7%, from fiscal year 2015. In fiscal year 2016, operating disbursements increased approximately \$16,000 or 4.9%. The increase in total disbursements was primarily due to an increase in expenses related to well testing and abandonment.

LONG-TERM DEBT

At June 30, 2016, the Agency had three community facilities revenue bonds outstanding totaling \$152,020. Additional information about the Agency's bonds is presented in Note 5 to the financial statement.

ECONOMIC FACTORS

The current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency 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.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact ADLM Counties Environmental Public Health Agency, 12307 Highway 5, Moravia, Iowa 52571.

ADLM COUNTIES ENVIRONMENTAL
PUBLIC HEALTH AGENCY

Statement of Cash Receipts, Disbursements and
Changes in Cash Basis Net Position
Year Ended June 30, 2016

Operating receipts:	
Inspections and sales	\$ 73,658
Contributions from member counties	168,000
State grants for well abandonment and bioterrorism	40,682
Licenses and permits	77,650
Insurance reimbursement	316
Rent income	9,420
Training	9,834
Management fees	5,880
Miscellaneous	4,308
Total operating receipts	<u>389,748</u>
Operating disbursements:	
Salaries and benefits	222,119
Office supplies, equipment and furniture	19,433
Travel	25,234
Telephone	4,910
Building maintenance, utilities and insurance	14,725
Well testing and abandonment	41,267
Professional services	8,265
Miscellaneous	7,331
Total operating disbursements	<u>343,284</u>
Excess of operating receipts over operating disbursements	<u>46,464</u>
Non-operating disbursements:	
Funds transferred to ADLM Facilities Management	29,738
Community facility revenue bond payments:	
Principal	2,328
Interest	6,540
Net non-operating disbursements	<u>38,606</u>
Net change in cash basis net position	7,858
Cash basis net position beginning of year	<u>164,272</u>
Cash basis net position end of year	\$ <u><u>172,130</u></u>
Cash Basis Net Position	
Unrestricted	\$ <u><u>172,130</u></u>

See accompanying notes to financial statement.

ADLM COUNTIES ENVIRONMENTAL PUBLIC HEALTH AGENCY

Notes to Financial Statement June 30, 2016

Note 1 – Summary of Significant Accounting Policies

The counties of Appanoose, Davis, Lucas and Monroe entered into a 28E agreement in 2004 to establish a joint Commission composed of one representative from each county. Each member county has one vote.

Pursuant to Chapter 28E of the Code of Iowa, the Commission established and governs the ADLM Counties Environmental Public Health Agency. The primary purpose of the Agency is to enforce all rules and regulations (state and local) pertaining to public health for and on behalf of its member counties.

A. Reporting Entity

For financial reporting purposes, ADLM Counties Environmental Public Health 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. ADLM Counties Environmental Public Health Agency has no component units which meet the GASB criteria.

B. Basis of Presentation

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

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

The 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 the financial position and results of operations of the Agency in accordance with accounting principles generally accepted in the United States of America.

ADLM COUNTIES ENVIRONMENTAL PUBLIC HEALTH AGENCY

Notes to Financial Statement (Continued) June 30, 2016

Note 2 – Cash

The Agency's deposits in banks at June 30, 2016, 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 depositories to ensure there will be no loss of public funds.

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

The Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

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.

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, any time 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, except for members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

(continued)

ADLM COUNTIES ENVIRONMENTAL PUBLIC HEALTH AGENCY

Notes to Financial Statement (Continued) June 30, 2016

Note 3 – Pension Plan (Continued)

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.

Contributions

Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State 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 Actual Amortization Method adopted by the Investment Board.

In fiscal year 2016, 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 total contributions to IPERS for the year ended June 30, 2016 were \$14,979.

(continued)

ADLM COUNTIES ENVIRONMENTAL
PUBLIC HEALTH AGENCY

Notes to Financial Statement (Continued)
June 30, 2016

Note 3 – Pension Plan (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Agency's liability for its proportionate share of the collective net pension liability totaled \$112,726. The collective net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the 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, 2015, the Agency's collective proportion was .002267 percent, which was a decrease of .000148 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Agency's collective pension expense, deferred outflows and deferred inflows totaled \$9,506, \$21,673, and \$26,248, respectively.

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.0 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
Wage growth (effective June 30, 1990)	4.00 percent, per annum, based on 3.00 percent inflation and 1.00 percent real wage 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:

(continued)

ADLM COUNTIES ENVIRONMENTAL
PUBLIC HEALTH AGENCY

Notes to Financial Statement (Continued)
June 30, 2016

Note 3 – Pension Plan (Continued)

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core-plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	<u>1</u>	(0.71)
Total	<u>100%</u>	

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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Council's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease 6.5%</u>	<u>Discount Rate 7.5%</u>	<u>1% Increase 8.5%</u>
Agency's proportionate share of the net pension liability:	\$ <u>197,364</u>	<u>112,726</u>	<u>41,287</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

**ADLM COUNTIES ENVIRONMENTAL
PUBLIC HEALTH AGENCY**

**Notes to Financial Statement (Continued)
June 30, 2016**

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 omission; 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 four fiscal years.

Note 5 – Community Facility Revenue Bonds

On September 27, 2007, the Agency entered into three community facility revenue bonds with the U.S. Department of Agriculture, totaling \$170,000, to finance a portion of the costs to construct an office building, including the refunding of the community facility revenue bond anticipation note. Principal and interest on the three bonds require equal monthly payments totaling \$739, with interest at 4.25% per annum, commencing on October 27, 2007, and continuing through 2047. The three bonds have an outstanding balance of \$152,020 at June 30, 2016, and are due as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,517	6,351	8,868
2018	2,564	6,304	8,868
2019	2,675	6,193	8,868
2020	2,791	6,077	8,868
2021	2,912	5,956	8,868
Thereafter	<u>138,561</u>	<u>89,450</u>	<u>228,011</u>
Total	\$ <u>152,020</u>	<u>120,331</u>	<u>272,351</u>

Note 6 – Compensated Absences

Agency 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 Agency until used or paid. The Agency's approximate liability for earned vacation at June 30, 2016, was \$11,848. This liability has been computed based on rates of pay in effect at June 30, 2016.

Note 7 – Related Party Transactions

ADLM Counties Environmental Public Health Agency shares Commission members, employees, and office space with ADLM Counties Facilities Management Commission. During the year ended June 30, 2016, \$5,880 was received from ADLM Facilities Management Systems Commission for management fees. In addition, during the year ended June 30, 2016, \$29,738 was transferred to ADLM Facilities Management Systems for their share of contributions from member counties.

ADLM COUNTIES ENVIRONMENTAL
PUBLIC HEALTH AGENCY

Independent Auditors' Report on Internal Control
Schedule of Findings and Responses

June 30, 2016

Offices located in:
Burlington
(319) 753-9877
Cedar Rapids
(319) 393-2374
Centerville
(641) 437-4296
Fairfield
(641) 472-6171
Mt. Pleasant
(319) 385-3026



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Independent Auditors' 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 Members of ADLM Counties
Environmental Public Health Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of ADLM Counties Environmental Public Health Agency, which includes the financial statement as listed in the table of contents as of and for the year ended June 30, 2016, and have issued our report thereon dated February 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered ADLM Counties Environmental Public Health Agency'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 ADLM Counties Environmental Public Health Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of ADLM Counties Environmental Public Health Agency's internal control.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given those limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described as 2016-001 in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ADLM Counties Environmental Public Health Agency financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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*.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2016, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Agency. 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.

ADLM Counties Environmental Public Health Agency's Response to Findings

ADLM Counties Environmental Public Health Agency's responses to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. ADLM Counties Environmental Public Health Agency'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 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.

TD&T CPAs and Advisors, P.C.

Pella, Iowa
February 13, 2017

ADLM COUNTIES ENVIRONMENTAL
PUBLIC HEALTH AGENCY
Schedule of Findings and Responses
Year Ended June 30, 2016

The following finding is related to the financial statement which is required to be reported in accordance with generally accepted government auditing standards.

Significant Deficiencies

1) **Finding 2016-001: Segregation of Duties** – An 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 one person has control over each of the following areas for the Agency:

1. Accounting System – record keeping for revenues and expenses, and related reporting.
2. Receipts – collecting, depositing, journalizing and posting.
3. Payroll – changes to master list, preparation and distribution.
4. Bank Reconciliation – preparation and maintenance of accounting records.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. The Agency should continue to have the manager or another official review receipts, posting, and payroll on a test basis and bank reconciliations monthly.

Response – We will continue to have the manager or another official review receipts, posting, and payroll on a test basis and bank reconciliations monthly.

Conclusion – Response accepted.

Instances of Noncompliance

No matters were reported.

Other Findings Related to Statutory Reporting:

- (A) Official Depositories – The Agency has adopted a resolution naming official depositories and the depository amount was not exceeded.
- (B) Questionable Expenses – No expenses that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (C) Travel Expense – No expenditures of money for travel expenses of spouses of Agency officials or employees were noted.
- (D) Board Minutes – No transactions were found that we believe should have been approved in the Agency minutes but were not. All meeting minutes were published as required by Chapter 28E.6(3) of the Code of Iowa.
- (E) Deposits and Investments – No instance of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted.

ADLM COUNTIES ENVIRONMENTAL
PUBLIC HEALTH AGENCY

Staff

This audit was performed by:

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