

EMMET COUNTY COUNCIL OF GOVERNMENTS
ESTHERVILLE, IOWA

INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENT
AND OTHER INFORMATION
SCHEDULE OF FINDINGS

DECEMBER 31, 2015

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EMMET COUNTY COUNCIL OF GOVERNMENTS

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Gene Haukoos	Chairperson	Emmet County
Tim Schumacher	Vice-Chairperson	City of Estherville
Penny Clayton	Secretary-Treasurer	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
Terry Osher	Member	City of Wallingford
Jeff Quastad	Member	Emmet County

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, 2015, 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, 2015, 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.

Emphasis of Matter

As disclosed in Note 3 to the financial statements, the Emmet County Council of Governments adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

The other information, Management's Discussion and Analysis, the Schedule of the Council's Proportionate Share of the Net Pension Liability and the Schedule of Council Contributions information on pages 7 through 10 and on pages 24 through 28, has not been subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 27, 2016 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

BRINKMAN & REED, CPA's

September 27, 2016

Emmet County Council of Governments (ECCOG)
Estherville, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS - 2015

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, 2015. We encourage readers to consider this information in conjunction with ECCOG's financial statement, which follows:

2015 FINANCIAL HIGHLIGHTS

- ECCOG's operating receipts increased \$14,685 or 2.8% from 2014 to 2015.
- ECCOG's operating disbursements increased \$82,573 or 16% from 2014 to 2015.
- ECCOG's cash balance decreased \$53,268 or 19% from 2014 to 2015.

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 2015 are presented below:

	<u>2015</u>	<u>2014</u>
Operating Receipts:		
Solid Waste Income	\$497,703	\$475,138
Recycling Income	21,691	29,571
Emmet County Contribution	12,000	12,000
Total Operating Receipts	<u>\$531,394</u>	<u>\$516,709</u>
Operating Disbursements:		
Personnel Services:		
Operations Salaries	\$ 62,124	\$ 60,029
Extra Help	24,376	18,569
Employee Health Insurance	13,062	10,901
Administrative Salaries.....	6,000	6,000
Social Security	7,082	6,475
IPERS	7,944	7,526
Total Personnel Services	<u>\$ 120,588</u>	<u>\$ 109,500</u>
Operations:		
Landfill Fees	\$344,849	\$322,805
Equipment Maintenance	16,607	7,188
Recycling Supplies.....	720	1,180
Insurance and Bonds	13,553	14,183
Diesel Fuel.....	8,799	10,702
Household Hazardous Waste Fees.....	992	9,455
Building Maintenance.....	2,377	3,473
Electricity	3,727	4,130
Professional Services.....	4,300	4,100
Natural Gas.....	3,143	3,472
Engineering Services	190	143

Emmet County Council of Governments (ECCOG)
Estherville, Iowa

Operating Disbursements:		
Operations (Continued):		
Miscellaneous	\$ 576	\$ 634
Equipment Hire	-0-	35
Office Supplies.....	971	1,051
Road Gravel.....	-0-	-0-
Printing.....	350	225
Postage.....	185	298
Telephone.....	546	562
Water.....	437	436
Gas and Oil.....	428	136
Sanitary Sewer.....	480	480
Clothing Allowance.....	128	-0-
Total Operations.....	\$403,358	\$384,688
Operating Disbursements:	<u>2015</u>	<u>2014</u>
Capital Improvements:		
Closure/Post-Closure Costs.....	\$ -0-	\$ -0-
New Equipment.....	63,640	10,825
Building Improvements.....	-0-	-0-
Total Capital Improvements.....	63,640	10,825
Total Operating Disbursements	<u>\$587,586</u>	<u>\$505,013</u>
Excess of Operating Receipts		
Over Operating Disbursements	\$(56,192)	\$ 11,696
Non-Operating Receipts:		
Interest on Investments.....	699	729
Other Income	2,225	-0-
Net Non-Operating Receipts	\$ 2,924	\$ 729
Change in Cash Balance	\$(53,268)	\$ 12,425
Cash Balance Beginning of Year	<u>\$278,262</u>	<u>265,837</u>
Cash Balance End of Year	<u>\$224,994</u>	<u>\$278,262</u>
Cash Basis Fund Balance:		
Restricted for Closure.....	\$ 4,000	\$ 4,000
Unrestricted	<u>220,994</u>	<u>274,262</u>
Total Cash Basis Fund Balance.....	<u>\$224,994</u>	<u>\$278,262</u>

Emmet County Council of Governments (ECCOG)
Estherville, Iowa

In 2015 total operating receipts were \$531,394, a \$14,685 (2.8%) increase from 2014. In 2015, total operating disbursements were \$587,586, an \$82,573 (16%) increase from 2014. The increase in revenue was due to an increase in waste disposal. The increase in disbursements was a result of increased landfill costs and capital equipment purchases including a new tractor and forklift.

A small portion of ECCOG's cash balance, \$4,000 (1.7%), 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, \$220,994 (98.3%), is unrestricted and can be used to meet ECCOG's obligations as they come due. The unrestricted cash balance decreased by \$53,268 in 2015. 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, 2015, ECCOG had no long-term debt.

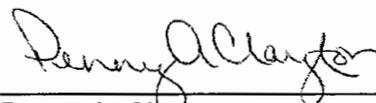
ECONOMIC FACTORS

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

9-21-16

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, 2015

Exhibit A

Operating Receipts:	
Solid Waste Income	\$ 497,703
Recycling Income	21,691
Emmet County Contribution	<u>12,000</u>
Total Operating Receipts	<u>531,394</u>
Operating Disbursements:	
Personnel Services:	
Operations Salaries	62,124
Extra Help	24,376
Employee Health Insurance	13,062
IPERS	7,944
Social Security	7,082
Administrative Salaries	<u>6,000</u>
Total Personnel Services	<u>120,588</u>
Operations:	
Landfill Fees	344,849
Equipment Maintenance	16,607
Insurance and Bonds	13,553
Diesel Fuel	8,799
Professional Services	4,300
Electricity	3,727
Natural Gas	3,143
Building Maintenance	2,377
Household Hazardous Waste Fees	992
Office Supplies	971
Recycling Supplies	720
Miscellaneous	576
Telephone	546
Sanitary Sewer	480
Water	437
Gas and Oil	428
Printing	350
Engineering Services	190
Postage	185
Clothing Allowance	<u>128</u>
Total Operations	<u>403,358</u>

EMMET COUNTY COUNCIL OF GOVERNMENTS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCE
YEAR ENDED DECEMBER 31, 2015

Exhibit A

Operating Disbursements (Continued):	
Capital Improvements:	
New Equipment	<u>63,640</u>
Total Capital Improvements	<u>63,640</u>
Total Operating Disbursements	<u>587,586</u>
Deficiency of Operating Receipts	
Under Operating Disbursements	<u>(56,192)</u>
Non-Operating Receipts:	
Interest on Investments	699
Other Income	<u>2,225</u>
Net Non-Operating Receipts	<u>2,924</u>
Change in Cash Balance	(53,268)
Cash Balance Beginning of Year	<u>278,262</u>
Cash Balance End of Year	<u>\$ 224,994</u>
Cash Basis Fund Balance	
Restricted for:	
Closure	\$ 4,000
Unrestricted	<u>220,994</u>
Total Cash Basis Fund Balance	<u>\$ 224,994</u>

EMMET COUNTY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2015

(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, 2015

D. Cash Basis Fund Balance

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, 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.

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 Plan

Plan Description – IPERS membership is mandatory for employees of the Council, except for those covered by another retirement system. Employees of the Council 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, 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:

EMMET COUNTY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENT - CONTINUED
DECEMBER 31, 2015

(3) Pension Plan – Continued

- A multiplier based on years of service.
- The member's highest five-year average salary, except 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.

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 on or after July 1, 2012, the reduction is 0.50 percent for each month 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 Actuarial Amortization Method adopted by the Investment Board.

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

The Council's contributions to IPERS for the year ended December 31, 2015 were \$7,944.

EMMET COUNTY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENT - CONTINUED
DECEMBER 31, 2015

(3) Pension Plan - Continued

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At December 31, 2015, the Council's liability for its proportionate share of the collective net pension liability totaled \$58,822. 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 Council's proportion of the net pension liability was based on the Council's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015 the Council's proportion was 0.001191 percent, which was a decrease of 0.000073 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Council's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$4,961, \$11,310 and \$13,696, 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)	3.00 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.
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, 2015 evaluation 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 IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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 or arithmetic real rates of return for each major asset class are summarized in the following table:

EMMET COUNTY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENT - CONTINUED
DECEMBER 31, 2015

(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	1	(0.71)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Council will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' 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 Council's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Council's proportionate share of the net pension liability would be if it were calculated used a discount rate 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

	1 % Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Council's proportionate share of The net pension liability	\$102,987	\$58,822	\$21,544

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(4) Other Postemployment Benefits (OPEB)

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

EMMET COUNTY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENT - CONTINUED
DECEMBER 31, 2015

(4) Other Postemployment Benefits (OPEB) - Continued

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 \$588 for single coverage. For the year ended December 31, 2015, the Council contributed \$13,062 and plan members eligible for benefits contributed \$0 to the plan.

(5) 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 which have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles which will remain on site, including the rinsing of all surfaces which have come in contact with solid waste, and the removal and proper management of all washwater in the washwater management system.

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

The total closure care costs for the Council as of December 31, 2015 have been estimated to be \$3,730. The balance has been restricted and is fully funded at December 31, 2015.

(6) Risk Management

The Council is a member of 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 727 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 casualty 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 estimated for the fiscal year, plus all or any portion

EMMET COUNTY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENT - CONTINUED
DECEMBER 31, 2015

(6) Risk Management – Continued

of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

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, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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, 2015 were \$7,118.

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 \$250,000 each occurrence, each location. Property risks exceeding \$250,000 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.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Council's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The Council does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at December 31, 2015, no liability has been recorded in the Council's financial statements. As of December 31, 2015, settled claims have not exceeded the risk pool of 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

EMMET COUNTY COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENT - CONTINUED
DECEMBER 31, 2015

(6) Risk Management – Continued

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 workers compensation and employee bonds. 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.

(7) Landfill Operator Contract

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. For these services, the Operator was paid \$324,863 during the year ended December 31, 2015.

(8) 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 December 31, 2015 was \$1,583. This liability has been computed based on rates of pay in effect at December 31, 2015.

(9) 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, 2015, the customer accounted for approximately 48% of revenues.

(10) Major Supplier

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

Other Information

Emmet County Council of Governments
 Schedule of the Council's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
 Last Fiscal Year*

Other Information

	2015
Council's proportion of the net pension liability	0.001191%
Council's proportionate share of the net pension liability	\$58,822
Council's covered-employee payroll	\$81,568
Council's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.11%
Plan fiduciary net position as a percentage of the total pension liability	85.19%

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

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Council will present information for those years for which information is available.

Emmet County Council of Governments
Schedule of Council Contributions

Iowa Public Employees' Retirement System
Last Fiscal Year
Other Information

	<u>2015</u>
Statutorily required contribution	\$ 7,944
Contributions in relation to the statutorily required contribution	<u>(7,944)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Council's covered-employee payroll	\$ 88,957
Contributions as a percentage of covered-employee payroll	8.93%

See accompanying independent auditors' report

Emmet County Council of Governments
Notes to Other Information – Pension Liability
Year ended December 31, 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.

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.
- 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.

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, 2015, and the related Notes to Financial Statement, and have issued our report thereon dated September 27, 2016. 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.

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. 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. We consider the deficiency described in the accompanying Schedule of Findings as item II-A-15 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, 2015 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 results 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 the Emmet County Council of Governments during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Brinkman + Reed, CPA's

BRINKMAN & REED, CPA's

September 27, 2016

EMMET COUNTY COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2015

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 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 statement.
- (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, 2015

Part II: Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

II-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. 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-15 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-15 Travel Expense - No disbursements of Council money for travel expenses of spouses of Council officials or employees were noted.

III-C-15 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not. However, the minutes, including the schedule of bills allowed, were not published as required by Chapter 28E.6(3) of the Code of Iowa.

Recommendation – The Council should ensure the minutes, including the schedule of bills allowed, are published as required.

Response – We will consider this.

Conclusion - Response accepted.

EMMET COUNTY COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2015

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

III-D-15 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-15 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, 2015	<u>\$ 4,000</u>
Amount Council has restricted for closure care at December 31, 2015	<u>\$ 4,000</u>