**OFFICE OF AUDITOR OF STATE**
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

Contact: Andy Nielsen
515/281-5834

FOR RELEASE August 3, 2016

Auditor of State Mary Mosiman today released an audit report on the Fremont County Sanitary Landfill Commission.

The Commission had total revenues of $599,121 for the year ended June 30, 2015, a 19.5% increase over the prior year. The revenues included gate fees of $468,598 and county and city assessments of $125,753.

Expenses totaled $712,014 for the year ended June 30, 2015, a 28.2% increase over the prior year, and included $154,968 for employee salaries and benefits, $186,741 for depreciation and $64,290 for closure and postclosure care.

The increase in revenues is primarily due to an increase in gate fees. The increase in expenses is primarily due to an increase in depreciation and closure and postclosure care costs.

A copy of the audit report is available for review at the Fremont County Sanitary Landfill Commission, in the Office of Auditor of State and on the Auditor of State's web site at https://auditor.iowa.gov/reports/1514-2353-B00F.

# # #

**FREMONT COUNTY SANITARY LANDFILL COMMISSION**

**INDEPENDENT AUDITOR'S REPORTS**
**BASIC FINANCIAL STATEMENTS AND**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF FINDINGS**

**JUNE 30, 2015**

Table of Contents

**Fremont County Sanitary Landfill Commission**

**Officials**

| Name | Title | Representing |
|---|---|---|
| Tom Shull | Chairperson | City of Farragut |
| Randy Hickey | Vice-Chairperson | Fremont County |
| Nicolette McCullough | Member | City of Thurman |
| Earl Hendrickson | Member | City of Hamburg |
| Rick Barton | Member | City of Riverton |
| Tyler Travis | Member | City of Sidney |
| Brian Hardy | Member | City of Randolph |
| Chris Wiebold | Member | City of Imogene |
| Scott Richardson | Member | City of Tabor |
| Dusty VanRenan | Manager | |
| Bonnie Ward | Scale Operator | |

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Mary Mosiman, CPA
Auditor of State

# Independent Auditor's Report

To the Members of the Fremont
County Sanitary Landfill Commission:

## Report on the Financial Statements

We have audited the accompanying basic financial statements of the Fremont County Sanitary Landfill Commission as of and for the year ended June 30, 2015, and the related Notes to Financial Statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 statements.

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 statements referred to above present fairly, in all material respects, the financial position of the Fremont County Sanitary Landfill Commission as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 10, the Fremont County Sanitary Landfill Commission adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinion is not modified with respect to this matter.

Other Matters

*Required Supplementary Information*

U.S. generally accepted accounting principles require 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 10 and 31 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2016 on our consideration of the Fremont County Sanitary Landfill 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 Fremont County Sanitary Landfill 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

June 30, 2016

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The Fremont County Sanitary Landfill Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

## 2015 FINANCIAL HIGHLIGHTS

- The Commission implemented Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, during fiscal year 2015. The beginning net position was restated by $82,522 to retroactively report the net pension liability as of July 1, 2014 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The financial statement amounts for fiscal year 2014 pension expense and the net pension liability, deferred outflows of resources and deferred inflows of resources at June 30, 2014 were not restated because the information was not available.

- The Commission's operating revenues increased 20%, or $99,263, from fiscal year 2014 to fiscal year 2015. Gate fees increased $99,263, or 27%, while county and city assessments remained consistent at $125,753 for both years. The increase in gate fees resulted from an increase in activity in fiscal year 2015.

- The Commission's operating expenses were 27.5%, or $143,627, more in fiscal year 2015 than in fiscal year 2014. The increase is primarily due to an increase in closure and postclosure care costs and other operating expenses.

- The Commission's net position decreased 16.7%, or $112,893, from the restated June 30, 2014 balance.

## USING THIS ANNUAL REPORT

The Fremont County Sanitary Landfill Commission is a 28E organization and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to the Fremont County Sanitary Landfill Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

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

The Statement of Net Position presents information on the Commission's assets and deferred outflows of resources less the Commission's liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist readers of the report in determining how the Commission financed its activities and how it met its cash requirements.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the financial statements.

Required Supplementary Information further explains and supports the financial statements with the Commission's proportionate share of the net pension liability and related contributions.

## FINANCIAL ANALYSIS OF THE COMMISSION

*Statement of Net Position*

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. The Commission's net position at the end of fiscal year 2015 totaled $563,236. This compares to $758,651 at the end of fiscal year 2014. A summary of the Commission's net position is presented below.

| Net Position | June 30, 2015 | June 30, 2014 (Not Restated) |
|---|---|---|
| Current assets | $ 224,731 | 194,744 |
| Restricted investments | 571,257 | 529,751 |
| Capital assets, net of accumulated depreciation | 1,494,406 | 1,591,000 |
| Total assets | 2,290,394 | 2,315,495 |
| Deferred outflows of resources | 14,010 | 9,205 |
| Current liabilities | 258,274 | 173,900 |
| Noncurrent liabilities | 1,455,555 | 1,382,944 |
| Total liabilities | 1,713,829 | 1,556,844 |
| Deferred inflows of resources | 27,339 | - |
| Net position: | | |
| Net investment in capital assets | 737,016 | 843,458 |
| Unrestricted | (173,780) | (84,807) |
| Total net position | $ 563,236 | 758,651 |

The largest portion of the Commission's net position is net investment in capital assets (e.g., land, buildings and equipment). The unrestricted portion of the Commission's net position may be used to meet the Commission's obligations as they come due.

The Commission demonstrates financial assurance for closure and postclosure care costs by a combination of the local government guarantee and the local government dedicated fund mechanisms. See Note 6 for additional information.

*Statement of Revenues, Expenses and Changes in Net Position*

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the years ended June 30, 2015 and 2014 is presented below:

| Changes in Net Position | | |
|---|---|---|
| | Year ended June 30, | |
| | 2015 | 2014 (Not Restated) |
| Operating revenues: | | |
| Gate fees | $ 468,598 | 369,335 |
| County and city assessments | 125,753 | 125,753 |
| Total operating revenues | 594,351 | 495,088 |
| Operating expenses: | | |
| Salaries and benefits | 154,968 | 134,228 |
| Closure and postclosure care | 64,290 | 4,353 |
| Depreciation | 186,741 | 146,994 |
| Iowa Department of Natural Resources tonnage fees | 17,495 | 13,392 |
| Other operating expenses | 242,269 | 223,169 |
| Total operating expenses | 665,763 | 522,136 |
| Operating loss | (71,412) | (27,048) |
| Non-operating revenues (expenses), net | (41,481) | (27,071) |
| Change in net position | (112,893) | (54,119) |
| Net position beginning of year, as restated | 676,129 | 812,770 |
| Net position end of year | $ 563,236 | 758,651 |

The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease in net position at the end of the fiscal year.

In fiscal year 2015, operating revenues increased $99,263, or 20%, primarily due to an increase in gate fees. Operating expenses increased $143,627, or 27.5%, primarily due to higher closure and postclosure care costs.

*Statement of Cash Flows*

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash flows from operating activities include gate fees and assessments reduced by payments to employees and suppliers. Cash flows from capital and related financing activities include loan payments and the purchase of capital assets. Cash flows from investing activities include the purchase of certificates of deposit and interest income.

**CAPITAL ASSETS**

At June 30, 2015, the Commission had $2,753,801 invested in capital assets, net of accumulated depreciation of $1,259,395. Depreciation expense totaled $186,741 for fiscal year 2015. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

**DEBT ADMINISTRATION**

At June 30, 2015, the Commission had $763,049 of debt outstanding, an increase of $32,019 over the prior year. The table below summarizes outstanding debt by type.

| | June 30, | |
|---|---|---|
| | 2015 | 2014 |
| Line of credit | $ 80,000 | - |
| Fremont County general obligation bonds | 520,000 | 575,000 |
| Solid waste alternative program loan | 22,350 | - |
| Capital lease purchase agreements | 79,254 | 72,166 |
| Bank note | 61,445 | 83,864 |
| Total | $ 763,049 | 731,030 |

Additional information about the Commission's short-term and long-term debt is presented in Note 5 to the financial statements.

**ECONOMIC FACTORS**

The Fremont County Sanitary Landfill Commission's financial position decreased during the current fiscal year, primarily due to an increase in closure and postclosure care costs. However, 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 at the Commission require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated, presenting an on-going challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and postclosure care accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Commission anticipates landfill operations in the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission'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 Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Fremont County Sanitary Landfill Commission, 2879 - 250th Street, Sidney, Iowa 51652-0335.

**Basic Financial Statements**

# Fremont County Sanitary Landfill Commission

## Statement of Net Position

## June 30, 2015

| | |
|---|---|
| **Assets** | |
| Current assets: | |
| Cash and cash equivalents | $ 137,105 |
| Receivables: | |
| Accounts | 57,693 |
| Accrued interest | 1,428 |
| Due from other governments | 19,159 |
| Prepaid insurance | 9,346 |
| Total current assets | 224,731 |
| Noncurrent assets: | |
| Restricted investments | 571,257 |
| Capital assets, net of accumulated depreciation | 1,494,406 |
| Total noncurrent assets | 2,065,663 |
| **Total assets** | 2,290,394 |
| **Deferred Outflows of Resources** | |
| Pension related deferred outflows | 14,010 |
| **Liabilities** | |
| Current liabilities: | |
| Accounts payable | 13,309 |
| Sales tax payable | 3,587 |
| Accrued interest payable | 5,894 |
| Salaries and benefits payable | 7,024 |
| Due to other governments | 5,089 |
| Compensated absences payable | 11,433 |
| Current portion of: | |
| Line of credit | 80,000 |
| Loan payable | 75,000 |
| SWAP loan payable | 4,000 |
| Capital lease purchase agreements payable: | |
| Tractor and scraper | 24,046 |
| Loader | 5,727 |
| Note payable | 23,165 |
| Total current liabilities | 258,274 |
| Non-current liabilities: | |
| Non-current portion of long-term obligations: | |
| Loan payable | 445,000 |
| SWAP loan payable | 18,350 |
| Capital lease purchase agreements payable: | |
| Tractor and scraper | 24,865 |
| Loader | 24,707 |
| Note payable | 38,280 |
| Landfill closure and postclosure care | 841,878 |
| Net pension liability | 62,475 |
| Total noncurrent liabilities | 1,455,555 |
| **Total liabilities** | 1,713,829 |
| **Deferred Inflows of Resources** | |
| Unavailable revenues: | |
| Pension related deferred inflows | 27,339 |
| **Net Position** | |
| Net investment in capital assets | 737,016 |
| Unrestricted | (173,780) |
| **Total net position** | $ 563,236 |

See notes to financial statements.

Fremont County Sanitary Landfill Commission

Statement of Revenues, Expenses and
Changes in Net Position

Year ended June 30, 2015

| | |
|---|---|
| Operating revenues: | |
| Gate fees | $ 468,598 |
| County and city assessments | 125,753 |
| Total operating revenues | 594,351 |
| Operating expenses: | |
| Salaries and benefits | 154,968 |
| Equipment repair and supplies | 24,209 |
| Fuel and oil | 32,357 |
| Insurance | 12,968 |
| Outside services | 31,857 |
| Accounting and legal fees | 18,907 |
| Iowa Department of Natural Resources tonnage fees | 17,495 |
| Utilities | 7,150 |
| Closure and postclosure care | 64,290 |
| Depreciation | 186,741 |
| Sales tax | 11,475 |
| Ground and leachate maintenance | 18,984 |
| Equipment rent | 43,941 |
| Rock hauling | 18,129 |
| Miscellaneous | 22,292 |
| Total operating expenses | 665,763 |
| Operating loss | (71,412) |
| Non-operating revenues (expenses): | |
| Interest income | 2,992 |
| Miscellaneous | 1,778 |
| Bond issuance costs | (19,750) |
| Interest expense | (26,501) |
| Net non-operating revenues (expenses) | (41,481) |
| Change in net position | (112,893) |
| Net position beginning of year, as restated | 676,129 |
| Net position end of year | $ 563,236 |

See notes to financial statements.

Fremont County Sanitary Landfill Commission

Statement of Cash Flows

Year ended June 30, 2015

| | |
|---|---|
| Cash flows from operating activities: | |
| Cash received from gate fees | $ 444,975 |
| Cash received from assessments | 113,544 |
| Cash paid to suppliers for goods and services | (256,589) |
| Cash paid to employees for services | (153,432) |
| Net cash provided by operating activities | 148,498 |
| Cash flows from capital and related financing activities: | |
| Proceeds from line of credit | 80,000 |
| Proceeds from refunding loan | 520,000 |
| Proceeds from SWAP loan | 22,350 |
| Purchase of capital assets | (76,225) |
| Principal paid on loan from Fremont County | (575,000) |
| Bond issuances costs | (19,750) |
| Principal paid on capital lease purchase agreements payable | (23,255) |
| Principal paid on note payable | (22,419) |
| Interest paid on loan from Fremont County | (15,651) |
| Interest paid on capital lease purchase agreements payable | (2,455) |
| Interest paid on note payable | (2,427) |
| Miscellaneous | (350) |
| Net cash used by capital and related financing activities | (115,182) |
| Cash flows from investing activities: | |
| Purchase of certificates of deposit | (41,506) |
| Interest received | 2,889 |
| Net cash used by investing activities | (38,617) |
| Increase in cash and cash equivalents | (5,301) |
| Cash and cash equivalents beginning of year | 142,406 |
| Cash and cash equivalents end of year | $ 137,105 |
| **Reconciliation of operating loss to net cash provided by operating activities:** | |
| Operating loss | $ (71,412) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Depreciation | 186,741 |
| Closure and postclosure care | 64,290 |
| Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources: | |
| Increase in receivables | (23,373) |
| Increase in due from other governments | (7,654) |
| Increase in prepaid expense | (4,158) |
| Increase in accounts payable | 3,709 |
| Increase in sales tax payable | 1,566 |
| Increase in salaries and benefits payable | 1,811 |
| Increase in due to other governments | 1,064 |
| Increase in compensated absenses | 2,632 |
| Decrease in net pension liability | (29,252) |
| Increase in deferred outflows of resources | (4,805) |
| Increase in deferred inflows of resources | 27,339 |
| Total adjustments | 219,910 |
| Net cash provided by operating activities | $ 148,498 |

Non-cash investing, capital and related financing activites:

During the year ended June 30, 2015, the Commission acquired $30,434 of capital assets through a capital lease.

See notes to financial statements.

## (1) Summary of Significant Accounting Policies

The Fremont County Sanitary Landfill Commission was formed in 1996 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to provide for the control, collection and disposal of all solid waste produced or generated within each unit of government which is a member of the Commission.

The Commission is composed of one representative from each of the eight member cities and one representative from Fremont County. The member cities are Thurman, Tabor, Hamburg, Riverton, Sidney, Randolph, Farragut and Imogene. The representative of a City is appointed by the City to be represented.

The Commission's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

### A. Reporting Entity

For financial reporting purposes, the Fremont County Sanitary Landfill 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 statements 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 Fremont County Sanitary Landfill 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 used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Position

The following accounting policies are followed in preparing the Statement of Net Position:

Cash, Cash Equivalents and Investments – The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Investments not meeting the definition of cash equivalents at June 30, 2015 include certificates of deposit of $571,257.

Restricted Investments – Funds set aside for recycling and future payments for closure and postclosure care are classified as restricted.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Commission as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of five years.

| Asset Class | Amount |
|---|---|
| Buildings | $ 1,500 |
| Equipment and vehicles | 250 - 1500 |
| Infrastructure | 1,500 |
| Land improvements | 1,500 |

Capital assets of the Commission are depreciated using the straight line method over the following estimated useful lives:

| Asset Class | Estimated Useful lives (In Years) |
|---|---|
| Buildings | 20 - 40 |
| Equipment and vehicles | 5 - 10 |
| Infrastructure | 20 |
| Land improvements | 15 |

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2015.

Compensated Absences – Commission employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation and sick leave has been computed based on rates of pay in effect at June 30, 2015.

**(2) Cash, Cash Equivalents 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 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 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, 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. (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.

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 - 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% of covered payroll for a total rate of 14.88%.

The Commission’s total contributions to IPERS for the year ended June 30, 2015 were $10,574.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the Commission reported a liability of $62,475 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission’s proportion of the 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 collective proportion was 0.001575%, which was a decrease of 0.000022% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Commission recognized pension expense of $3,855. At June 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 679 | - |
| Changes of assumptions | 2,757 | - |
| Net difference between projected and actual earnings on IPERS' investments | - | 23,826 |
| Changes in proportion and differences between the Commission's contributions and its proportionate share of contributions | - | 3,513 |
| Commission contributions subsequent to the measurement date | 10,574 | - |
| Total | $ 14,010 | 27,339 |

$10,574 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2016 | $ (5,974) |
| 2017 | (5,974) |
| 2018 | (5,974) |
| 2019 | (5,974) |
| 2020 | (7) |
| Total | $ (23,903) |

There were no non-employer contributing entities to IPERS.

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, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

The long-term expected rate of return on 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 | 6.76 |
| Private equity | 13 | 11.34 |
| Real estate | 8 | 3.52 |
| Core plus fixed income | 28 | 2.06 |
| Credit opportunities | 5 | 3.67 |
| TIPS | 5 | 1.92 |
| Other real assets | 2 | 6.27 |
| Cash | 1 | (0.69) |
| Total | 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 | $ 118,044 | 62,475 | 15,568 |

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.

Payable to IPERS - At June 30, 2015, the Commission reported a payable to IPERS of $827 for legally required Commission contributions and $551 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

## (4) Capital Assets

A summary of capital assets activity for the year ended June 30, 2015 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 67,071 | - | - | 67,071 |
| Capital assets being depreciated: | | | | |
| Buildings | 246,514 | 13,200 | - | 259,714 |
| Equipment and vehicles | 739,097 | 76,947 | - | 816,044 |
| Land improvements | 1,573,139 | - | - | 1,573,139 |
| Infrastructure | 37,833 | - | - | 37,833 |
| Total capital assets being depreciated | 2,596,583 | 90,147 | - | 2,686,730 |
| Less accumulated depreciation for: | | | | |
| Buildings | 78,767 | 8,955 | - | 87,722 |
| Equipment and vehicles | 487,817 | 58,840 | - | 546,657 |
| Land improvements | 487,626 | 117,054 | - | 604,680 |
| Infrastructure | 18,444 | 1,892 | - | 20,336 |
| Total accumulated depreciation | 1,072,654 | 186,741 | - | 1,259,395 |
| Total capital assets being depreciated, net | 1,523,929 | (96,594) | - | 1,427,335 |
| Total capital assets, net | $1,591,000 | (96,594) | - | 1,494,406 |

Equipment costing $207,782 was purchased under a capital lease purchase agreement during the year ended June 30, 2010. Accumulated depreciation at June 30, 2015 and depreciation expense for the year ended June 30, 2015 on this equipment totals $109,085 and $20,778, respectively.

Equipment costing $30,434 was purchased under a capital lease purchase agreement during the year ended June 30, 2015. Accumulated depreciation and depreciation expense at June 30, 2015 on this equipment totals $969.

## (5) Short-Term and Long-Term Liabilities

A summary of changes in short-term and long-term liabilities and interest paid for the year ended June 30, 2015 is as follows:

| | Line of Credit | Loan Payable | Solid Waste Alternative Program Loan Payable | Capital Lease Purchase Agreements Payable | Note Payable | Compen-sated Absences Payable | Net Pension Liability | Total |
|---|---|---|---|---|---|---|---|---|
| Balance beginning of year, as restated | $ - | 575,000 | - | 72,166 | 83,864 | 8,801 | 91,727 | 831,558 |
| Increases | 80,000 | 520,000 | 22,350 | 30,343 | - | 7,836 | - | 660,529 |
| Decreases | - | 575,000 | - | 23,255 | 22,419 | 5,204 | 29,252 | 655,130 |
| Balance end of year | $ 80,000 | 520,000 | 22,350 | 79,254 | 61,445 | 11,433 | 62,475 | 836,957 |
| Due within one year | $ - | 75,000 | 4,000 | 29,773 | 23,165 | 11,433 | - | 143,371 |

Line of Credit

On June 1, 2015, the Commission approved a line of credit with a local bank for a maximum of $100,000. The line of credit bears 4.0% interest per annum. Funds are drawn to pay operating expenses and are repaid when funds are received from operations. During the year ended June 30, 2015, the outstanding balance did not exceed the $100,000 maximum. $80,000 was drawn on the line of credit during the year and no repayments were made. No interest was paid during the year.

Loan Payable

In August 2007, the Commission entered into a loan agreement for the issuance of $1,265,000 of general obligation bonds by Fremont County for the purpose of constructing improvements to the solid waste disposal facilities. In a written loan agreement with the County, the Commission agreed to repay the County for the bonds, including interest, as the payments come due and payable by the County.

On November 1, 2014, the County issued $520,000 of general obligation refunding capital loan notes for a crossover advance refunding of $495,000 of the general obligation solid waste disposal bonds dated August 9, 2007. The notes bear interest at .65% to 2.15% per annum and mature June 1, 2022. The crossover refunding date was June 1, 2015.

For the crossover advance refunding, the County entered into an escrow agreement whereby the proceeds from the general obligation refunding notes were converted into U.S. government securities. These securities, along with additional cash, were placed with an escrow agent to pay the principal and interest on the refunding general obligation capital loan notes (new debt) until the crossover refunding date. On the crossover refunding date of June 1, 2015, the refunded general obligation solid waste disposal bonds (old debt) were paid using the amounts held by the escrow agent. From that point forward, the Commission will make payments to the County to pay the principal and interest on the refunding general obligation capital loan notes (new debt) as they come due. The transactions and balances of the escrow account are recorded by the County since the refunded debt was not considered extinguished until June 1, 2015.

The refunding was undertaken to reduce total debt service payments over the next seven years by $27,283 and resulted in an economic gain of $25,599.

Annual debt service requirements to maturity under the loan agreement are as follows:

| Year Ending June 30, | Interest Rates | Principal | Interest | Total |
|---|---|---|---|---|
| 2016 | 0.65% | $ 75,000 | 8,073 | 83,073 |
| 2017 | 1.20 | 70,000 | 7,585 | 77,585 |
| 2018 | 1.20 | 70,000 | 6,745 | 76,745 |
| 2019 | 1.70 | 75,000 | 5,905 | 80,905 |
| 2020 | 1.70 | 70,000 | 4,630 | 74,630 |
| 2021-2022 | 2.15 | 160,000 | 5,268 | 165,268 |
| Total | | $ 520,000 | 38,206 | 558,206 |

Solid Waste Alternative Program (SWAP) Loan

In December 2014, the Commission entered into a loan agreement with the Iowa Department of Natural Resources to provide funds to assist with the cost of pouring a floor in an existing building for recycling operations and purchasing a shredder. The agreement awarded up to $30,000 in the form of a forgivable loan of $20,000 and a zero interest loan of $10,000. The term of the loan was 40 months and required 12 quarterly payments of $833, beginning July 15, 2015. At June 30, 2015, a total of $22,350 had been drawn on the loans.

In April 2016, the loan agreement was amended due to unmet conditions to achieve loan forgiveness. The terms of the original agreement were rescinded due to non-compliance. The amended agreement set forth a repayment schedule for the entire loan amount. Details of the Commission’s outstanding SWAP loan at June 30, 2015 were amended as follows:

| Year Ending June 30, | Interest Rate | Principal |
|---|---|---|
| 2016 | 0.00% | $ 4,000 |
| 2017 | 0.00 | 6,000 |
| 2018 | 0.00 | 6,000 |
| 2019 | 0.00 | 6,000 |
| 2020 | 0.00 | 350 |
| Total | | $ 22,350 |

Capital Lease Purchase Agreements Payable

In April 2010, the Commission entered into a capital lease purchase agreement for a tractor and scraper. The agreement is for a period of seven years at an interest rate of 3.35% per annum and matures in fiscal year 2017. The following is a schedule by year of future minimum lease payments and the present value of net minimum lease payments.

| Year Ending June 30, | Present Value of Net Minimum Lease Payments | Amount Representing Interest | Total Minimum Lease Payments |
|---|---|---|---|
| 2016 | 24,046 | 1,664 | 25,710 |
| 2017 | 24,865 | 846 | 25,711 |
| Total | $ 48,911 | 2,510 | 51,421 |

Payments under this agreement during the year ended June 30, 2015 totaled $25,710.

In March 2015, the Commission entered into a capital lease purchase agreement for a loader. The agreement is for a period of five years at an interest rate of 3.00% per annum and expires in fiscal year 2020. The following is a schedule by year of future minimum lease payments and the present value of net minimum lease payments.

| Year Ending June 30, | Present Value of Net Minimum Lease Payments | Amount Representing Interest | Total Minimum Lease Payments |
|---|---|---|---|
| 2016 | $ 5,727 | 926 | 6,653 |
| 2017 | 5,902 | 751 | 6,653 |
| 2018 | 6,081 | 572 | 6,653 |
| 2019 | 6,266 | 387 | 6,653 |
| 2020 | 6,458 | 196 | 6,654 |
| Total | $ 30,434 | 2,832 | 33,266 |

No payments were made under this agreement during the year ended June 30, 2015.

Note Payable

In January 2014, the Commission entered into a $93,000 note agreement with a local bank for partial payment of the Phase 4S expansion. The agreement is for a period of four years at an interest rate of 3.25% per annum and matures in fiscal year 2018.

Annual debt service requirements to maturity under the note agreement are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2016 | $ 23,165 | 1,682 | 24,847 |
| 2017 | 23,944 | 903 | 24,847 |
| 2018 | 14,336 | 158 | 14,494 |
| Total | $ 61,445 | 2,743 | 64,188 |

## (6) Closure and Postclosure Care

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Commission have been estimated at $987,610 for closure and $694,033 for postclosure care, for a total of $1,681,643 as of June 30, 2015, and the portion of the liability that has been recognized is $841,878. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2015. Actual costs may be higher due to inflation, changes in technology or changes in regulations. On October 1, 2007, the Vertical cell stopped accepting refuse and the Subtitle D cell was opened. The completion of Phase I and II added an anticipated life of 9 years and the anticipated addition of Phases III through V will provide an additional 14 years of life. During 2011, the Commission completed work on Abutment A, which added an anticipated life of an additional 4 years. During 2014, the Commission completed work on Phase 4 expansion which added an anticipated life of an additional 7 years. The estimated remaining life of Phases I and II with the addition of Abutment A and Phase 4 expansion is 17 years.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2015, assets of $571,257 are restricted for these purposes. They are included in restricted investments on the Statement of Net Position.

Also, pursuant to Chapter 567-113.14(6) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission uses a combination of the local government guarantee and the local government dedicated fund financial assurance mechanisms.

Chapter 567-113.14(8) of the IAC allows the Commission to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Commission is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

## (7) Solid Waste Tonnage Fees Retained

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2015, there are no unspent amounts retained by the Commission.

## (8) Risk Management

The Commission is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion 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 Commission's property and casualty contributions to the Pool are recorded as expenses from its operating funds at the time of payment to the Pool. The Commission's contributions to the Pool for the year ended June 30, 2015 were $9,346.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $350,000 per claim. Claims exceeding $350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Commission'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 Commission's risk-sharing certificate.

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

The Commission does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the Commission's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim 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.

## (9) Special Investigation

The Commission requested the Office of Auditor of State perform a special investigation of its operations as a result of concerns identified. The Office of Auditor of State's special investigation report dated June 17, 2016 for the period March 1, 2014 through September 30, 2015 identified $10,527.28 of improper and unsupported disbursements, $7,622.10 of undeposited collections and $21,450.00 of forgone revenues from Iowa Department of Natural Resources programs.

Copies of the special investigation report have been filed with the Fremont County Sheriff's Office, the Fremont County Attorney's Office, the Attorney General's Office and the Division of Criminal Investigation.

## (10) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of Statement GASB Statement No. 27, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB Statement No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

| | Amount |
|---|---|
| Net position June 30, 2014, as previously reported | $ 758,651 |
| Net pension liability at June 30, 2014 | (91,727) |
| Deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date | 9,205 |
| Net position July 1, 2014, as restated | $ 676,129 |

## (11) Subsequent Event

In May 2016, the Commission entered into a lease-purchase agreement to purchase a crawler loader. The lease is for seven years, has an effective interest rate of 3.05% per annum and provides for annual payments of $36,988.

**Fremont County Sanitary Landfill Commission**

**Required Supplementary Information**

**Fremont County Sanitary Landfill Commission**

Fremont County Sanitary Landfill Commission

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

Iowa Public Employees' Retirement System
Last Fiscal Year*

Required Supplementary Information

| | 2015 |
|---|---|
| Commission's proportion of the net pension liability | 0.001575% |
| Commission's proportionate share of the net pension liability | $ 62,475 |
| Commission's covered-employee payroll | $ 103,080 |
| Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 60.61% |
| 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.

Fremont County Sanitary Landfill Commission

Schedule of Commission Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years

Required Supplementary Information

| | | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Statutorily required contribution | $ | 10,574 | 9,205 | 9,084 | 8,281 |
| Contributions in relation to the statutorily required contribution | | (10,574) | (9,205) | (9,084) | (8,281) |
| Contribution deficiency (excess) | $ | - | - | - | - |
| Commission's covered-employee payroll | $ | 118,410 | 103,080 | 104,775 | 102,615 |
| Contributions as a percentage of covered-employee payroll | | 8.93% | 8.93% | 8.67% | 8.07% |

See accompanying independent auditor's report.

| 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| 6,776 | 6,497 | 6,318 | 5,552 | 4,228 | 4,010 |
| (6,776) | (6,497) | (6,318) | (5,552) | (4,228) | (4,010) |
| - | - | - | - | - | - |
| 97,496 | 97,699 | 99,496 | 91,769 | 73,530 | 69,739 |
| 6.95% | 6.65% | 6.35% | 6.05% | 5.75% | 5.75% |

*Changes of benefit terms*:

Legislation enacted 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.

**Fremont County Sanitary Landfill Commission**

**OFFICE OF AUDITOR OF STATE**
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

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

To the Members of the Fremont
County Sanitary Landfill 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 statements of the Fremont County Sanitary Landfill Commission as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, and have issued our report thereon dated June 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fremont County Sanitary Landfill 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 statements, but not for the purpose of expressing an opinion on the effectiveness of the Fremont County Sanitary Landfill Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fremont County Sanitary Landfill 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 deficiencies in internal control we consider to be material weaknesses and significant defiencies.

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 Fremont County Sanitary Landfill Commission's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the Fremont County Sanitary Landfill Commission's internal control described in the accompanying Schedule of Findings as items (A) through (C) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (D) through (F) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fremont County Sanitary Landfill Commission's financial statements are 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 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 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 statements 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 Fremont County Sanitary Landfill Commission's Responses to the Findings

The Fremont County Sanitary Landfill Commission's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Fremont County Sanitary Landfill Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements 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 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 Fremont County Sanitary Landfill 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

June 30, 2016

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties – An important aspect of internal control is the segregation of duties to prevent an individual from handling duties which are incompatible. The Commission's fiscal agent had control over each of the following areas:

(1) Receipts – collecting, posting to accounting records, and preparing and making deposits to the Commission's bank accounts.

(2) Disbursements – presenting certain disbursements to the Board for approval, maintaining supporting documentation, preparing, signing, and distributing checks and posting to accounting records.

(3) Bank accounts – receiving and reconciling monthly bank statements to accounting records.

(4) Reporting – preparing minutes of Board meetings.

In addition, we determined certain collections were not deposited intact and inventory records were not maintained by the Commission.

Recommendation – We realize segregation of duties is difficult with a limited number of staff. However, the Commission should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel and Commission members.

Response – The Commission will review control procedures to address the items above. The Commission Chair now approves the bank reconciliation at each meeting. The new fiscal agent has implemented procedures to ensure their internal controls are also segregated.

Conclusion – Response accepted.

(B) Financial Reporting – During the audit, we identified material amounts of receivables, liabilities and capital assets not recorded in the Commission's financial statements. In addition, we identified sales tax revenue and expenses which were not properly recorded in the financial statements. Adjustments were subsequently made by the Commission to properly record the amounts in the financial statements.

Recommendation – The Commission should review procedures for recording receivables, liabilities, capital assets, sales tax revenue and expenses in its financial statements.

Response – The Commission has hired a new fiscal agent to ensure proper procedures are followed in the future.

Conclusion – Response accepted.

(C) Credit and Fuel Cards – The Commission has not adopted a formal policy to regulate the use of credit and fuel cards and to establish procedures for the proper accounting of credit and fuel card charges.

Recommendation – The Commission should adopt a formal written policy regulating the use of the Commission's credit and fuel cards. The policy, at a minimum, should address who controls the credit and fuel cards, who is authorized to use the cards and for what purposes, as well as the types of supporting documentation required to support the purchase.

Response – The Commission adopted a credit card policy at the January 12, 2016 monthly meeting.

Conclusion – Response accepted.

(D) Bank Reconciliations – Although monthly bank reconciliations were prepared, variances existed between the total receipts documented on sales tickets recorded in the Commission's QuickBooks records and deposits made to the bank. The variances total $2,036.69.

Recommendation – To improve financial accountability and control, monthly bank reconciliations should include a comparison between monthly sales tickets recorded in the Commission's QuickBooks records and actual deposits. Any variances should be resolved timely.

Response – The Commission has hired a new fiscal agent to ensure proper procedures are followed in the future.

Conclusion – Response accepted.

(E) Supporting Documentation – The Commission did not maintain adequate supporting documentation for all purchases made with the Commission's credit cards. In addition, supporting documentation was not available for certain reimbursements made to the Commission's former Manager.

Recommendation – The Board should ensure adequate supporting documentation is provided to the fiscal agent in order to ensure all transactions are appropriate for the Commission's operations. Disbursements should not be approved unless adequate supporting documentation is available. In addition, disbursements should be approved by the Board prior to payment.

Response – The Commission adopted a credit card policy at the January 12, 2016 monthly meeting, including verbiage requiring receipts be presented as proof of expenses. Any expenses found to be illegitimate are subject to reimbursement by the employee via a payroll deduction.

Conclusion – Response acknowledged. The Commission's credit card policy should also require the credit and fuel cards only be used for Commission expenses and not for personal use.

(F) Benefit Payments – During fiscal year 2015, the Commission overpaid IPERS for the employer's share of contributions by $557. An additional $835 was overpaid to IPERS for the employer's share of contributions during fiscal year 2016. Also, health insurance expenses included duplicate coverage for a portion of the year for one employee at a cost of $3,016.

Recommendation – The Commission should ensure the amounts remitted for IPERS contributions and health insurance benefits are calculated correctly.

Response – The Commission has hired a new fiscal agent to ensure proper procedures are followed in the future. In addition, the Commission has reported a wage adjustment to IPERS requesting a credit be made to the Commission's employer account. Also, the Commission has recovered a portion of the duplicated health insurance coverage from the previous fiscal agent.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Other Findings Related to Required Statutory Reporting:**

(1) Questionable Expenses – Certain expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenses are detailed as follows:

| Paid to | Purpose | Amount |
|---|---|---|
| Visa Card Services | Late fees | $ 72 |
| Iowa Department of Revenue | Late fees and interest applied to Quarterly Sales Tax Return | 791 |
| Jethro N Jakes Smokehouse | Food and beverage | 50 |
| Wendy's | Food and beverage | 27 |
| I-Tunes | Services | 31 |

Recommendation – According to the opinion, it is possible for certain expenses to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

The Commission should determine and document the public purpose served by these expenses before authorizing any further payment. If this practice is continued, the Commission should establish written policies and procedures, including the requirement for proper documentation of the public purpose served.

Response – The Commission has hired a new fiscal agent to ensure proper procedures are followed in the future.

Conclusion – Response accepted.

(2) Travel Expense – No expenses 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. However, the following items were noted during testing:

- The Commission did not publish minutes within 20 days following adjournment of the meetings as required by Chapter 28E.6 of the Code of Iowa.
- The Commission did not post public notice at least 24 hours prior to Commission meetings for four of six meetings tested as required by Chapter 21 of the Code of Iowa.
- The published minutes for one of six meetings tested did not include a listing of approved bills and totals as required by Chapter 21 of the Code of Iowa.
- Annual salaries were not published in accordance with an Attorney General's opinion dated April 12, 1978.

Recommendation – The Commission should ensure minutes are properly published and contain the required information as noted above.

Response – The Commission has hired a new fiscal agent to ensure proper procedures are followed in the future.

Conclusion – Response accepted.

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

(5) Solid Waste Tonnage Fees Retained – No instances of non-compliance with the solid waste tonnage fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.

(6) Financial Assurance – The Commission has elected to demonstrate financial assurance for closure and postclosure care by establishing a local government dedicated fund and through the local government guarantee mechanism, both as provided in Chapter 567-113.14(6) of the Iowa Administration Code (IAC). The local government guarantee mechanism is in place to assure those costs not covered by the dedicated fund mechanism. Financial assurance is demonstrated as follows:

| | Closure / Postclosure Care |
|---|---|
| Total estimated costs for closure and postclosure care | $ 1,681,643 |
| Less: Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2015 (dedicated fund mechanism) | 571,257 |
| Remaining costs to be assured through the local government guarantee | $ 1,110,386 |
| Financial assurance through the local government guarantee | $ 1,110,386 |

Staff

This audit was performed by:

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