OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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NEWS RELEASE

Contact: Andy Nielsen
515/281-5834

FOR RELEASE May 24, 2018

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

The Agency had total revenues of $2,429,360 for the year ended June 30, 2017, a 2.5% decrease from the prior year. The revenues included charges for service of $1,218,958, contracted waste of $507,964 and County and City assessments of $392,928.

Expenses for the year ended June 30, 2017 totaled $2,292,674, a 7% increase over the prior year, and included $344,438 for contracted compacting and covering charges, $318,410 for payroll, and $173,952 for professional fees.

The decrease in revenues is due primarily to a decrease in County and City assessments and the increase in expenses is due primarily to the scrapping of the initial work done on the new cell which was recorded as a loss on disposal of capital assets.

A copy of the audit report is available for review in the Clinton County 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/1714-2303-B00F.

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CLINTON COUNTY SOLID WASTE AGENCY

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

JUNE 30, 2017

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Clinton County Solid Waste Agency

Officials

Name	Title	Representing
Paul Varner	Chairperson	City of Camanche
Brandi Pray	Vice-Chairperson	City of Low Moor
Shawn Hamerlinck	Secretary-Treasurer	Clinton County
Roger Wilke	Member	City of Andover
Rod Smith	Member	City of Calamus
Peggy Sellnau	Member	City of Charlotte
Mark Vulich	Member	City of Clinton
Doug Goodall	Member	City of Delmar
Garey Chrones	Member	City of DeWitt
Patsy Farrell	Member	City of Goose Lake
Steve Kilburg	Member	City of Grand Mound
Jim Schroeder	Member	City of Lost Nation
Deb Bartels	Member	City of Toronto
Ed Novak	Member	City of Welton
Bob Denahy	Member	City of Wheatland
Bradley Seward	Director of Operations and Education	
Sandra Moon	Office Manager	

Clinton County Solid Waste Agency

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Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report

To the Members of the Clinton County Solid Waste Agency:

Report on the Financial Statements

We have audited the accompanying Statement of Net Position, and the related Statements of Revenues, Expenses and Changes in Net Position and Cash Flows of the Clinton County Solid Waste Agency as of and for the year ended June 30, 2017, and the related Notes to Financial Statements which collectively comprise the Clinton County Solid Waste Agency's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Clinton County Solid Waste Agency as of June 30, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require 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 10 and 29 through 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clinton County Solid Waste Agency's basic financial statements. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 15, 2018 on our consideration of the Clinton County 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 Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Clinton County Solid Waste Agency's internal control over financial reporting and compliance.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

May 15, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2017 FINANCIAL HIGHLIGHTS

- The Agency's operating revenues decreased 1.5%, or $35,758, from fiscal year 2016 to fiscal year 2017. Charges for service, contracted waste and other revenues increased while County and City assessments and commodities sold decreased.
- The Agency's operating expenses were 9%, or $192,793, less in fiscal year 2017 than in fiscal year 2016.
- The Agency's net position increased 1.2%, or $136,686, from June 30, 2016 to June 30, 2017.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

Supplementary Information provides detailed information about revenues and expenses.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Agency's financial position. The Agency's net position at the end of fiscal year 2017 totaled approximately $11,459,000. This compares to approximately $11,322,000 at the end of fiscal year 2016. A summary of the Agency's net position is presented below.

Net Position

		June 30, 2017	June 30, 2016
Current assets	$	5,921,549	5,899,931
Restricted investments		3,145,328	2,728,072
Capital assets at cost, less accumulated depreciation		4,164,202	4,170,120
Total assets		13,231,079	12,798,123
Deferred outflows of resources		103,751	56,696
Current liabilities		590,374	404,504
Noncurrent liabilities		1,280,929	1,109,375
Total liabilities		1,871,303	1,513,879
Deferred inflows of resources		4,493	18,592
Net position:			
Net investment in capital assets		4,157,734	4,170,120
Restricted for:			
Tonnage fees retained		910,226	837,771
Closure and postclosure costs		2,183,245	1,857,501
Unrestricted		4,207,829	4,456,956
Total net position	$	11,459,034	11,322,348

The unrestricted portion of the Agency's net position (37%) may be used to meet the Agency's obligations as they come due. The invested in capital assets (e.g., land, buildings and equipment), less the related debt portion of net position (36%) are resources allocated to capital assets. The remaining net position (27%) is restricted for closure and postclosure care and for tonnage fees due to the State of Iowa. State and federal laws and regulations require the Agency to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure.

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues are received for charges for service from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues are for finance charges, interest income and rental income. Non-operating expenses are for a settlement agreement and the loss on disposal of capital assets. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the years ended June 30, 2017 and 2016 is presented below.

Changes in Net Position			
	Year ended June 30,		
		2017	2016
Operating revenues:			
Charges for service	$	1,218,958	1,157,318
County and city assessments		392,928	491,160
Contracted waste		507,964	501,070
Commodities sold		97,699	110,478
Other operating revenues		173,391	166,672
Total operating revenues		2,390,940	2,426,698
Operating expenses:			
Landfill		1,683,589	1,897,794
Recycling		246,408	207,220
Regional Collection Center		18,482	36,258
Total operating expenses		1,948,479	2,141,272
Operating income		442,461	285,426
Non-operating revenues (expenses):			
Finance charges		4,829	3,893
Interest revenue		8,510	44,786
Rental income		25,081	16,838
Settlement agreement		(85,000)	-
Loss on disposal of capital assets		(259,195)	-
Net non-operating revenues		(305,775)	65,517
Change in net position		136,686	350,943
Net position beginning of year		11,322,348	10,971,405
Net position end of year	$	11,459,034	11,322,348

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

In fiscal year 2017, operating revenues decreased $35,758, or 1.5%, primarily a result of County and City assessments decreasing approximately $98,000. Operating expenses decreased $192,793, or 9%. The decrease was primarily a result of the landfill master plan update being completed in fiscal year 2016 as well as a reduction in the amount of dirt hauling.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes cash received from customers, assessments and other operating receipts reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes rental income and the purchase of capital assets. Cash used by investing activities includes finance charges, interest income and purchases and redemptions of investments.

CAPITAL ASSETS

At June 30, 2017, the Agency had approximately $4,164,000 invested in capital assets, net of accumulated depreciation of approximately $4,071,000. Depreciation expense totaled $185,466 for fiscal year 2017. More detailed information about the Agency's capital assets is presented in Note 3 to the financial statements.

LONG-TERM DEBT

At June 30, 2017, the Agency had $6,468 outstanding for an installment purchase agreement. Additional information about the Agency's long-term debt is presented in Note 5 to the financial statements.

ECONOMIC FACTORS

The Clinton County Solid Waste Agency continued to improve its financial position during the current fiscal year. However, 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:

- Work must continue to maintain landfill areas closed in the past. This includes addressing any issues found in the assessment of corrective measures plans and the drilling of wells into the bedrock for groundwater monitoring.
- The Agency faced a loss in tonnage in the past due to waste being able to travel over state lines. The Agency continues to take an active approach to regain a large portion of the tonnage and revenue with commercial haulers and will continue to do so. The tonnage intake has increased, but the Agency is still not getting all of the material from Clinton County it should.
- The Agency is facing a change in the recycling program. The Agency has decided to convert to single stream recycling. Recyclable materials will be transferred to Scott County instead of processing those items on site. The City of Clinton, previously the Agency's largest recycling client, plans to once again bring its recyclable materials to the Agency once the single stream conversion is finished.
- Facilities and equipment of Clinton County Area Solid Waste will continue to require routine maintenance and upkeep.
- Technology and trends in the solid waste industry continue to change. The Agency will have to continue to work to update technology and trends at a reasonable cost. These changes could affect each of the services that the Agency has to offer.
- Some of the solid waste programs that are required for the Agency to handle have been implemented with a user fee to help support them. This will continue to happen to keep the programs alive and to keep them available for residents.

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 the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Clinton County Solid Waste Agency, PO Box 996, Clinton, Iowa 52732.

Basic Financial Statements

Clinton County Solid Waste Agency

Statement of Net Position

June 30, 2017

Assets	
Current assets:	
Cash and cash equivalents	$ 2,287,150
Restricted cash and cash equivalents	910,226
Investments	2,491,705
Accounts receivable	201,255
Prepaid insurance	31,213
Total current assets	5,921,549
Noncurrent assets:	
Restricted investments	3,145,328
Capital assets, net of accumulated depreciation	4,164,202
Total noncurrent assets	7,309,530
Total assets	13,231,079
Deferred Outflows of Resources	
Pension related deferred outflows	103,751
Liabilities	
Current liabilities:	
Accounts payable	471,060
Accrued payroll taxes	588
Accrued other withholdings	11
Accrued other	4,053
Accrued ground water tax	26,428
Installment purchase agreement	3,234
Settlement payable	85,000
Total current liabilities	590,374
Noncurrent liabilities:	
Installment purchase agreement	3,234
Landfill closure and postclosure care	962,083
Net OPEB obligation	39,437
Net pension liability	276,175
Total noncurrent liabilities	1,280,929
Total liabilities	1,871,303
Deferred Inflows of Resources	
Pension related deferred inflows	4,493
Net Position	
Net investment in capital assets	4,157,734
Restricted for:	
Tonnage fees retained	910,226
Closure and postclosure care	2,183,245
Unrestricted	4,207,829
Total net position	$ 11,459,034

See notes to financial statements.

Clinton County Solid Waste Agency

Statement of Revenues, Expenses and
Changes in Net Position

Year ended June 30, 2017

Operating revenues:	
Landfill	
Charges for service	$ 1,218,958
Tire handling fee	31,739
Permit fees	6,996
County and city assessments	392,928
Contracted waste	507,964
Salvage	12,496
Miscellaneous	81,904
Total Landfill	2,252,985
Recycling	
Commodities sold	97,699
Regional Collection Center (RCC)	
Member's expense reimbursement	14,504
Conditionally Exempt Small Quantity Generator	4,773
Customer	11,015
Grant	9,838
Miscellaneous	126
Total RCC	40,256
Total operating revenues	2,390,940
Operating expenses:	
Landfill	1,683,589
Recycling	246,408
Regional Collection Center	18,482
Total operating expenses	1,948,479
Operating income	442,461
Non-operating revenues (expenses):	
Finance charges	4,829
Interest revenue	
Operations	3,822
Financial assurance	4,688
Rental income	25,081
Settlement agreement	(85,000)
Loss on disposal of capital assets	(259,195)
Net non-operating revenues	(305,775)
Change in net position	136,686
Net position beginning of year	11,322,348
Net position end of year	$ 11,459,034

See notes to financial statements.

Clinton County Solid Waste Agency

Statement of Cash Flows

Year ended June 30, 2017

Cash flows from operating activities:	
Cash received from customers	$ 1,903,558
Cash received from assessments	392,928
Cash received from other operating receipts	91,742
Cash paid to suppliers for goods and services	(1,211,091)
Cash paid to employees for services	(367,146)
Net cash provided by operating activities	809,991
Cash flows from capital and related financing activities:	
Rental income	25,081
Purchase of capital assets	(432,275)
Net cash used by capital and related financing activities	(407,194)
Cash flows from investing activities:	
Finance charges	4,829
Interest received	8,510
Investment purchases	(514,623)
Investment redemptions	514,270
Restricted investment purchases	(417,256)
Net cash used by investing activities	(404,270)
Net decrease in cash and cash equivalents	(1,473)
Cash and cash equivalents beginning of year	3,198,849
Cash and cash equivalents end of year	$ 3,197,376
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 442,461
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	185,466
Closure and postclosure care	91,512
Increase in accounts receivable	(2,712)
Increase in prepaid insurance	(20,026)
Increase in deferred outflows of resources	(47,055)
Increase in accounts payable	96,560
Decrease in accrued ground water tax	(2,044)
Increase in accrued other	3,125
Decrease in accrued other withholdings	(5)
Increase in net OPEB liability	3,347
Increase in net pension liability	73,461
Decrease in deferred inflows of resources	(14,099)
Total adjustments	367,530
Net cash provided by operating activities	$ 809,991

See notes to financial statements.

(1) Summary of Significant Accounting Policies

The Clinton County Solid Waste Agency was formed in 1972 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to operate the sanitary landfill in Clinton County for use by all residents of the County. Services are also provided for Jackson and Cedar Counties, Iowa.

The Agency is composed of one representative from each of the fourteen member cities and one representative from Clinton County. The member cities are: Andover, Calamus, Camanche, Charlotte, Clinton, Delmar, DeWitt, Goose Lake, Grand Mound, Lost Nation, Low Moor, Toronto, Welton, and Wheatland. Each member is entitled to one vote for each 1,000 people or fraction thereof as determined by the most recent general Federal Census.

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

A. Reporting Entity

For financial reporting purposes, the Clinton County 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 statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the 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 revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Statement of Net Position presents the Clinton County Solid Waste Agency's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

C. Measurement Focus and Basis of Accounting

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

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

Cash, Cash Equivalents and Investments – The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Investments are stated at fair value.

Restricted Investments – Funds set aside for payment of closure and postclosure care are classified as restricted.

Capital Assets – Capital assets are accounted for at historical cost or estimated historical cost where historical cost is not available. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

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

Asset Class		Amount
Buildings and improvements	$	25,000
Equipment and vehicles		5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings and improvements	25 - 50
Land improvements	10 - 50
Equipment	3 - 20
Vehicles	5 - 15

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2017.

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, the unamortized portion of the net difference between projected and actual earnings on IPERS' plan investments and contributions from the Agency after the measurement date but before the end of the Agency's reporting period.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consist of the unrecognized items not yet credited to pension expense.

(2) Cash, Cash Equivalents 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 depositories to ensure there will be no loss of public funds.

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

The Agency's investments at June 30, 2017 were as follows:

Investments	Fair Value
U.S. Government agency bonds	$ 99,986
Market certificates of deposit	1,040,210
Mutual funds-fixed income	1,161,452
Certificates of deposit	100,000
Money market accounts	90,057
	2,491,705
Restricted investments	
Money market accounts	3,145,328
Total investments	$ 5,637,033

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 investments were determined using the last reported sales price at current exchange rates. (Level 1 inputs)

Interest rate risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Agency limits the operating funds portfolio to maturities of less than 397 days.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2017 was as follows:

		Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:					
Land and Improvements	$	808,097	-	-	808,097
Construction in Progress		256,686	374,786	256,686	374,786
Total capital assets not being depreciated		1,064,783	374,786	256,686	1,182,883
Capital assets being depreciated:					
Intangibles		27,640	10,304	11,505	26,439
Development Costs		4,414,283	-	-	4,414,283
Buildings		1,865,312	12,773	26,571	1,851,514
Equipment and vehicles		719,398	40,880	-	760,278
Total capital assets being depreciated		7,026,633	63,957	38,076	7,052,514
Less accumulated depreciation for:					
Intangibles		27,640	2,061	11,505	18,196
Development Costs		1,609,100	141,449	-	1,750,549
Buildings		1,772,833	11,069	24,062	1,759,840
Equipment and vehicles		511,723	30,887	-	542,610
Total accumulated depreciation		3,921,296	185,466	35,567	4,071,195
Total capital assets being depreciated, net		3,105,337	(121,509)	2,509	2,981,319
Total capital assets, net	$	4,170,120	253,277	259,195	4,164,202

(4) Settlement Payable

In February 2018, the Agency reached an agreement and paid $85,000 to settle a lawsuit related to the fiscal year 2016 termination of a construction contract.

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

		Installment Purchase Agreement	Net OPEB Obligation	Net Pension Liability	Landfill Closure and Postclosure Care Costs	Total
Balance beginning of year	$	-	36,090	202,714	870,571	1,109,375
Increases		10,304	3,347	73,461	91,512	178,624
Decreases		3,836	-	-	-	3,836
Balance end of year	$	6,468	39,437	276,175	962,083	1,284,163
Due within one year	$	3,234	-	-	-	3,234

Installment Purchase Agreement

The Agency entered into an installment purchase agreement on February 1, 2017 for software. The agreement is for a period of 3 years with no interest and expires in fiscal year 2019. The following is a schedule by year of future payments:

Year Ending June 30,	Installment Payments
2018	$ 3,234
2019	3,234
Total	$ 6,468

(6) Pension Plan

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

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

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

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

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

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

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

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

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

The Agency's contributions to IPERS for the year ended June 30, 2017 totaled $27,976.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the Agency reported a liability of $276,175 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 0.004388%, which was an increase of 0.000285% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Agency recognized pension expense of $40,283. At June 30, 2017, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,441	3,296
Changes of assumptions	4,214	-
Net difference between projected and actual earnings on IPERS investments	39,346	-
Changes in proportion and differences between Agency contributions and the Agency's proportionate share of contributions	29,774	1,197
Agency contributions subsequent to the measurement date	27,976	-
Total	$ 103,751	4,493

$27,976 reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,		Amount
2018	$	12,839
2019		12,839
2020		28,645
2021		16,134
2022		825
Total	$	71,282

There were no non-employer contributing entities to IPERS.

<u>Actuarial Assumptions</u> – 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	100%	

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Agency's proportionate share of the net pension liability	$ 446,814	276,175	132,154

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.

Payables to IPERS – At June 30, 2017, the Agency reported no payables to the defined benefit pension plan as legally required employee contributions which had been withheld from employee wages were remitted to IPERS.

(7) Other Postemployment Benefits (OPEB)

The Agency participates in the Clinton County postretirement medical plan (OPEB). The OPEB plan recognizes the implicit rate subsidy as required by GASB Statement No. 45.

The actuarial valuation of liabilities under the OPEB plan is calculated using the frozen entry age actuarial cost method as of the July 1, 2015 actuarial valuation. This method requires the calculation of an unfunded actuarial accrued liability, which was approximately $882,740 for Clinton County as of June 30, 2017. The Agency's portion of the unfunded actuarial accrued liability is not separately determinable.

Details of the OPEB plan are available in Clinton County's audit report for the year ended June 30, 2017. The report may be obtained by writing to the Clinton County Auditor's Office, 1900 North 3rd Street, Clinton, Iowa 52733-2957.

The Agency recognized a net OPEB obligation of $39,437 for other postemployment benefits, which represents the Agency's portion of Clinton County's net OPEB obligation. The Agency's portion of the net OPEB obligation was calculated using the ratio of full-time equivalent employees of the Agency compared to full-time equivalent employees of Clinton County.

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

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

These costs for the Agency have been estimated $308,334 for postclosure care for Cell A and $2,006,724 for closure and $1,298,111 for postclosure care for Cell B, for a total of $3,613,169 as of June 30, 2017, and the portion of the liability that has been recognized is $962,083. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2017. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated life remaining of Cell B is 39 years. The capacity used at June 30, 2017 in Cell A is 100% and Cell B is 20%.

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 begun accumulating resources to fund these costs and, at June 30, 2017, assets of $3,145,328 are restricted for these purposes. They are reported as restricted investments in the Statement of Net Position.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since 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 the Agency 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 care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

(9) 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 amounts retained by the Agency and restricted for the required purposes totaled $910,226.

(10) Lease Agreements

The Agency leases cropland to 3 unrelated lessees. The lease terms for all 3 leases are from March 1, 2017 to February 28, 2018. The land for one lease must be used for agricultural crop purposes with rental fees of $11,019 per year, 1 payable quarterly and 2 payable annually. The parcel of pasture land must be used for feeding livestock with rental fees of $1,200 per year, payable quarterly. The lease for production of hay product has rental fees of $12,050 per year, payable twice a year.

Total rental income totaled $25,081 for the year ended June 30, 2017.

(11) Contracts

As of June 30, 2017, the Agency entered into the following contracts:

Project		Total Contract		Remaining Balance
Landfill operations and maintenance	$	993,000	$	331,000
Phase E-1 Cell Construction		1,742,936		1,386,888
	$	2,735,936	$	1,717,888

(12) Risk Management

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

(13) 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. In addition, the Statement of Net Position is expected to include a significant liability for the Agency's other postemployment benefits.

Required Supplementary Information

Clinton County Solid Waste Agency

Clinton County 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*

Required Supplementary Information

	2017	2016	2015
Agency's proportion of the net pension liability	0.004388%	0.004103%	0.003695%
Agency's proportionate share of the net pension liability	$ 276,175	202,714	146,526
Agency's covered-employee payroll	$ 315,028	278,813	241,758
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.67%	72.71%	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 year.

See accompanying independent auditor's report.

Clinton County Solid Waste Agency

Schedule of Agency Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years

Required Supplementary Information

	2017	2016	2015	2014
Statutorily required contribution	$ 27,976	28,132	24,898	21,589
Contributions in relation to the statutorily required contribution	(27,976)	(28,132)	(24,898)	(21,589)
Contribution deficiency (excess)	$ -	-	-	-
Agency's covered-employee payroll	$ 313,281	315,028	278,813	241,758
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
20,528	21,207	19,285	17,963	14,866	15,081
(20,528)	(21,207)	(19,285)	(17,963)	(14,866)	(15,081)
-	-	-	-	-	-
236,770	262,788	277,482	270,120	234,110	249,273
8.67%	8.07%	6.95%	6.65%	6.35%	6.05%

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.

Supplementary Information

Clinton County Solid Waste Agency

Clinton County Area Solid Waste Agency

Schedule of Charges for Service

Year ended June 30, 2017

Refuse - $44.00 per ton from July 1, 1994 through June 30, 2017	$	1,212,152
Asbestos - $25.00 per cu. Yd. from February 1, 1992 through June 30, 2017		1,325
Sludge - $25.00 per ton through June 30, 2017		5,481
Total Charges for Service	$	1,218,958

See accompanying independent auditor's report.

Clinton County Solid Waste Agency

Schedule of Operating Expenses

Year ended June 30, 2017

Operating Expenses	
Landfill	
Insurance	$ 105,026
Professional fees	173,952
Equipment repairs	14,889
Building repairs	728
Agency vehicle	4,934
Advertising	21,926
Education expense	3,800
Payroll	203,461
Clothing allowance	1,275
Payroll tax	15,401
Pension expense	40,283
Contracted compacting and covering charges	344,438
Secretarial services	357
Tire expense	30,252
Utilities	9,330
Telephone	2,159
Office expense	34,811
Postage	1,716
Mileage	690
Maintenance	82,973
Testing expenses	40,150
Ground water tax	67,216
Refuse processing	106,458
System maintenance	82,675
Closure and postclosure care	91,512
Supplies	6,586
Office supplies	5,993
Dues	4,160
Travel expense	275
Bank charges	995
Employee safety	10,728
Miscellaneous expense	9
Depreciation	174,431
Total landfill	1,683,589

Clinton County Solid Waste Agency

Schedule of Operating Expenses

Year ended June 30, 2017

Recycling		
Brown goods disposal	$	34,355
Insurance		37,956
Payroll		114,949
Equipment repairs		2,407
Reimbursements		124
Clothing allowance		750
Payroll tax		8,701
Machine repairs		3,276
Utilities		7,719
Recycling purchases		12,490
Maintenance		5,515
Supplies		9,883
Depreciation		8,283
Total recycling		246,408
Regional Collection Center (RCC)		
Building repairs		220
Employee education		135
RCC expenses		1,108
Supplies		1,130
RCC disposal		12,825
Education expense		213
Travel		99
Depreciation		2,752
Total Regional Collection Center		18,482
Total operating expenses	$	1,948,479

See accompanying independent auditor's report.

Clinton County Solid Waste Agency

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STATE OF IOWA

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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 Financial Statements Performed in Accordance with Government Auditing Standards

To the Members of the Clinton County 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 statements of the Clinton County Solid Waste Agency as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, and have issued our report thereon dated May 15, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Clinton County Solid Waste Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clinton County Solid Waste Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clinton County Solid Waste Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Clinton County Solid Waste Agency's financial statements 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 did identify certain deficiencies in the Clinton County Solid Waste Agency's internal control described in the accompanying Schedule of Findings as items (A), (B) and (C) that we consider to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the 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 statements 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 Clinton County Solid Waste Agency's Responses to the Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the 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 Clinton County 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

MARY MOSIMAN, CPA
Auditor of State

May 15, 2018

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

Condition – Generally, one or two individuals have control over the following areas for the Agency:

(1) Cash – initiating cash receipt and disbursement transactions, handling and recording cash and reconciling bank accounts.

(2) Receipts – collecting, depositing, posting and reconciling.

(3) All incoming mail is not opened by an employee who is not authorized to make entries into the accounting records.

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

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

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

Response – The Agency recognizes hiring additional staff to maximize segregation of duties would not be cost effective. However, the Agency is aware of the condition and will continue to monitor and implement compensating controls.

Conclusion – Response accepted.

(B) Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 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 Agency's financial statements.

Condition – During the audit, we identified material amounts of capital assets activity and liabilities which were not properly recorded in the Agency's financial statements. Adjustments were subsequently made by the Agency to properly report the amounts in the Agency's financial statements.

Cause – Agency policies do not require and procedures have not been established to require independent review of year end cut-off transactions to ensure the Agency's financial statements are accurate and reliable.

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

Recommendation – The Agency should establish procedures to ensure all capital assets activity and liabilities are properly reported in the Agency's financial statements.

Response – Management will continue to perform a comprehensive review of financial statements to ensure that the financial statements are complete and accurate.

Conclusion – Response accepted.

(C) Reconciliation of Billings, Collections and Accounts Receivable

Criteria – An effective internal control system provides for internal controls related to reconciling customer billings, collections and accounts receivable to ensure the accuracy of accounts receivable.

Condition – Billings, collections and accounts receivable were not reconciled throughout the year.

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

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

Recommendation – Procedures should be established to reconcile customer billings, collections and accounts receivable monthly. An independent person should review the reconciliation and monitor delinquent accounts.

Response – Staff will work to reconcile the accounts receivables on a monthly basis.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

(1) Questionable Expenses – No expenses 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 expenditures of money for travel expenses of spouses of Agency officials or employees were noted.

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

(4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted, except as follows:

The Agency's investments in out of state market certificates of deposit do not comply with Chapter 12B.10 of the Code of Iowa. Also, the Agency has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The Agency should ensure all investments comply with Chapter 12B.10 of the Code of Iowa. Also, he Agency should adopt a written investment policy to comply with the provisions of Chapter 12B.10B of the Code of Iowa.

Response – The Agency will develop and work to adopt a written investment policy. The Agency will also work with financial institutions to comply with Iowa Code.

Conclusion – Response accepted.

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

(6) Financial Assurance – The Agency has demonstrated 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. The calculation is made as follows:

	Cell A	Cell B	Total
Total estimated costs for closure and postclosure care	$ 308,334	3,304,835	3,613,169
Less: Balance of funds held in the local dedicated fund at June 30, 2016	(261,173)	(2,466,899)	(2,728,072)
Less: July 2016 dedicated fund interest earnings	-	(376)	(376)
Less Fiscal year 2016 required payment made in made in fiscal year 2017	(22,207)	(390,361)	(412,568)
	24,954	447,199	472,153
Divided by the number of years remaining in the pay-in period	1	1	
Required payment into the local dedicated fund for the year ended June 30, 2017	24,954	447,199	472,153
Balance of funds held in the local dedicated fund at June 30, 2016	261,173	2,466,899	2,728,072
July 2016 dedicated fund interest earnings	-	376	376
Fiscal year 2016 required payment made in fiscal year 2017	22,207	390,361	412,568
Required balance of funds to be held in the local dedicated fund at June 30, 2017	$ 308,334	3,304,835	3,613,169
Amount Agency has restricted for closure and postclosure care at June 30, 2017	$ 283,380	2,861,948	3,145,328

In July 2017, the Agency made the required deposit to demonstrate financial assurance for closure and postclosure care.

Clinton County Solid Waste Authority

Staff

This audit was performed by:

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