OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE February 26, 2016

Contact: Andy Nielsen
515-281-5834

Auditor of State Mary Mosiman today released an audit report on the Pocahontas County Solid Waste Commission.

The Commission had total receipts of $344,355 for the year ended June 30, 2015, a 4.8% increase over the prior year. The receipts included city assessments of $201,788, county assessments of $104,584 and gate and recycling fees of $34,142.

Disbursements for the year ended June 30, 2015 totaled $302,887, a 22.7% decrease from the prior year, and included $131,501 for landfill disposal fees, $91,750 for salaries and benefits and $17,124 for recycling. The decrease in disbursements is due primarily to the purchase of a garbage trailer during fiscal year 2014.

A copy of the audit report is available for review in the Pocahontas County Solid Waste Commission's office, in the Office of Auditor of State and on the Auditor of State's web site at http://auditor.iowa.gov/reports/1514-2319-B00F.pdf.

# # #

POCAHONTAS COUNTY SOLID WASTE COMMISSION

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

JUNE 30, 2015

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Pocahontas County Solid Waste Commission

Officials

Name	Title	Representing
Jeffrey Ives	Chairperson	Pocahontas County
JoAnn Peters	Vice Chairperson	Pocahontas County
Angela Schneider	Secretary	City of Rolfe
Eric List	Member	City of Pocahontas
Denise Krischel	Member	City of Havelock
Julie Potter	Member	City of Laurens
JM Winger	Member	City of Plover
Dennis Hallberg	Member	City of Palmer
Chris Archer	Member	City of Varina
Dean Beneke	Manager	
Jeffrey Johnson	Treasurer	

Pocahontas County Solid Waste Commission

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Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report

To the Members of the Pocahontas County
Solid Waste Commission:

Report on the Financial Statement

We have audited the accompanying financial statement of the Pocahontas County Solid Waste Commission as of and for the year ended June 30, 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 Commission'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 Commission'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 Pocahontas County Solid Waste Commission as of June 30, 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 discussed 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 a Matter

As discussed in Note 3, the Pocahontas County Solid Waste Commission 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 Commission's Proportionate Share of the Net Pension Liability and the Schedule of Commission Contributions on pages 7 through 9 and 19 through 23, 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 January 26, 2016 on our consideration of the Pocahontas County Solid Waste Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Pocahontas County Solid Waste Commission's internal control over financial reporting and compliance.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

Warren Jenkins

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 26, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Pocahontas County Solid Waste Commission (PCSWC) provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Pocahontas County Solid Waste Commission is for the year ended June 30, 2015. We encourage readers to consider this information in conjunction with the Commission's financial statement, which follows.

2015 FINANCIAL HIGHLIGHTS

- Operating receipts increased 5.0%, or approximately $16,300, from fiscal year 2014 to fiscal year 2015.
- Operating disbursements decreased 4.7%, or approximately $15,100, from fiscal year 2014 to fiscal year 2015.
- The Commission's cash balance increased 10.8%, or approximately $41,500, from June 30, 2014 to June 30, 2015.

USING THIS ANNUAL REPORT

The PCSWC 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 PCSWC's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Balance presents information on the PCSWC's operating receipts and disbursements, non-operating receipts and disbursements and whether the PCSWC'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 Commission's proportionate share of the net pension liability and related contributions.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

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

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the PCSWC. Operating disbursements are disbursements paid to operate the transfer station. Non-operating receipts and disbursements are for interest on investments and capital outlay. A summary of cash receipts, disbursements and changes in cash balance for the years ended June 30, 2015 and June 30, 2014 is as follows:

Changes in Cash Basis Net Assets		
	Year ended June 30,	
	2015	2014
Operating receipts:		
City assessments	$ 201,788	191,969
County assessments	104,584	97,542
Gate and recycling fees	34,142	34,507
Refunds	-	166
Total operating receipts	340,514	324,184
Operating disbursements:		
Salaries and benefits	91,750	88,049
Operator and recycling contracts	150,155	150,386
Other	60,982	79,529
Total operating disbursements	302,887	317,964
Excess of operating receipts over operating disbursements	37,627	6,220
Non-operating receipts (disbursements):		
Interest on investments	3,841	4,357
Capital outlay	-	(73,624)
Net non-operating receipts (disbursements)	3,841	(69,267)
Change in cash balance	41,468	(63,047)
Cash balance beginning of year	383,083	446,130
Cash balance end of year	$ 424,551	383,083

In fiscal year 2015, operating receipts increased $16,330, or 5.0%, over fiscal year 2014 and operating disbursements decreased $15,077, or 4.7%, from fiscal year 2014.

The smaller portion of the PCSWC's cash basis fund balance (1.9%) is restricted for closure care. The remaining portion (98.1%) is unrestricted cash basis fund balance which is available to meet the PCSWC's obligations as they come due. The PCSWC has historically designated a portion of the unrestricted cash basis fund balance for the purpose of replacing capital assets as the need arises. At June 30, 2015, the PCSWC's designated funds totaled $264,113.

LONG-TERM DEBT

At June 30, 2015, the Commission had no long term debt outstanding.

ECONOMIC FACTORS

The PCSWC's cash basis financial position increased 10.8% over the prior year, primarily due to the purchase of a garbage trailer in fiscal year 2014. The current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities which may potentially become challenges for the Commission 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.
- Annual deposits required to be made to closure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The PCSWC anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the PCSWC's ability to react to unknown issues.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the PCSWC'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 PCSWC by mail at, P.O. Box 98, Pocahontas, Iowa 50574, by telephone at 712-335-3301 or by email at jeff@jeffjohnsonaccounting.com.

Exhibit A

Pocahontas County Solid Waste Commission

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

Year ended June 30, 2015

Operating receipts:		
City assessments	$	201,788
County assessments		104,584
Gate and recycling fees		34,142
Total operating receipts		340,514
Operating disbursements:		
Salaries and benefits		91,750
Landfill disposal fees		131,501
Recycling		17,124
Insurance		14,394
Hazardous waste disposal		1,530
Tonnage fees remitted to Landfill Operator		13,251
Legal, accounting and auditing		12,590
Utilities and telephone		4,988
Advertising and supplies		2,364
Truck expense		10,623
Repair and maintenance		1,518
Miscellaneous		1,254
Total operating disbursements		302,887
Excess of operating receipts over operating disbursements		37,627
Non-operating receipts (disbursements):		
Interest on investments		3,841
Change in cash balance		41,468
Cash balance beginning of year		383,083
Cash balance end of year	$	424,551
Cash Basis Fund Balance		
Restricted for closure care	$	8,000
Unrestricted		416,551
Total cash basis fund balance	$	424,551

See notes to financial statement.

(1) Summary of Significant Accounting Policies

The Pocahontas County Solid Waste Commission was formed in 1974 pursuant to the provisions of Chapter 28E of the Code of Iowa. The Commission was established for the purpose of developing, operating and maintaining sanitary disposal and recycling facilities for the units of government that are parties to the agreement. The participating units of government include the cities of Havelock, Laurens, Palmer, Plover, Rolfe, Varina and Pocahontas and Pocahontas County.

In performing its duties, the Commission may cooperate, contract with and accept and expend funds from federal, state or local agencies, public or semi-public, private individuals or corporations, and may carry out such cooperative undertakings and contracts as provided by law. The Commission also is empowered to fix, establish and maintain rates and charges to produce revenues to pay the necessary costs of operation and maintenance. Currently, the Commission contracts for landfill operations.

A. Reporting Entity

For financial reporting purposes, the Pocahontas County Solid Waste Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission 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 Commission are such that exclusion would cause the Commission'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 Commission 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 Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Commission 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 Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Commission 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 payable for closure care. Accordingly, the financial statement does not present the financial position and results of operations of the Commission in accordance with U.S. generally accepted accounting principles.

D. Cash Basis Fund Balance

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

(2) Cash and Investments

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

The Commission 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 Commission; 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 Commission 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 Commission, except for those covered by another retirement system. Employees of the Commission 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, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% 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.

<u>Disability and Death Benefits</u> - 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.

<u>Contributions</u> - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. 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 2015, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the Commission contributed 8.93% for a total rate of 14.88%.

The Commission's contributions to IPERS for the year ended June 30, 2015 were $5,652.

<u>Collective Net Pension Liability, Collective Pension Expense, Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions</u> – At June 30, 2015, the Commission's liability for its proportionate share of the collective net pension liability totaled $36,794. The collective net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the collective net pension liability was based on the Commission's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the Commission's proportion was 0.000928%, which was an increase of 0.000074% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Commission's collective pension expense, collective deferred outflows of resources and collective deferred inflows of resources totaled $2,754, $2,024 and $14,032, respectively.

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

Rate of inflation (effective June 30, 2014)	3.00% 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

The actuarial assumptions used in the June 30, 1014 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**
US Equity	23%	6.31%
Non US Equity	15	6.67
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	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 Commission 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 Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Commission'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%)
Commission's proportionate share of the net pension liability	$ 69,522	$ 36,794	$ 9,169

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 Commission operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 2 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the Commission. The Commission currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Commission and plan members are $676.50 for single coverage and $1,515.00 for family coverage. For the year ended June 30, 2015, the Commission contributed $18,142 and plan members eligible for benefits contributed $5,950 to the plan.

(5) Risk Management

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

(6) Solid Waste Disposal Contract

The Commission entered into a contract with the City of Spencer (Landfill Operator) for the disposal of all solid waste which has been collected at the Commission's transfer station. Under the contract, the Landfill Operator accepts the solid waste for disposal according to applicable rules, laws and regulations. During the year ended June 30, 2015, the Landfill Operator was paid $131,501 under this contract and an additional $13,251 in tonnage fees mandated by the Iowa Department of Natural Resources.

(7) Recyclable Material Disposal Contract

The Commission entered into a contract for the disposal of recyclable material. Under the contract, the contractor accepts and disposes of recyclable material collected at drop-boxes and recyclable material delivered to them. During the year ended June 30, 2015, the contractor was paid $7,209 under this contract.

(8) Appliance Recycling Contract

The Commission entered into a contract for the purpose of recycling appliances. During the year ended June 30, 2015, the contractor was not paid under this contract.

(9) Compensated Absences

Commission 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 Commission until used or paid. The Commission's approximate liability for earned vacation at June 30, 2015 was $2,500. This liability has been computed based on rates of pay in effect at June 30, 2015.

(10) Transfer Station Closure Care

To comply with state regulations, the Commission is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces that have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles that will remain on site, including the rinsing of all surfaces that 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 Commission 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 in the current period.

The total closure care costs for the Commission as of June 30, 2015 have been estimated at $14,000. Assets of $8,000 are restricted for these purposes and are reported as restricted cash basis fund balance in the Statement of Cash Receipts, Disbursements and Changes in Cash Balance.

(11) Designated Balance

The Commission maintains $264,113 as a designated balance in a separate ledger account identified for specific types of equipment.

Other Information

Pocahontas County Solid Waste Commission

Pocahontas County Solid Waste Commission

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

Iowa Public Employees' Retirement System
Last Fiscal Year

Other Information

		2015
Commission's proportion of the net pension liability		0.000928%
Commission's proportionate share of the net pension liability	$	36,794
Commission's covered-employee payroll	$	61,067
Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll		60.25%
Plan fiduciary net position as a percentage of the total pension liability		87.61%

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

See accompanying independent auditor's report.

Pocahontas County Solid Waste Commission

Schedule of Commission Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years

Other Information

	2015	2014	2013	2012
Statutorily required contribution	$ 5,652	5,421	4,857	4,054
Contributions in relation to the statutorily required contribution	(5,652)	(5,421)	(4,857)	(4,054)
Contribution deficiency (excess)	$ -	-	-	-
Commission's covered-employee payroll	$ 63,287	61,067	60,870	55,785
Contributions as a percentage of covered-employee payroll	8.93%	8.88%	7.98%	7.27%

See accompanying independent auditor's report.

2011	2010	2009	2008	2007	2006
3,313	2,978	3,006	2,983	2,435	2,596
(3,313)	(2,978)	(3,006)	(2,983)	(2,435)	(2,596)
-	-	-	-	-	-
56,395	54,363	50,725	49,417	45,285	46,000
5.87%	5.48%	5.93%	6.04%	5.38%	5.64%

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% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

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

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

Changes of assumptions:

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

- Decreased the inflation assumption from 3.25% 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.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

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

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

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

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

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

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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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 Pocahontas County Solid Waste Commission:

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 Pocahontas County Solid Waste Commission as of and for the year ended June 30, 2015, and the related Notes to Financial Statement, and have issued our report thereon dated January 26, 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 the Pocahontas County Solid Waste Commission'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 Pocahontas County Solid Waste Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pocahontas County Solid Waste Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Pocahontas County Solid Waste Commission's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pocahontas County Solid Waste Commission'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.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Commission. 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 Pocahontas County Solid Waste Commission's Response to the Finding

The Pocahontas County Solid Waste Commission's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The Pocahontas County Solid Waste Commission's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

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 Commission'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 Commission'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 Pocahontas County Solid Waste Commission 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

Warren Jenkins

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 26, 2016

Pocahontas County Solid Waste Commission

Schedule of Findings

Year ended June 30, 2015

Finding Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCY:

(A) 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 individual may have control over receipts, including collecting, depositing, posting and listing mail receipts. In addition, one individual has custody of investments and is responsible for investing and record keeping.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances using currently available staff, including Commission members.

Response – The Commission will review procedures and identify ways to segregate duties as much as possible.

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 Commission money for travel expenses of spouses of Commission officials or employees were noted.

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

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

Pocahontas County Solid Waste Commission

Staff

This audit was performed by:

Tammy A. Hollingsworth, CIA, Manager
Miranda A. Shipman, Staff Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State