

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

February 22, 2018

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the North Central Iowa Regional Solid Waste Agency.

The Agency had total receipts of \$5,574,733 for the year ended June 30, 2017, a 4.3% decrease from the prior year. The receipts included solid waste fees of \$4,867,873, member assessments of \$320,423 and recycling sales of \$170,967.

Disbursements for the year ended June 30, 2017 totaled \$3,266,296, a 23.5% decrease from the prior year, and included \$1,132,256 for salaries and benefits, \$318,944 for a household hazardous waste facility and \$263,223 for Department of Natural Resources tonnage fees.

The significant decrease in disbursements is due primarily to the construction of an abutment liner, household hazardous waste material facility and sanitary sewer pump station in fiscal year 2016.

A copy of the audit report is available for review in the North Central Iowa Regional Solid Waste Agency's office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1714-6070-B00F>.

###

NORTH CENTRAL IOWA REGIONAL SOLID WASTE AGENCY

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

JUNE 30, 2017

Table of Contents

| | <u>Page</u> |
|---|----------------|
| Officials | 3 |
| Independent Auditor’s Report | 5-6 |
| Management’s Discussion and Analysis | 7-9 |
| Financial Statement: | <u>Exhibit</u> |
| Statement of Cash Receipts, Disbursements and Changes in Cash Balance | 13 |
| Notes to Financial Statement | 14-22 |
| Other Information: | |
| Schedule of the Agency’s Proportionate Share of the Net Pension Liability | 25 |
| Schedule of Agency Contributions | 26-27 |
| Notes to Other Information – Pension Liability | 29 |
| 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> | 31-32 |
| Schedule of Findings | 33-36 |
| Staff | 37 |

North Central Iowa Regional Solid Waste Agency

Officials

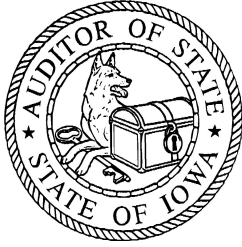
(Before January 2017)

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-----------------|-------------------------------|---------------------|
| Mark Campbell | Executive Board Chairman | Jan 2017 |
| Jeffrey Halter | Executive Board Vice Chairman | Jan 2017 |
| Nate Brockman | Executive Board Member | (Resigned Jan 2016) |
| Dale Graham | Executive Board Member | Jan 2017 |
| Troy Hassebrock | Executive Board Member | Jan 2017 |
| Rick Rogers | Executive Board Member | Jan 2017 |
| Donovan Adson | Executive Board Member | Jan 2018 |
| Dave Fierke | Executive Board Member | Jan 2018 |
| Travis Goedken | Executive Board Member | Jan 2018 |
| Rick Pedersen | Executive Board Member | Jan 2018 |
| Tony Trotter | Executive Board Member | Jan 2018 |
| Cindy Turkle | Interim Director | (Resigned Jan 2016) |
| Lori Lindstrom | Secretary/Treasurer | Indefinite |

(After January 2017)

| | | |
|---------------------------------|--|------------|
| Jeffrey Halter | Executive Board Chairman | Jan 2019 |
| Donovan Adson | Executive Board Vice Chairman | Jan 2018 |
| Jamie Bemrich | Executive Board Member | Jan 2018 |
| Travis Goedken | Executive Board Member | Jan 2018 |
| Rick Pedersen | Executive Board Member | Jan 2018 |
| Tony Trotter | Executive Board Member | Jan 2018 |
| Mark Campbell | Executive Board Member | Jan 2019 |
| Dale Graham | Executive Board Member | Jan 2019 |
| Jerry Kloberdanz | Executive Board Member | Jan 2019 |
| Wally Lorenzen | Executive Board Member | Jan 2019 |
| Ron Vincent | Executive Board Member | Jan 2019 |
| Jeff Feser (Appointed Jan 2017) | Chief Operations Manager | Indefinite |
| Lori Lindstrom | Secretary/Treasurer and Chief Financial Officer | Indefinite |

North Central Iowa Regional Solid Waste Agency



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

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Members of the North Central Iowa Regional Solid Waste Agency:

Report on the Financial Statement

We have audited the accompanying financial statement of the North Central Iowa Regional Solid Waste Agency as of and for the year ended June 30, 2017, and the related Notes to Financial Statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the North Central Iowa Regional Solid Waste Agency as of June 30, 2017, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As 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.


Other Matters

Other Information

The other information, Management's Discussion and Analysis, the Schedule of the Agency's Proportionate Share of the Net Pension Liability and the Schedule of Agency Contributions on pages 7 through 9, and on pages 25 through 29, has not been subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 14, 2018 on our consideration of the North Central Iowa Regional Solid Waste Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the 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 North Central Iowa Regional Solid Waste Agency's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

February 14, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The North Central Iowa Regional Solid Waste Agency provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the North Central Iowa Regional Solid Waste Agency is for the year ended June 30, 2017. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

2017 FINANCIAL HIGHLIGHTS

- Operating receipts decreased 2.1%, or approximately \$113,000, from fiscal year 2016 to fiscal year 2017.
- Operating disbursements increased 16.7%, or approximately \$346,000, from fiscal year 2016 to fiscal year 2017.
- The Agency's cash balance increased 20.5%, or approximately \$2,308,000, from June 30, 2016 to June 30, 2017.

USING THIS ANNUAL REPORT

The Agency has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

This discussion and analysis is intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Agency's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Balance presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's cash basis financial position has improved or deteriorated as a result of the year's activities.
- Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.
- Other information further explains and supports the Agency's proportionate share of the net position liability and related contributions.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Agency's cash basis financial position by analyzing the increase or decrease in the Agency's cash balance.

Operating receipts are received for gate fees from accepting solid waste, recycling sales and assessments from the members of the Agency. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments, buy-in payments, equipment sales and purchases, capital projects and capital lease purchase payments. A summary of cash receipts, disbursements and changes in cash balance for the years ended June 30, 2017 and June 30, 2016 is as follows:

| Changes in Cash Balance | | |
|---|----------------------|--------------------|
| | Year ended June 30, | |
| | 2017 | 2016 |
| Operating receipts: | | |
| Solid waste fees | \$ 4,867,873 | 5,043,485 |
| Member assessments | 320,423 | 320,423 |
| Recycling sales | 170,967 | 88,227 |
| Hazardous waste fees | 3,913 | - |
| Miscellaneous | 29,207 | 53,635 |
| Total operating receipts | <u>5,392,383</u> | <u>5,505,770</u> |
| Operating disbursements: | | |
| Salaries and benefits | 1,132,256 | 847,366 |
| Other | 1,279,255 | 1,218,338 |
| Total operating disbursements | <u>2,411,511</u> | <u>2,065,704</u> |
| Excess of operating receipts over operating disbursements | <u>2,980,872</u> | <u>3,440,066</u> |
| Non-operating receipts (disbursements): | | |
| Interest on investments | 132,213 | 103,519 |
| Buy-in payments | 50,137 | 98,784 |
| Equipment sales | - | 35,000 |
| Settlement received | - | 80,000 |
| Consent decree settlement | - | (135,000) |
| Capital lease purchase payments | (77,947) | (103,932) |
| Equipment | (226,550) | (565,720) |
| Capital projects | <u>(550,288)</u> | <u>(1,400,250)</u> |
| Net non-operating receipts (disbursements) | <u>(672,435)</u> | <u>(1,887,599)</u> |
| Change in cash balance | 2,308,437 | 1,552,467 |
| Cash balance beginning of year | <u>11,236,951</u> | <u>9,684,484</u> |
| Cash balance end of year | <u>\$ 13,545,388</u> | <u>11,236,951</u> |
| Cash Basis Fund Balance | | |
| Restricted for: | | |
| Closure | \$ 536,403 | 531,648 |
| Postclosure care | 3,751,165 | 3,716,748 |
| DNR - recycling projects and landfill planning | <u>587,422</u> | <u>489,622</u> |
| Total restricted cash basis fund balance | <u>4,874,990</u> | <u>4,738,018</u> |
| Unrestricted | <u>8,670,398</u> | <u>6,498,933</u> |
| Total cash basis fund balance | <u>\$ 13,545,388</u> | <u>11,236,951</u> |

In fiscal year 2017, operating receipts decreased \$113,387, or 2.1%, from fiscal year 2016. The decrease was primarily due to a decrease in solid waste fees received due to lower tonnage received. In fiscal year 2017, operating disbursements increased \$345,807, or 16.7%, over fiscal year 2016. The increase in operating disbursements was due to an increase in salaries and benefits due to hiring additional staff, as well as an increase in equipment maintenance costs in fiscal year 2017. Non-operating disbursements decreased from approximately \$2,204,902 in fiscal year 2016 to \$854,785 in fiscal year 2017, due primarily to several capital projects that were completed in fiscal year 2016 or early fiscal year 2017.

A portion of the Agency's cash balance, \$4,287,568 (32%), is restricted for closure and postclosure care. State and federal laws and regulations require the Agency to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. Of the remaining cash balance, \$587,422 (4%) is restricted for recycling projects and landfill planning and \$8,670,398 (64%) is unrestricted and can be used to meet the Agency's obligations as they come due. There was a slight increase in the restricted cash balance during the year for closure and postclosure care. The unrestricted cash balance increased \$2,171,465, or 33.4%, during the year.

LONG-TERM DEBT

The Agency had no long-term debt at June 30, 2017. The June 30, 2016 balance of \$77,947 on the capital lease purchase agreement was paid during fiscal year 2017.

ECONOMIC FACTORS

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

- Facilities and equipment require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated, presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- 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 Agency anticipates the current fiscal year will be one of transition as it makes important decisions regarding the future of solid waste in this planning area.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Agency's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the North Central Iowa Regional Solid Waste Agency, 2150 South 22nd Street, Fort Dodge, Iowa 50501.

North Central Iowa Regional Solid Waste Agency

Financial Statement

North Central Iowa Regional Solid Waste Agency

North Central Iowa Regional Solid Waste Agency

Statement of Cash Receipts, Disbursements and
Changes in Cash Balance

Year ended June 30, 2017

| | |
|---|----------------------|
| Operating receipts: | |
| Solid waste fees | \$ 4,867,873 |
| City member assessments | 257,265 |
| County member assessments | 63,158 |
| Recycling sales | 170,967 |
| Hazardous waste fees | 3,913 |
| Miscellaneous | 29,207 |
| Total operating receipts | <u>5,392,383</u> |
| Operating disbursements: | |
| Salaries and benefits | 1,132,256 |
| Department of Natural Resources tonnage fees | 263,223 |
| Equipment rental | 18,734 |
| Fuel | 143,610 |
| Consulting | 27,736 |
| Monitoring and inspection | 24,882 |
| Equipment maintenance | 219,746 |
| Building maintenance | 116,058 |
| Supplies | 34,668 |
| Legal and professional fees | 63,889 |
| Office expense and postage | 33,129 |
| Utilities | 48,755 |
| Advertising | 4,453 |
| Road maintenance | 3,640 |
| Insurance | 89,947 |
| Recycling | 71,842 |
| Promotion and education | 24,390 |
| Leachate control | 53,165 |
| Miscellaneous | 37,388 |
| Total operating disbursements | <u>2,411,511</u> |
| Excess of operating receipts over operating disbursements | <u>2,980,872</u> |
| Non-operating receipts (disbursements): | |
| Interest on investments | 132,213 |
| Buy-in payments | 50,137 |
| Capital lease purchase payments | (77,947) |
| Equipment | (226,550) |
| Household hazardous waste facility | (318,944) |
| Abutment liner | (213,343) |
| Sanitary sewer pump station | (18,001) |
| Net non-operating receipts (disbursements) | <u>(672,435)</u> |
| Change in cash balance | 2,308,437 |
| Cash balance beginning of year | <u>11,236,951</u> |
| Cash balance end of year | <u>\$ 13,545,388</u> |
| Cash Basis Fund Balance | |
| Restricted for: | |
| Closure | \$ 536,403 |
| Postclosure care | 3,751,165 |
| DNR - recycling projects and landfill planning | 587,422 |
| Total restricted cash basis fund balance | <u>4,874,990</u> |
| Unrestricted | <u>8,670,398</u> |
| Total cash basis fund balance | <u>\$ 13,545,388</u> |

See notes to financial statements.

North Central Iowa Regional Solid Waste Agency

Notes to Financial Statement

June 30, 2017

(1) Summary of Significant Accounting Policies

The North Central Iowa Regional Solid Waste Agency was formed in December 1992 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to develop, operate and maintain solid waste facilities in Webster County on behalf of the units of government which are members of the Agency.

The governing body of the Agency is composed of one representative from each member for each 10,000 in population or fraction thereof. The members of the Agency include Webster, Hamilton and Humboldt Counties and the cities of Badger, Barnum, Blairsburg, Bradgate, Callender, Clare, Dakota City, Dayton, Duncombe, Eagle Grove, Ellsworth, Fort Dodge, Gilmore City, Gowrie, Harcourt, Hardy, Humboldt, Jewell, Kamrar, Knierim, Lehigh, Livermore, Manson, Moorland, Otho, Ottosen, Pioneer, Pomeroy, Randall, Renwick, Rockwell City, Rutland, Stanhope, Stratford, Thor, Vincent, Webster City and Williams.

A. Reporting Entity

For financial reporting purposes, the North Central Iowa Regional Solid Waste Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

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

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

C. Basis of Accounting

The Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and postclosure care. Accordingly, the financial statement does not present the financial position and results of operations of the Agency in accordance with U. S. generally accepted accounting principles.

D. Cash Basis Fund Balance

Funds set aside for payment of closure, postclosure care, recycling projects and landfill planning are classified as restricted.

(2) Cash and Investments

The Agency's deposits in banks at June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

At June 30, 2017, the Agency held negotiable certificates of deposit with a carrying amount of \$6,652,000 and a fair value of \$6,632,929. The certificates of deposit fully mature between March 2018 and April 2022.

The Agency uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The recurring fair value measurement for the negotiable certificates of deposit of \$6,632,929 was determined using the last reported sales price at current exchange rates. (Level 1 inputs)

Interest rate risk – The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Agency.

(3) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the Agency, except for those covered by another retirement system. Employees of the Agency are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1%. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the Agency contributed 8.93% for a total rate of 14.88%.

The Agency’s contributions to IPERS for the year ended June 30, 2017 totaled \$76,374.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the Agency’s had a liability of \$447,193 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency’s proportion of the net pension liability was based on the Agency’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the Agency’s proportion was 0.008995%, which was a decrease of 0.000955% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Agency’s pension expense, deferred outflows of resources and collective deferred inflows of resources totaled \$37,713, \$85,978 and \$104,127, respectively.

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

| | 1% Decrease (6.50%) | Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---------------------------|-----------------------------|---------------------------|
| Agency's proportionate share of the net pension liability | \$ 782,954 | 447,193 | 163,786 |

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) Closure and Postclosure Care

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year care requirements for all municipal solid waste landfills which 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 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 year. Estimated total costs consist 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 due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Agency have been estimated to be \$2,224,200 for closure and \$1,536,000 for postclosure care, for a total of \$3,760,200 as of June 30, 2017. The estimated remaining life of the landfill is approximately 8 years, with approximately 74% of the landfill's permitted capacity used at June 30, 2017.

Chapter 455B.306(9)(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 Agency has accumulated resources to fund these costs and, at June 30 2017, assets of \$4,287,568 are restricted for these purposes, of which \$536,403 is for closure and \$3,751,165 is for postclosure care. They are reported as restricted cash balance in the Statement of Cash Receipts, Disbursements and Changes in Cash Balance.

Also, pursuant to Chapter 567-113.14 of the Iowa Administrative Code (IAC), if the estimated closure and postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Agency must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number years remaining in the pay-in period

Chapter 567-113.14(8) of the IAC allows a government 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 Agency is not required to establish closure and postclosure accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

(5) Solid Waste Tonnage Fees Retained

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2017, the unspent amount retained by the Agency and restricted for the required specific purposes totaled \$587,422.

(6) Risk Management

The Agency is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 753 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The Agency's contributions to the Pool for the year ended June 30, 2017 were \$42,066.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the 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, property loss 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.

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

The Agency also carries workmen's compensation insurance through the Iowa Municipalities Workers' Compensation Association in the amount of \$1,000,000.

(7) Capital Lease Purchase Agreement

In September 2013, the Agency entered into a capital lease purchase agreement for an excavator. The agreement is interest free for a period of three and a half years. The Agency paid the remaining \$77,947 on the lease during the year ended June 30, 2017.

(8) Compensated Absences

Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Agency until used or paid. The Agency's approximate liability for earned vacation at June 30, 2017 was \$19,100. This liability has been computed based on rates of pay in effect at June 30, 2017.

Employees who retire from the Agency or who leave the Agency after ten years of employment are paid the equivalent of up to 25% of their accumulated unused sick leave, not to exceed a total of 30 days. These accumulations are not recognized as disbursements by the Agency until used or paid. The Agency's approximate liability for earned sick leave payable at June 30, 2017 was \$2,600.

(9) Landfill Loss Contingency

The Iowa Department of Natural Resources (Department) filed a recommendation with the Iowa Attorney General to institute an enforcement action seeking mandatory injunction for compliance and severe penalties resulting from numerous violations identified by the Department. The Agency paid a consent decree settlement of \$135,000 for the fiscal year ending June 30, 2016 to resolve the action. In addition, the landfill agreed to a settlement agreement with McClure Engineering Company whereby McClure will pay to the landfill a total of \$127,915 on or before July 1, 2017. On July 5, 2017, subsequent to the year ending June 30, 2017, the landfill received the final \$47,915 from McClure in accordance with the terms of the settlement.

Other Information

North Central Iowa Regional Solid Waste Agency

North Central Iowa Regional Solid Waste Agency

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

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

Other Information

| | 2017 | 2016 | 2015 |
|---|------------|-----------|-----------|
| Agency's proportion of the net pension liability | 0.008995% | 0.008040% | 0.008303% |
| Agency's proportionate share of the net pension liability | \$ 447,193 | 397,217 | 336,031 |
| Agency's covered-employee payroll | \$ 620,125 | 550,817 | 554,434 |
| Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 72.11% | 72.11% | 60.61% |
| IPERS' net position as a percentage of the total pension liability | 81.82% | 85.19% | 87.61% |

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

See accompanying independent auditor's report.

North Central Iowa Regional Solid Waste Agency

Schedule of Agency Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years

Other Information

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-----------------|-----------------|-----------------|-----------------|
| Statutorily required contribution | \$ 76,374 | 55,377 | 49,188 | 49,511 |
| Contributions in relation to the statutorily required contribution | <u>(76,374)</u> | <u>(55,377)</u> | <u>(49,188)</u> | <u>(49,511)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Agency's covered-employee payroll | \$ 855,254 | 620,125 | 550,817 | 554,434 |
| Contributions as a percentage of covered-employee payroll | 8.93% | 8.93% | 8.93% | 8.93% |

See accompanying independent auditor's report.

| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|----------|----------|----------|----------|----------|----------|
| 56,724 | 54,308 | 42,469 | 41,631 | 38,928 | 33,455 |
| (56,724) | (54,308) | (42,469) | (41,631) | (38,928) | (33,455) |
| - | - | - | - | - | - |
| 654,256 | 672,962 | 611,065 | 626,030 | 613,039 | 552,975 |
| 8.67% | 8.07% | 6.95% | 6.65% | 6.35% | 6.05% |

North Central Iowa Regional Solid Waste Agency

North Central Iowa Regional Solid Waste Agency

Notes to Other Information – Pension Liability

Year ended June 30, 2017

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

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

Changes of assumptions:

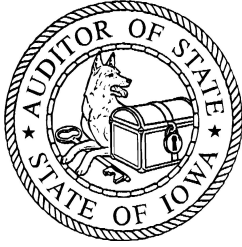
The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

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

North Central Iowa Regional Solid Waste Agency



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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 North Central Iowa Regional Solid Waste Agency:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statement of the North Central Iowa Regional Solid Waste Agency as of and for the year ended June 30, 2017, and the related Notes to Financial Statement, and have issued our report thereon dated February 14, 2018. 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 North Central Iowa Regional Solid Waste Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the North Central Iowa Regional Solid Waste Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Central Iowa Regional Solid Waste Agency'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 have not been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness and a deficiency we consider to be a significant deficiency.

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 North Central Iowa Regional Solid Waste Agency'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.

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 deficiency in internal control described in the accompanying Schedule of Findings as item (B) to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Central Iowa Regional Solid Waste Agency's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


The North Central Iowa Regional Solid Waste Agency's Responses to the Findings

The North Central Iowa Regional Solid Waste Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The North Central Iowa Regional Solid Waste Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the North Central Iowa Regional Solid Waste Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State

February 14, 2018

North Central Iowa Regional Solid Waste Agency

Schedule of Findings

Year ended June 30, 2017

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties –

Criteria – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Condition – One person had control over each of the following areas:

- (1) Accounting system – performing all general accounting functions and having custody of assets.
- (2) Cash – initiating cash receipt and disbursement transactions and handling and recording cash.
- (3) Receipts – opening mail, billing, collecting, depositing, posting and reconciling.

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

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

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Agency should review its operating procedures to obtain the maximum internal control possible under the circumstances. Currently available personnel or designated Board members should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible and should be documented by the signature or initials of the reviewer and the date of review.

Response –

The Secretary/Treasurer is not the individual responsible for accepting cash or writing out the bank deposits to be taken to the bank. Daily cash deposits are prepared by the office assistant, the landfill scale attendants, the HHW Operations Manager, and/or the Recycling Center Operations Manager. The Secretary/Treasurer only accepts cash at the window for certain electronics or writes out the daily deposit from checks received in the mail as a back-up if the office assistant is out of the office for the day (i.e. sick or vacation).

The Secretary/Treasurer does receive the deposit receipts from the bank(s), however, they are attached to the yellow handwritten deposit slips prepared by the personnel mentioned above. The Secretary/Treasurer is not responsible for writing out the deposit slips. Going forward, the Secretary/Treasurer can request that the HHW Operations Manager prepare all daily deposits when the office assistant is absent.

North Central Iowa Regional Solid Waste Agency

Schedule of Findings

Year ended June 30, 2017

For accounts receivable, the office assistant is responsible for inputting all landfill cash and charge invoices into QuickBooks. The Secretary/Treasurer does not input the same. The office assistant also ties out all daily charge and cash invoices to the daily landfill reports generated by PDOX (the landfill software), so there is some segregation of duties with accounts receivable. The Secretary/Treasurer is responsible for posting payments received on account, as well as collections. Because we are limited in staff, segregation of duties can be difficult and we completely understand the comment.

Conclusion – Response acknowledged. To aid in the segregation of duties, the Agency should utilize available personnel or designated Board Members to provide additional controls through review of financial transactions, reconciliations and reports.

(B) Credit Cards –

Criteria – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The Agency has put into place a credit card policy which includes internal control over credit cards used by Agency employees.

Condition – There was a charge of \$22 for meals in Fort Dodge which is prohibited by the credit card policy and was not reimbursed as required by Agency policy. Additionally, we noted four charges in which sales tax was paid.

Cause – The Agency’s credit card policy was not followed and internal controls were not suitably followed to ensure charges were allowable.

Effect – The use of credit cards could result in unauthorized transactions and the opportunity for misappropriation. If credit cards are misused and Agency policies not followed, the Agency could pay for items that do not meet Agency policy or are not for a public purpose.

Recommendation – The Agency should ensure policies and procedures are followed and ensure employees with credit card authority fully understand Agency policy.

Response – The Agency was without a credit card for the past four years. When the Agency received a credit card, the Agency’s Attorney prepared a credit card policy, which was approved at the March 2017 Board meeting. The policy was discussed with staff and explained how it was to be used for expenses while in “travel status” not in the local vicinity (Fort Dodge, Iowa or Webster County). Credit card charges will be scrutinized for improper charges.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

North Central Iowa Regional Solid Waste Agency

Schedule of Findings

Year ended June 30, 2017

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Disbursements – Except as noted, 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.

During testing we noted a total of \$78 was paid for sales tax on certain transactions.

Recommendation – The Agency should ensure sales tax is not paid.

Response – In the past, this has been discussed with the IT vendor. They said there was no way around it because the IT vendor ordered the Agency’s computers through an online vendor, and because the IT vendor is not exempt from sales tax they could not claim exemption on the purchase. In November 2017, a different IT company has been used which builds their own computers and they do not charge the Agency sales tax.

Conclusion – Response accepted.

- (2) Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- (3) Agency Minutes – No transactions were found that we believe should have been approved in the Agency minutes but were not.
- (4) Deposits and Investments – Except that the Agency has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency’s investment policy were noted.

Recommendation – The Agency should adopt a written investment policy to comply with the provisions of Chapter 12B of the Code of Iowa.

Response – The CFO has met with the Attorney for the Agency. This will be an approval item at the December Executive Board Meeting.

Conclusion – Response accepted.

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

North Central Iowa Regional Solid Waste Agency

Schedule of Findings

Year ended June 30, 2017

- (6) Financial Assurance – The Agency has elected to demonstrate financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code (IAC). The calculation is made as follows:

| | <u>Closure</u> | <u>Postclosure</u> | <u>Total</u> |
|--|---------------------|--------------------|------------------|
| Total estimated costs for closure and postclosure care at June 30, 2017 | <u>\$ 2,224,200</u> | <u>1,536,000</u> | <u>3,760,200</u> |
| Amount Agency has restricted for closure and postclosure care at June 30, 2017 | <u>\$ 536,403</u> | <u>3,751,165</u> | <u>4,287,568</u> |

The Agency has demonstrated financial assurance for closure and postclosure care by depositing sufficient amounts in the dedicated fund.

North Central Iowa Regional Solid Waste Agency

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Mallory A. Sims, Staff Auditor
Andrew J. Salwolke, Assistant Auditor

A handwritten signature in cursive script that reads "Andrew E. Nielsen". The signature is written in black ink and is positioned above the printed name and title.

Andrew E. Nielsen, CPA
Deputy Auditor of State