OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE December 6, 2017

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the ADLM Counties Environmental Public Health Agency.

The Agency had total receipts of $417,113 for the year ended June 30, 2017, a 7% increase over the prior year. The receipts included contributions from member counties of $180,000, inspection and sales of $75,128 and permits of $69,565.

Disbursements for the year ended June 30, 2017 totaled $392,902, a 3% increase over the prior year, and included $228,308 for salaries and benefits, $47,529 for well testing and abandonment, and $25,371 for office supplies, equipment and furniture.

A copy of the audit report is available for review in the ADLM Counties Environmental Public Health Agency's office, in the Office of Auditor of State and on the Auditor of State's web site at https://auditor.iowa.gov/reports/1714-0014-B00F.

# # #

ADLM COUNTIES ENVIRONMENTAL PUBLIC HEALTH AGENCY

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

JUNE 30, 2017

1714-0014-B00F

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ADLM Counties Environmental Public Health Agency

Agency Members

Name	Title	Representing
Larry Davis	Chair	Lucas County
Mark Waits	Vice Chair	Appanoose County
Denny Amoss	Secretary	Monroe County
Alan Yahnke	Member	Davis County

Officials

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

ADLM Counties Environmental Public Health Agency

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Independent Auditor's Report

To the Members of the ADLM Counties Environmental Public Health Agency:

Report on the Financial Statement

We have audited the accompanying financial statement of the ADLM Counties Environmental Public Health Agency as of and for the year ended June 30, 2017, 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 Agency'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 Agency'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 ADLM Counties Environmental Public Health Agency as of June 30, 2017, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Other Information

The other information, Management's Discussion and Analysis, the Schedule of the Agency's Proportionate Share of the Net Pension Liability and the Schedule of Agency Contributions on pages 7 through 9 and 25 through 29, 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 November 14, 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 solely 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 effectiveness of the Agency's 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 ADLM Counties Environmental Public Health Agency's internal control over financial reporting and compliance.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

November 14, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The 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 of the ADLM Counties Environmental Public Health Agency is for the year ended June 30, 2017. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

2017 FINANCIAL HIGHLIGHTS

- Operating receipts increased 7%, or approximately $27,400, from fiscal year 2016 to fiscal year 2017.

- Operating disbursements increased 4.0%, or approximately $13,800, from fiscal year 2016 to fiscal year 2017.

- The Agency's cash balance increased 14%, or approximately $24,200, from June 30, 2016 to June 30, 2017.

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 U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the 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.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the 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 the Agency's financial activities.

- The Statement of Cash Receipts, Disbursements and Changes in Cash Balance presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's cash basis financial position has improved or deteriorated as a result of the year's activities.

- Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

- Other Information further explains and supports the Agency's proportionate share of the net pension liability and related contributions.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

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 or decrease in the Agency's cash balance.

Operating receipts are received for contributions from member counties, operating grants, permits, inspection and sales, training fees and state grants. 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 balance for the years ended June 30, 2017 and June 30, 2016 is as follows:

Changes in Cash Balance		
	Year ended June 30,	
	2017	2016
Operating receipts:		
Contributions from member counties	$ 180,000	168,000
Rent income	9,420	9,420
State grants	61,733	40,682
Management fees	5,880	5,880
Inspection and sales	75,128	73,658
Permits	69,565	77,650
Training fees	11,911	9,834
Refunds and reimbursements	2,027	316
Miscellaneous	1,449	4,308
Total operating receipts	417,113	389,748
Operating disbursements:		
Salaries and benefits	228,308	222,119
Well testing and abandonment	47,529	41,267
Travel and training	23,476	25,234
Office supplies, equipment and furniture	25,371	19,433
Building maintenance, utilities and insurance	16,717	14,725
Professional services	8,244	8,265
Telephone	4,725	4,910
Miscellaneous	2,664	7,331
Total operating disbursements	357,034	343,284
Excess of operating receipts over operating disbursements	60,079	46,464
Non-operating disbursements:		
Funds transferred to ADLM Facilities Management	(27,000)	(29,738)
Community facility revenue bond payments	(8,868)	(8,868)
Net non-operating disbursements	(35,868)	(38,606)
Change in cash balance	24,211	7,858
Cash balance beginning of year	172,130	164,272
Cash balance end of year	$ 196,341	172,130
Cash Basis Fund Balance		
Unrestricted	$ 196,341	172,130

In fiscal year 2017, operating receipts increased $27,365, or 7%, over fiscal year 2016. The increase was primarily a result of the contributions from member counties increasing $12,000 to help pay off long term debt and an increase in grant income of $21,051. In fiscal year 2017, operating disbursements increased $13,750, or 4.0%, over fiscal year 2016. The increase in disbursements was primarily due to an increase in well testing in fiscal year 2017.

All of the Agency's cash balance, $196,341 (100%), is unrestricted and can be used to meet the Agency's obligations as they come due. The unrestricted cash balance increased $24,211, or 14%, during the year primarily due to an increase in grant income for well testing and closing.

LONG-TERM DEBT

At June 30, 2017, the Agency had three community facilities revenue bonds outstanding totaling $150,176. Additional information about the Agency's bonds is present in Note 6 to the financial statement.

ECONOMIC FACTORS

The financial position of the Agency improved in the current fiscal year as more grant receipts increased its cash balance. The current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities which may potentially become challenges for the Agency to meet are:

- Facilities and equipment 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, customers and creditors with a general overview of the Agency'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 the ADLM Counties Environmental Public Health Agency, 12307 Highway 5, Moravia, Iowa 52571.

ADLM Counties Environmental Public Health Agency

Financial Statement

ADLM Counties Environmental Public Health Agency

ADLM Counties Environmental Public Health Agency

Statement of Cash Receipts, Disbursements and
Changes in Cash Balance

Year ended June 30, 2017

Operating receipts:	
Contributions from member counties	$ 180,000
Rent income	9,420
State grants	61,733
Management fees	5,880
Inspection and sales	75,128
Permit	69,565
Training	11,911
Refunds and reimbursements	2,027
Miscellaneous	1,449
Total operating receipts	417,113
Operating disbursements:	
Salaries and benefits	228,308
Well testing and abandonments	47,529
Travel and training	23,476
Office supplies, equipment and furniture	25,371
Building maintenance, utilities and insurance	16,717
Legal services	8,244
Telephone	4,725
Miscellaneous	2,664
Total operating disbursements	357,034
Excess of operating receipts over operating disbursements	60,079
Non-operating disbursements:	
Funds transferred to ADLM Facilities Management	(27,000)
Community facility revenue bond payments	(8,868)
Net non-operating disbursements	(35,868)
Change in cash balance	24,211
Cash balance beginning of year	172,130
Cash balance end of year	$ 196,341
Cash Basis Fund Balance	
Unrestricted	$ 196,341

See notes to financial statements.

ADLM Counties Environmental Public Health Agency

(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 Agency composed of one representative from each county. Each member county has one vote.

Pursuant to Chapter 28E of the Code of Iowa, the Agency 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.

(2) Cash

The Agency's deposits in banks at June 30, 2017 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 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. 72.

(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 the 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, PO 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 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% for each month 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% 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 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 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the Agency contributed 8.93% of covered payroll, for a total rate of 14.88%.

The Agency's contributions to IPERS for the year ended June 30, 2017 totaled $15,389.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the Agency had a liability of $147,305 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the Agency's proportion was 0.002341%, which was an increase of 0.000059% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Agency's pension expense, deferred outflows of resources and deferred inflows of resources totaled $17,471, $42,764 and $19,987, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	 3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 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 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 of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. 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 Agency 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 Agency'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 7.50%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Agency's proportionate share of the net pension liability	$ 238,320	147,305	70,488

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 Agency operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 4 active members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Agency and plan members are $520 to $851 for single coverage. For the year ended June 30, 2017, the Agency contributed $27,309 to the plan.

(5) Risk Management

The Agency 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 753 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 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 property 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 Agency's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The Agency's contributions to the Pool for the year ended June 30, 2017 were $3,140.

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 $500,000 per claim. Claims exceeding $500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Agency'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 Agency'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 Agency'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.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

(6) 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 2048. The three bonds have an outstanding balance of $150,176 at June 30, 2017, and are due as follows:

	Community Facility Revenue Bonds			
Year	Issued September 27, 2007			
Ending June 30,	Interest Rates	Principal	Interest	Total
2018	4.25%	$ 2,564	6,304	8,868
2019	4.25%	2,675	6,193	8,868
2020	4.25%	2,791	6,077	8,868
2021	4.25%	2,912	5,956	8,868
2022	4.25%	2,936	5,932	8,868
2023-2027	4.25%	16,660	27,680	44,340
2028-2032	4.25%	20,514	23,826	44,340
2033-2037	4.25%	25,260	19,080	44,340
2038-2042	4.25%	31,104	13,236	44,340
2043-2047	4.25%	38,300	6,040	44,340
2048	4.25%	4,460	552	5,012
Total		$ 150,176	120,876	271,052

(7) 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, 2017 was $7,300. This liability has been computed based on rates of pay in effect at June 30, 2017.

(8) Related Party Transactions

ADLM Counties Environmental Public Health Agency shares Agency members, employees, and office space with ADLM Counties Facilities Management Agency. During the year ended June 30, 2017, $5,880 was received from ADLM Facilities Management Systems Agency for management fees. In addition, during the year ended June 30, 2017, $27,000 was transferred to ADLM Facilities Management Systems as its share of contributions from member counties.

(9) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information.

ADLM Counties Environmental Public Health Agency

Other Information

ADLM Counties Environmental Public Health Agency

ADLM Counties Environmental Public Health Agency

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

Iowa Public Employees' Retirement System
For the Last Three Years*

Other Information

	2017	2016	2015
Agency's proportion of the net pension liability	0.002341%	0.002282%	0.002415%
Agency's proportionate share of the net pension liability	$ 147,305	112,726	95,773
Agency's covered-employee payroll	$ 167,974	156,316	263,639
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.70%	72.11%	36.33%
IPERS' net position as a percentage of the total 'pension liability	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

ADLM Counties Environmental Public Health Agency

Schedule of Agency Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years

Other Information

		2017	2016	2015	2014
Statutorily required contribution	$	15,389	15,000	13,959	23,543
Contributions in relation to the statutorily required contribution		(15,389)	(15,000)	(13,959)	(23,543)
Contribution deficiency (excess)	$	-	-	-	-
Agency's covered-employee payroll	$	172,328	167,974	156,316	263,639
Contributions as a percentage of covered-employee payroll		8.93%	8.93%	8.93%	8.93%

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
16,692	23,313	14,182	11,265	11,138	9,655
(16,692)	(23,313)	(14,182)	(11,265)	(11,138)	(9,655)
-	-	-	-	-	-
192,526	288,885	204,058	169,398	175,402	159,587
8.67%	8.07%	6.95%	6.65%	6.35%	6.05%

ADLM Counties Environmental Public Health Agency

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for 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% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 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% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% 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 (unfunded actuarial liability) 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.

ADLM Counties Environmental Public Health Agency

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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

To the Members of the ADLM Counties Environmental Public Health Agency:

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 the ADLM Counties Environmental Public Health Agency as of and for the year ended June 30, 2017, and the related Notes to Financial Statement, and have issued our report thereon dated November 14, 2017. 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 the ADLM Counties Environmental Public Health Agency's 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 the ADLM Counties Environmental Public Health Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the ADLM Counties Environmental Public Health Agency'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 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 have not been identified. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the ADLM Counties Environmental Public Health Agency's 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 the Agency's operations for the year ended June 30, 2017 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.

The ADLM Counties Environmental Public Health Agency's Responses to the Findings

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the ADLM Counties Environmental Public Health Agency 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.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

November 14, 2017

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Agency's financial statements.

Condition – Generally, one or two individuals in the office may have control over the following areas for which no compensating controls exist:

(1) Bank reconciliations are not prepared by someone who doesn't sign checks, handle or record cash.

(2) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.

(3) Accounts receivable and collections and records are done by the same person.

Cause – The Agency has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Agency's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The Agency should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

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

Conclusion – Response accepted.

(B) Monthly Bank Reconciliation

Criteria – An effective internal control system provides for internal controls related to reconciling monthly financial reports to all bank accounts and investments.

Condition – Although monthly bank reconciliations were prepared, the reconciliations did not include all bank accounts and investments necessary to reconcile with the monthly financial reports.

Cause – Policies have not been established and procedures have not been implemented to a complete bank reconciliation of all accounts and investments.

Effect – Lack of performing and maintaining bank reconciliations and lack of review by an independent person could result in undetected errors or unauthorized activity.

Recommendation – The Agency should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely. Procedures should be established to ensure all financial reports reconcile and include all Agency activity.

Response – We have established a policy and procedures to ensure bank and investment account balances are reconciled to the general ledger monthly. Variances, if any, will be reviewed and resolved timely. Procedures were established to ensure all financial reports reconcile and include all Agency activity on October 18, 2017.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

(1) 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.

(2) Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.

(3) Agency Minutes – No transactions were found that we believe should have been approved in the Agency minutes but were not.

Summaries of the minutes were not published timely. Bills and annual salaries were not published. Chapter 28E.6(3)(a) of the Code of Iowa requires the Agency to publish a summary of the proceedings of each regular, adjourned or special meeting of the Board, including the schedule of bills allowed. This information is to be published in one newspaper of general circulation within the geographic area served by the Agency within 20 days following adjournment of the meeting. This section also requires the names and gross salaries of persons regularly employed be published annually.

Recommendation – The Agency should publish a summary of minutes, bills and annual salaries in accordance with Chapter 28E.6(3)(a) of the Code of Iowa.

Response – We will now publish a summary of the minutes, bills and annual salaries in accordance with Chapter 28E.6(3)(a) of the Code of Iowa.

Conclusion – Response accepted.

(4) Deposits and Investments – Except that the Agency does not have an investment policy, no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa.

Recommendation – The Agency should establish an investment policy.

Response – The investment policy was approved by the Agency on October 18, 2017.

Conclusion – Response accepted.

Staff

This audit was performed by:

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Premnarayan Gobin, Staff Auditor
Elin M. Landgren, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State