OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

Contact: Andy Nielsen
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FOR RELEASE February 22, 2018

Auditor of State Mary Mosiman today released an audit report on the Great River Regional Waste Authority.

The Authority had total receipts of $3,274,668 for the year ended June 30, 2017, a 7.5% increase over the prior year. The receipts included solid waste gate fees of $2,451,777, construction and demolition fees of $232,048, integrated waste services support fees of $237,925 and recycling fees of $184,755.

Disbursements for the year ended June 30, 2017 totaled $2,535,127, a 2.2% decrease from the prior year, and included $917,016 for salaries and benefits, $293,930 for equipment repair and maintenance and $250,547 for capital outlay.

A copy of the audit report is available for review in the Great River Regional Waste Authority's office, in the Office of Auditor of State and on the Auditor of State's web site at https://auditor.iowa.gov/reports/1714-2336-B00F.

# # #

GREAT RIVER REGIONAL WASTE AUTHORITY

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

JUNE 30, 2017

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Great River Regional Waste Authority

Officials

Name	Title	Representing
Brad Randolph	Chairperson	City of Fort Madison
Gary Adam	Vice Chairperson	Van Buren County
Susan Dunek	Member	City of Keokuk
Rick Larkin	Member	Lee County
Marc Lindeen	Member	Henry County
Wade Hamm	General Manager	
Colleen Daily	Business Manager	

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Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report

To the Members of the Great River Regional Waste Authority:

Report on the Financial Statement

We have audited the accompanying financial statement of the Great River Regional Waste Authority 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 Authority'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 Authority'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 Great River Regional Waste Authority 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 Authority's Proportionate Share of the Net Pension Liability and the Schedule of Authority Contributions on pages 7 through 10 and 25 through 29, has not been subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 2, 2018 on our consideration of the Great River Regional Waste Authority'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 Great River Regional Waste Authority's internal control over financial reporting and compliance.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

February 2, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2017 FINANCIAL HIGHLIGHTS

- Operating receipts increased 7.1%, or approximately $213,000, from fiscal year 2016 to fiscal year 2017.
- Operating disbursements decreased 3.4%, or approximately $80,000, from fiscal year 2016 to fiscal year 2017.
- The Authority's cash balance increased 8.6%, or approximately $740,000, from June 30, 2016 to June 30, 2017.

USING THIS ANNUAL REPORT

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

FINANCIAL ANALYSIS OF THE AUTHORITY

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

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

Operating receipts are received for gate fees from accepting solid waste, waste services support fees and recycling fees. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments, equipment purchases and sales and capital outlay. 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:

Change in Cash Balance

	Year ended June 30, 2017	2016
Operating receipts:		
Solid waste gate fees, including construction and demolition waste fees	$ 2,683,825	2,502,099
Integrated waste services support fees	237,925	243,048
Recycling fees	184,755	128,346
Other	116,263	135,949
Total operating receipts	3,222,768	3,009,442
Operating disbursements:		
Salaries and benefits	917,016	839,345
Hauling and freight	189,445	190,893
Fuel and lubricants	105,381	105,252
Equipment repair and maintenance	293,930	272,543
Consulting, legal and audit	88,419	161,607
Building and grounds	56,338	82,162
Landfill road maintenance	30,264	18,030
Iowa Department of Natural Resources tonnage fee	154,228	148,301
Other	449,559	546,475
Total operating disbursements	2,284,580	2,364,608
Excess of operating receipts over operating disbursements	938,188	644,834
Non-operating receipts (disbursements):		
Interest on investments	51,900	35,665
Capital outlay	(250,547)	(226,706)
Net non-operating receipts (disbursements)	(198,647)	(191,041)
Change in cash balance	739,541	453,793
Cash balance beginning of year	8,614,377	8,160,584
Cash balance end of year	$ 9,353,918	8,614,377

Change in Cash Balance (continued)			
		Year ended June 30,	
		2017	2016
Cash Basis Fund Balance			
Restricted for:			
Closure and postclosure care	$	3,446,475	3,349,882
Capital expansion		698,730	698,730
Solid waste tonnage fees		316,383	321,752
Total restricted net assets		4,461,588	4,370,364
Unrestricted		4,892,330	4,244,013
Total cash basis fund balance	$	9,353,918	8,614,377

In fiscal year 2017, operating receipts increased $213,326, or 7.1%, and operating disbursements decreased $80,028, or 3.4%. Non-operating disbursements increased $23,841, or 10.5%, from fiscal year 2016, primarily due to a increase in capital outlays made during fiscal year 2017.

A portion of the Authority's cash basis fund balance, $3,446,475 (36.85%), is restricted for closure and postclosure care. State and federal laws and regulations require the Authority 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. A portion of the cash basis fund balance, $316,383 (3.38%), is restricted for planning and waste reduction programs, $698,730 (7.47%), is restricted for future landfill expansion and the remaining cash basis fund balance, $4,892,330 (52.3%), is unrestricted and can be used to meet the Authority's obligations as they come due.

LONG-TERM DEBT

At June 30, 2017, the Authority had no long-term debt outstanding.

ECONOMIC FACTORS

Some of the projects and realities which will present challenges for the Authority in the coming year are:

- In August 2007, the Authority approved an agreement with the Federal Aviation Administration and the City of Fort Madison for the re-location of a grass runway at the Fort Madison Municipal Airport at an estimated cost of $300,000 to comply with distance requirements between the landfill and the active airport area. This cost will be covered by a November 2007 contribution from Lee County which has been restricted for capital expansion. At June 30, 2017, the Authority had incurred engineering costs of $24,249 relating to the project.
- The Authority has a long-term landfill expansion plan which is to be implemented in phases to coincide with demand and the resulting need for landfill capacity. The cost to implement this plan is being covered, in part, by the November 2007 Lee County capital contribution, which has been restricted for capital expansion.
- The Authority changed from being a regular landfill to an Environmental Management Systems (EMS) landfill in April 2014. EMS encourages responsible environmental management while promoting environmental stewardship and continuous improvement. Becoming an EMS landfill allows the authority to retain more of the revenues collected and remit lesser amounts to IDNR.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Authority'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 Great River Regional Waste Authority, 2092 - 303rd Avenue, Fort Madison, Iowa 52627-9751.

Financial Statement

Great River Regional Waste Authority

Great River Regional Waste Authority

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

Year ended June 30, 2017

Operating receipts:		
Solid waste gate fees	$	2,451,777
Construction and demolition waste fees		232,048
Woodwaste sales		17,233
Integrated waste services support fees		237,925
Recycling fees		184,755
Miscellaneous		99,030
Total operating receipts		3,222,768
Operating disbursements:		
Salaries and benefits		917,016
Hauling and freight		189,445
Fuel and lubricants		105,381
Equipment repair and maintenance		293,930
Consulting, legal and audit		88,419
Office equipment and supplies		73,309
Utilities		37,527
Building and grounds		56,338
Landfill road maintenance		30,264
Insurance		17,274
Hazardous material disposal		13,112
Woodwaste processing		16,900
Leachate disposal and testing		21,582
Sales tax remitted		34,967
Iowa Department of Natural Resources tonnage fee		154,228
Recycling		15,492
Miscellaneous		219,396
Total operating disbursements		2,284,580
Excess of operating receipts over operating disbursements		938,188
Non-operating receipts (disbursements):		
Interest on investments		51,900
Capital outlay		(250,547)
Net non-operating receipts (disbursements)		(198,647)
Change in cash balance		739,541
Cash balance beginning of year		8,614,377
Cash balance end of year	$	9,353,918
Cash Basis Fund Balance		
Restricted for:		
Closure and postclosure care	$	3,446,475
Capital expansion		698,730
Solid waste tonnage fees		316,383
Total restricted cash basis fund balance		4,461,588
Unrestricted		4,892,330
Total cash basis fund balance	$	9,353,918

See notes to financial statement.

Great River Regional Waste Authority

(1) Summary of Significant Accounting Policies

The Great River Regional Waste Authority was formed in 1988 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Authority is to develop, operate and maintain solid waste disposal and resource recovery facilities in Lee and Henry Counties on behalf of the units of government which are members of the Authority.

The governing body of the Authority is composed of one representative from each member. The members of the Authority include Lee County, Henry County, Van Buren County and the cities of Fort Madison and Keokuk. Each member of the Authority has one vote.

A. Reporting Entity

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

B. Basis of Presentation

The accounts of the Authority 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 Authority maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Authority 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 Authority in accordance with U.S. generally accepted accounting principles.

D. Cash Basis Fund Balance

Funds set aside for payment of closure and postclosure care, capital expansion and solid waste tonnage fees are classified as restricted.

(2) Cash and Investments

The Authority'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 Authority 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 Authority; 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 Authority had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the Authority, except for those covered by another retirement system. Employees of the Authority 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, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- 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 starting July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

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

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

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

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

The Authority's contributions to IPERS for the year ended June 30, 2017 totaled $56,068.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the Authority had a liability of $515,768 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 Authority's proportion of the net pension liability was based on the Authority's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the Authority's proportion was 0.008270%, which was an increase of 0.000092% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017 the Authority's pension expense, deferred outflows of resources and deferred inflows of resources totaled $61,173, $149,733 and $69,980, respectively.

There were no non-employer contributing entities to IPERS.

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

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%
Demestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Authority will be made at contractually required rates, actuarially determined. Based on those assumptions, the 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 Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Authority'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%)
Authority's proportionate share of the net pension liability	$ 834,443	515,768	246,802

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

(4) Other Postemployment Benefits (OPEB)

Plan Description – The Authority operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 12 active members and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy – The contribution requirement of plan members are established by union contract. The Authority currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Authority and plan members are $623 for single coverage and $1,405 for family coverage. For the year ended June 30, 2017, the Authority contributed $186,847 and plan members eligible for benefits contributed $21,450 to the plan.

(5) Closure and Postclosure Care Costs

To comply with federal and state regulations, the Authority 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 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 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, including transfer station closure care, for the Authority have been estimated at $3,460,551 for closure and $1,116,395 for postclosure care for a total of $4,576,946 as of June 30, 2017. The estimated remaining life of the landfill is 20 years, with approximately 49% of the landfill's cell capacity used at June 30, 2017. The Authority has established closure and postclosure care accounts to accumulate resources to fund these costs and the closure costs associated with the transfer station discussed in Note 6.

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 Authority has begun to accumulate resources to fund these costs and, at June 30, 2017, assets of $3,446,475 are restricted for these purposes, of which $2,314,389 is for closure and $1,132,086 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), since the estimated closure and postclosure care costs are not fully funded, the Authority is required to demonstrate financial assurance for the unfunded costs. The Authority has adopted the local government financial test and the local government dedicated fund financial assurance mechanisms to meet these requirements.

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 Authority 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.

(6) Transfer Station Closure Care

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

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

The total closure care costs for the Authority for the transfer station as of June 30, 2017 have been estimated at $11,823. These costs are fully funded at June 30, 2017. The costs and the assets restricted are included in the Note 5 amounts.

(7) Risk Management

The Authority 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 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 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 Authority'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 Authority's contributions to the Pool for the year ended June 30, 2017 which were paid during the year ended June 30, 2016 were $54,200.

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 Authority'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 Authority'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 member'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 Authority also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amounts of $1,000,000 and $25,000, respectively. The Authority assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Solid Waste Tonnage Fees Retained

The Authority has established an account for restricting and using solid waste tonnage fees retained by the Authority in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2017, the unspent amount retained by the Authority and restricted for the required purpose totaled $316,383.

(9) Compensated Absences

Authority employees accumulate a limited amount of earned but unused vacation hours and sick leave hours for subsequent use or for payment upon termination, retirement or death. The Authority will pay up to $2,000 of accumulated sick leave upon retirement. These accumulations are not recognized as disbursements by the Authority until used or paid. The Authority's approximate liability for earned vacation and sick leave payable to employees at June 30, 2017 was $55,000. These liabilities have been computed based on rates of pay in effect at June 30, 2017.

(10) Employee Health Insurance Plan

The Authority self-funds a portion of health insurance deductibles for its employees. The plan is funded by Authority contributions and is administered by Employee Benefit Systems (EBS) under an agreement which is subject to automatic renewal. The Authority self funds up to $1,500 per individual or $3,000 per family, with employees contributing the first $200 and $400, respectively. Administrative service fees and premiums are paid monthly from the Authority's operating funds to a separate account administered by EBS. During the year ended June 30, 2017, the Authority paid $21,450 to the account. The activity in this account is recorded in the Authority's financial statement and the account balance of $37,539 at June 30, 2017 is included in unrestricted cash basis fund balance.

(11) Contingencies

On August 3, 2007, the Authority approved an agreement with the Federal Aviation Administration (FAA) and the City of Fort Madison for the relocation of a grass runway at the Fort Madison Municipal Airport at an estimated cost of $300,000. The relocation is required to comply with distance requirements between the landfill and the active airport area. This cost is to be covered by a portion of the bond proceeds from bonds issued by Lee County and remitted to the Authority. At June 30, 2017, the FAA had not issued final approval for the project and $24,249 for engineering costs related to the relocation of the runway has been paid.

(12) Prospective Accounting Change

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

Other Information

Great River Regional Waste Authority

Great River Regional Waste Authority

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

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

Other Information

	2017	2016	2015
Authority's proportion of the net pension liability	0.008270%	0.008178%	0.008092%
Authority's proportionate share of the net pension liability	$ 515,768	406,551	327,470
Authority's covered-employee payroll	$ 588,138	563,758	540,310
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.70%	72.11%	60.61%
IPERS' net position as a percentage of liability the total pension	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.

Great River Regional Waste Authority

Schedule of Authority Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years

Other Information

	2017	2016	2015	2014
Statutorily required contribution	$ 56,068	52,521	50,344	48,250
Contributions in relation to the statutorily required contribution	(56,068)	(52,521)	(50,344)	(48,250)
Contribution deficiency (excess)	$ -	-	-	-
Authority's covered-employee payroll	$ 627,856	588,138	563,758	540,310
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
43,080	41,221	32,675	31,541	28,774	26,186
(43,080)	(41,221)	(32,675)	(31,541)	(28,774)	(26,186)
-	-	-	-	-	-
496,886	510,793	470,144	474,301	453,134	432,826
8.67%	8.07%	6.95%	6.65%	6.35%	6.05%

Great River Regional Waste Authority

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.

Great River Regional Waste Authority

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

To the Members of the Great River Regional Waste Authority:

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 Great River Regional Waste Authority 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 2, 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 Great River Regional Waste Authority'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 Great River Regional Waste Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Great River Regional Waste Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Great River Regional Waste Authority's financial statement will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) through (C) to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Authority'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 Authority. 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 Great River Regional Waste Authority's Responses to the Findings

The Great River Regional Waste Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Great River Regional Waste Authority'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 Authority'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 Authority'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 Great River Regional Waste Authority 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

February 2, 2018

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 individual has control over each of the following areas for the Authority:

(1) Receipts – opening mail, collecting, depositing, journalizing, reconciling, posting and maintaining accounts receivable records.

(2) Disbursements – invoice processing, check writing, mailing, reconciling and recording.

(3) Investing – recordkeeping, investing, custody of investments and reconciling earnings.

(4) Cash – handling, reconciling and recording.

We also noted the following:

(5) Gate fee rates are not entered into the system by an independent person and there is no independent review of the rates to ensure they agree with approved rates.

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

Effect – Inadequate segregation of duties could adversely affect the Authority'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 Authority should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including Authority Board Members. Evidence of reviews should be documented by the signature or initials of the independent reviewer and the date of the review.

Response – We will do the best we can with what we have to follow the recommendation.

Conclusion – Response accepted.

(B) Financial Reporting

Criteria – A deficiency in internal control over financial reporting exits 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the Authority's financial statements.

Condition – During the audit, we identified numerous posting errors which improperly classified receipts and disbursements. In addition, support for manual journal entries is not maintained. Adjustments were subsequently made to properly report receipts and disbursements in the financial statement.

Cause – Authority policies do not require and procedures have not been established to require independent review of transaction to ensure the Authority's financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in Authority employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the Authority's financial statements were necessary.

Recommendation – The Authority should implement procedures to ensure activity is recorded accurately throughout the year and journal entry support should be maintained and reviewed by an independent person.

Response – We will do our best to follow the recommendation.

Conclusion – Response accepted.

(C) Customer Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to reconciling customer billings, collections and delinquent accounts to ensure proper recording of customer receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – Customer billings, collections and delinquent accounts were not reconciled.

Cause – Policies have not been established and procedures have not been implemented to reconcile customer billings, collections and delinquent accounts.

Effect – This condition could result in unrecorded or misstated customer receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – Procedures should be established to reconcile customer billings, collections and delinquent accounts monthly. An independent person should review the reconciliations, monitor delinquent accounts and approve write-offs of uncollectible accounts. The review should be documented by the signature or initials of the reviewer and the date of the review.

Response – We agree and will do our best to comply with the recommendation.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

(1) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

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

(3) Authority Board Minutes – No transactions were found that we believe should have been approved in the Authority's Board minutes but were not. The Authority did not publish gross salaries in accordance with Chapter 28E.6 of the Code of Iowa.

Recommendation – The Authority should publish gross salaries each year on either a calendar or fiscal year basis.

Response – We will do our best to follow the above recommendation.

Conclusion – Response accepted.

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

(5) Solid Waste Fees Retainage – During the year ended June 30, 2017, the Authority used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

(6) Financial Assurance – The Authority has elected to demonstrate financial assurance for closure and postclosure care by establishing a local government dedicated fund and through the local government financial test mechanism, both as provided in Chapter 567-113.14(6) of the Iowa Administration Code (IAC). The local government financial test 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, including transfer station closure costs	$ 4,576,946
Less: Amount Authority has restricted and reserved for closure and postclosure care (dedicated fund mechanism):	3,446,475
Remaining costs to be assured through the local government financial test	$ 1,130,471
Financial assurance through the local government financial test	$ 1,163,124

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure care accounts be made at least annually and the deposits shall be made within 30 days of the close of each fiscal year. The required deposit was made April 25, 2017.

Staff

This audit was performed by:

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Steven O. Fuqua, CPA, Senior Auditor II
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