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 June 29, 2018

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

The Commission had total revenues of $559,296 for the year ended June 30, 2017, a 1.0% decrease from prior year. The revenues included gate fees of $425,052 and county and city assessments of $126,632.

Expenses totaled $655,534 for the year ended June 30, 2017, a 6.6% increase over the prior year, and included $131,875 for employee salaries and benefits, $219,949 for depreciation and $81,592 for closure and postclosure care.

The increase in expenses is primarily due to an increase in employee salaries and benefits, depreciation and accounting and legal services.

A copy of the audit report is available for review at the Fremont County Sanitary Landfill Commission, in the Office of Auditor of State and on the Auditor of State's web site at https://auditor.iowa.gov/reports/1714-2353-B00F.

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FREMONT COUNTY SANITARY LANDFILL COMMISSION

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

JUNE 30, 2017

Table of Contents

Fremont County Sanitary Landfill Commission

Officials

Name	Title	Representing
Tom Shull	Chairperson	City of Farragut
Earl Hendrickson	Vice-Chairperson	Fremont County
Nicolette McCullough	Member	City of Thurman
Kent Benefiel	Member	City of Hamburg
Rick Barton	Member	City of Riverton
Joe Travis	Member	City of Sidney
Brian Hardy	Member	City of Randolph
Chris Wiebold	Member	City of Imogene
Scott Richardson	Member	City of Tabor
Casey Moyer	Manager	
Bonnie Ward	Scale Operator	

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Mary Mosiman, CPA
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Independent Auditor's Report

To the Members of the Fremont County Sanitary Landfill Commission:

Report on the Financial Statement

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 Fremont County Sanitary Landfill Commission as of and for the year ended June 30, 2017, and the related Notes to Financial Statements which collectively comprise the Fremont County Sanitary Landfill Commission'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 statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fremont County Sanitary Landfill Commission as of June 30, 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 Commission's Proportionate Share of the Net Pension Liability and the Schedule of Commission Contributions on pages 7 through 11 and 33 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 21, 2018 on our consideration of the Fremont County Sanitary Landfill Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Commission'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 Fremont County Sanitary Landfill Commission's internal control over financial reporting and compliance.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

June 21, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2017 FINANCIAL HIGHLIGHTS

- The Commission's operating revenues decreased 1.0%, or $5,004, from fiscal year 2016 to fiscal year 2017. Gate fees decreased $5,883, or 1.4%, while county and city assessments remained relatively consistent between both years. The decrease in gate fees resulted from a decrease in activity in fiscal year 2017.
- The Commission's operating expenses were 7.2%, or $42,937, more in fiscal year 2017 than in fiscal year 2016. The increase is primarily due to an increase in salaries and benefits due to the hiring of an employee and increases in depreciation and accounting and legal services.
- The Commission's net position decreased 18.8%, or $96,238, from the June 30, 2016 balance.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. The Commission's net position at the end of fiscal year 2017 totaled $417,128. This compares to $513,366 at the end of fiscal year 2016. A summary of the Commission's net position is presented below.

Net Position		
	June 30,	
	2017	2016
Current assets	$ 148,011	146,137
Restricted investments	697,806	654,334
Capital assets, net of accumulated depreciation	1,354,931	1,574,880
Total assets	2,200,748	2,375,351
Deferred outflows of resources	30,936	20,566
Current liabilities	216,892	249,198
Noncurrent liabilities	1,584,251	1,623,554
Total liabilities	1,801,143	1,872,752
Deferred inflows of resources	13,413	9,799
Net position:		
Net investment in capital assets	692,999	746,852
Unrestricted	(275,871)	(233,486)
Total net position	$ 417,128	513,366

The largest portion of the Commission's net position is net investment in capital assets (e.g., land, buildings and equipment).

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

Statement of Revenues, Expenses and Changes in Net Position

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

Changes in Net Position		
	Year ended June 30,	
	2017	2016
Operating revenues:		
Gate fees	$ 425,052	430,935
County and city assessments	126,632	125,753
Total operating revenues	551,684	556,688
Operating expenses:		
Salaries and benefits	131,875	125,612
Closure and postclosure care	81,592	76,042
Depreciation	219,949	201,474
Iowa Department of Natural Resources tonnage fees	8,837	17,032
Other operating expenses	199,015	178,171
Total operating expenses	641,268	598,331
Operating loss	(89,584)	(41,643)
Non-operating revenues (expenses), net	(6,654)	(8,227)
Change in net position	(96,238)	(49,870)
Net position beginning of year	513,366	563,236
Net position end of year	$ 417,128	513,366

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

In fiscal year 2017, operating revenues decreased $5,004, or 1.0%, primarily due to a decrease in gate fees. Operating expenses increased $42,937, or 7.2%, primarily due to higher salaries and benefits as a result of hiring an employee to replace a vacancy, higher depreciation and accounting and legal services.

Statement of Cash Flows

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

CAPITAL ASSETS

At June 30, 2017, the Commission had $3,035,749 invested in capital assets, net of accumulated depreciation of $1,680,818. Depreciation expense totaled $219,949 for fiscal year 2017. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

DEBT ADMINISTRATION

At June 30, 2017, the Commission had $661,932 of debt outstanding, a decrease of $166,096 over the prior year. The table below summarizes outstanding debt by type.

	June 30,	
	2017	2016
Line of credit	$ 41,687	47,187
Fremont County general obligation bonds	375,000	445,000
Solid waste alternative program loan	12,350	18,350
Capital lease purchase agreements	218,559	279,211
Bank note	14,336	38,280
Total	$ 661,932	828,028

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

ECONOMIC FACTORS

The Fremont County Sanitary Landfill Commission's financial position decreased during the current fiscal year, primarily due to an increase in salaries and benefits, depreciation and accounting and legal services. While gate fees decreased at the rate of 1.2%, operating expenses increased 7.2%. Machinery purchased in the prior year will aid in the decrease of equipment repairs and rental in the future. Overall debt service is decreasing as liabilities continue to be paid down. However, the current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities which may potentially become challenges for the Commission to meet are:

- Facilities and equipment at the Commission require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated, presenting an on-going challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and postclosure care accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

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

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Fremont County Sanitary Landfill Commission, 2879 – 250th Street, Sidney, Iowa 51652-0335.

Fremont County Sanitary Landfill Commission

Basic Financial Statements

Fremont County Sanitary Landfill Commission

Statement of Net Position

June 30, 2017

Assets	
Current assets:	
Cash and cash equivalents	$ 83,561
Receivables:	
Accounts	48,409
Accrued interest	1,396
Due from other governments	11,536
Prepaid insurance	3,109
Total current assets	148,011
Noncurrent assets:	
Restricted investments	697,806
Capital assets, net of accumulated depreciation	1,354,931
Total noncurrent assets	2,052,737
Total assets	2,200,748
Deferred Outflows of Resources	
Pension related deferred outflows	30,936
Liabilities	
Current liabilities:	
Accounts payable	21,692
Sales tax payable	3,520
Accrued interest payable	2,415
Salaries and benefits payable	2,556
Due to other governments	2,812
Compensated absences payable	14,984
Current portion of:	
Line of credit	41,687
Loan payable	70,000
SWAP loan payable	6,000
Capital lease purchase agreements payable:	
Loader	6,081
Crawler loader	30,809
Note payable	14,336
Total current liabilities	216,892
Non-current liabilities:	
Non-current portion of long-term obligations:	
Loan payable	305,000
SWAP loan payable	6,350
Capital lease purchase agreements payable:	
Loader	12,724
Crawler loader	168,945
Landfill closure and postclosure care	999,512
Net pension liability	91,720
Total noncurrent liabilities	1,584,251
Total liabilities	1,801,143
Deferred Inflows of Resources	
Unavailable revenues:	
Pension related deferred inflows	13,413
Net Position	
Net investment in capital assets	692,999
Unrestricted	(275,871)
Total net position	$ 417,128

See notes to financial statements.

Fremont County Sanitary Landfill Commission

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2017

Operating revenues:		
Gate fees	$	425,052
County and city assessments		126,632
Total operating revenues		551,684
Operating expenses:		
Salaries and benefits		131,875
Equipment repair and supplies		33,004
Office expense		1,995
Building repair		2,394
Fuel and oil		17,649
Insurance		27,662
Outside services		14,361
Accounting and legal fees		35,792
Iowa Department of Natural Resources tonnage fees		8,837
Utilities		6,663
Closure and postclosure care		81,592
Depreciation		219,949
Sales tax		10,441
Ground and leachate maintenance		40,030
Hazardous waste		3,527
Recycling		2,045
Miscellaneous		3,452
Total operating expenses		641,268
Operating loss		(89,584)
Non-operating revenues (expenses):		
Interest income		1,783
Miscellaneous		5,829
Interest expense		(14,266)
Net non-operating revenues (expenses)		(6,654)
Change in net position		(96,238)
Net position beginning of year		513,366
Net position end of year	$	417,128

See notes to financial statements.

Fremont County Sanitary Landfill Commission

Fremont County Sanitary Landfill Commission

Statement of Cash Flows

Year ended June 30, 2017

Cash flows from operating activities:	
Cash received from gate fees	$ 417,349
Cash received from assessments	130,953
Cash paid to suppliers for goods and services	(184,129)
Cash paid to employees for services	(145,576)
Net cash provided by operating activities	218,597
Cash flows from capital and related financing activities:	
Principal paid on loan from Fremont County	(70,000)
Principal paid on line of credit	(5,500)
Principal paid on capital lease purchase agreements payable	(60,652)
Principal paid on note payable	(23,944)
Principal paid on SWAP loan	(6,000)
Interest paid on loan from Fremont County	(7,585)
Interest paid on capital lease purchase agreements payable	(8,700)
Interest paid on note payable	(903)
Miscellaneous	3,184
Net cash used by capital and related financing activities	(180,100)
Cash flows from investing activities:	
Purchase of certificates of deposit	(44,780)
Interest received	3,004
Net cash used by investing activities	(41,776)
Decrease in cash and cash equivalents	(3,279)
Cash and cash equivalents beginning of year	86,840
Cash and cash equivalents end of year	$ 83,561
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (89,584)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	219,949
Closure and postclosure care	81,592
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Increase in receivables	(7,703)
Decrease in due from other governments	4,321
Increase in prepaid expense	(1,684)
Increase in accounts payable	15,596
Increase in sales tax payable	1,123
Decrease in salaries and benefits payable	(612)
Decrease in due to other governments	(5,006)
Increase in compensated absences	1,030
Increase in net pension liability	6,331
Increase in deferred outflows of resources	(10,370)
Increase in deferred inflows of resources	3,614
Total adjustments	308,181
Net cash provided by operating activities	$ 218,597

See notes to financial statements.

(1) Summary of Significant Accounting Policies

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

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

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

A. <u>Reporting Entity</u>

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

B. <u>Basis of Presentation</u>

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

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

D. Assets, 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 Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Investments not meeting the definition of cash equivalents at June 30, 2017 include certificates of deposit of $697,806.

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

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

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

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

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

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

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 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, contributions from the Commission after the measurement date but before the end of the Commission's reporting period and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Compensated Absences – Commission employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation and sick leave has been computed based on rates of pay in effect at June 30, 2017.

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 unrecognized items not yet credited to pension expense.

(2) Cash, Cash Equivalents and Investments

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

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

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

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

- A multiplier based on years of service.
- The member's highest five-year average salary 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.

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

<u>Contributions</u> – 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 Commission contributed 8.93% of covered payroll for a total rate of 14.88%.

The Commission's total contributions to IPERS for the year ended June 30, 2017 totaled $9,855.

<u>Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u> – At June 30, 2017, the Commission reported a liability of $91,720 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 Commission's proportion of the net pension liability was based on the Commission's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the Commission's proportion was 0.001457%, which was a decrease of 0.000271% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017 the Commission recognized pension expense of $9,430. At June 30, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 811	1,095
Changes of assumptions	1,399	-
Net difference between projected and actual earnings on IPERS' investments	13,067	-
Changes in proportion and differences between the Commission's contributions and its proportionate share of contributions	5,804	12,318
Commission contributions subsequent to the measurement date	9,855	-
Total	$ 30,936	13,413

$9,855 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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	$ 310
2019	310
2020	6,027
2021	1,881
2022	(860)
Total	$ 7,668

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%
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 Commission will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Commission's proportionate share of the net pension liability	$ 148,390	91,720	43,889

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

Payable to IPERS – All legally required Commission contributions and legally required employee contributions which had been withheld from employee wages were remitted by the Commission to IPERS by June 30, 2017.

(4) Capital Assets

A summary of capital assets activity for the year ended June 30, 2017 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	$ 67,071	-	-	67,071
Capital assets being depreciated:				
Buildings	259,714	-	-	259,714
Equipment and vehicles	1,097,992	-	-	1,097,992
Land improvements	1,573,139	-	-	1,573,139
Infrastructure	37,833	-	-	37,833
Total capital assets being depreciated	2,968,678	-	-	2,968,678
Less accumulated depreciation for:				
Buildings	97,337	9,615	-	106,952
Equipment and vehicles	619,156	90,974	-	710,130
Land improvements	722,149	117,468	-	839,617
Infrastructure	22,227	1,892	-	24,119
Total accumulated depreciation	1,460,869	219,949	-	1,680,818
Total capital assets being depreciated, net	1,507,809	(219,949)	-	1,287,860
Total capital assets, net	$ 1,574,880	(219,949)	-	1,354,931

Equipment costing $207,782 was purchased under a capital lease purchase agreement during the year ended June 30, 2010. Accumulated depreciation at June 30, 2017 and depreciation expense for the year ended June 30, 2017 on this equipment total $150,641 and $20,778, respectively.

Equipment costing $30,434 was purchased under a capital lease purchase agreement during the year ended June 30, 2015. Accumulated depreciation at June 30, 2017 and depreciation expense for the year ended June 30, 2017 on this equipment total $8,719 and $3,875, respectively.

Equipment costing $266,627 was purchased under a capital lease purchase agreement during the year ended June 30, 2016. Accumulated depreciation at June 30, 2017 and depreciation expense for the year ended June 30, 2017 on this equipment total $44,438 and $38,090, respectively.

(5) Short-Term and Long-Term Liabilities

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

	Line of Credit	Loan Payable	Solid Waste Alternative Program Loan Payable	Capital Lease Purchase Agreements Payable	Note Payable	Compensated Absences Payable	Net Pension Liability	Total
Balance beginning of year	$ 47,187	445,000	18,350	279,211	38,280	13,954	85,389	927,371
Increases	-	-	-	-	-	1,954	6,331	8,285
Decreases	5,500	70,000	6,000	60,652	23,944	924	-	167,020
Balance end of year	$ 41,687	375,000	12,350	218,559	14,336	14,984	91,720	768,636
Due within one year	$ 41,687	70,000	6,000	36,890	14,336	14,984	-	183,897

Line of Credit

On May 10, 2016, the Commission approved a renewal of a line of credit with a local bank for a maximum of $100,000. The line of credit bears 4.0% interest per annum. Funds are drawn to pay operating expenses and are repaid when funds are received from operations. At the beginning of fiscal year 2017, the balance was $47,187. During the year ended June 30, 2017, no new funds were drawn on the line of credit and repayments of $5,500 were made. Interest of $2,305 was paid during the year.

Loan Payable

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

On November 1, 2014, the County issued $520,000 of general obligation refunding capital loan notes for a crossover advance refunding of $495,000 of the general obligation solid waste disposal bonds dated August 9, 2007. The notes bear interest at .65% to 2.15% per annum and mature June 1, 2022. The crossover refunding date was June 1, 2015. From that point forward, the Commission will make payments to the County to pay the principal and interest on the refunding general obligation capital loan notes (new debt) as they come due.

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

Year ending June 30,	Interest Rates	Principal	Interest	Total
2018	1.20%	$ 70,000	6,745	76,745
2019	1.70	75,000	5,905	80,905
2020	1.70	70,000	4,630	74,630
2021	2.15	75,000	3,440	78,440
2022	2.15	85,000	1,828	86,828
Total		$ 375,000	22,548	397,548

Solid Waste Alternative Program (SWAP) Loan

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

In April 2016, the loan agreement was amended due to unmet conditions to achieve loan forgiveness. The terms of the original agreement were rescinded due to non-compliance. The amended agreement set forth a repayment schedule for the entire loan amount. Details of the Commission's outstanding SWAP loan at June 30, 2017 were amended as follows:

Year ending June 30,	Interest Rate	Principal
2018	0.00%	$ 6,000
2019	0.00	6,000
2020	0.00	350
Total		$ 12,350

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

Year Ending June 30,	Present Value of Net Minimum Lease Payments	Amount Representing Interest	Total Minimum Lease Payments
2018	$ 6,081	572	6,653
2019	6,266	387	6,653
2020	6,458	196	6,654
Total	$ 18,805	1,155	19,960

Payments under this agreement during the year ended June 30, 2017 totaled $6,653.

In May 2016, the Commission entered into a capital lease purchase agreement for a crawler loader. The agreement is for a period of seven years at an interest rate of 3.05% per annum and expires in fiscal year 2023. The following is a schedule by year of future minimum lease payments and the present value of net minimum lease payments.

Year Ending June 30,	Present Value of Net Minimum Lease Payments	Amount Representing Interest	Total Minimum Lease Payments
2018	$ 30,809	6,178	36,987
2019	31,762	5,225	36,987
2020	32,745	4,243	36,988
2021	33,758	3,230	36,988
2022	34,802	2,186	36,988
2023	35,878	1,110	36,988
Total	$ 199,754	22,172	221,926

Payments under this agreement during the year ended June 30, 2017 totaled $36,988.

Note Payable

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

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

Year ending June 30,		Principal	Interest	Total
2018	$	14,336	158	14,494

(6) Closure and Postclosure Care

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

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

These costs for the Commission have been estimated at $996,630 for closure and $707,533 for postclosure care, for a total of $1,704,163 as of June 30, 2017, and the portion of the liability that has been recognized is $999,512. These amounts are based on what it would cost to perform the anticipated known closure and postclosure care during the year ended June 30, 2017. Actual costs may be higher due to inflation, early closure of the site, changes in technology, or changes in regulations. On October 1, 2007, the Vertical cell stopped accepting refuse and the Subtitle D cell was opened. The completion of Phase I and II added an anticipated life of 9 years. During 2011, the Commission completed work on Abutment A, which added an anticipated life of an additional 4 years. During 2014, the Commission completed work on Phase 4 expansion which added an anticipated life of an additional 7 years. Until additional abutments and/or Phases are constructed, the estimated remaining life of Phases I and II with the addition of Abutment A and Phase 4 expansion is 1 year. With the construction of all the abutments and Phases in the engineer's conceptual design and at the current disposal rate, the landfill has an estimated 23 years of life available for waste.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2017, assets of $697,806 are restricted for these purposes. They are included in restricted investments on 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 Commission is required to demonstrate financial assurance for the unfunded costs. The Commission uses a combination of the local government guarantee and the local government dedicated fund financial assurance mechanisms.

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

(7) Solid Waste Tonnage Fees Retained

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2017, there are no unspent amounts retained by the Commission.

(8) Risk Management

The Commission is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 753 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The Commission's property and casualty contributions to the Pool are recorded as expenses from its operating funds at the time of payment to the Pool. The Commission's contributions to the Pool for the year ended June 30, 2017 were $8,287.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $500,000 per claim. Claims exceeding $500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Commission's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $250,000 each occurrence, each location. Property risks exceeding $250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Commission's risk-sharing certificate.

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

The Commission does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2017, no liability has been recorded in the Commission's financial statements. As of June 30, 2017, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The Commission also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of $1,000,000. The Commission 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.

Required Supplementary Information

Fremont County Sanitary Landfill Commission

Fremont County Sanitary Landfill Commission

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

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

Required Supplementary Information

	2017	2016	2015
Commission's proportion of the net pension liability	0.001457%	0.001728%	0.001575%
Commission's proportionate share of the net pension liability	$ 91,720	85,389	62,475
Commission's covered-employee payroll	$ 104,591	118,410	103,080
Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.69%	72.11%	60.61%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

Fremont County Sanitary Landfill Commission

Schedule of Commission Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years

Required Supplementary Information

	2017	2016	2015	2014
Statutorily required contribution	$ 9,855	9,340	10,574	9,205
Contributions in relation to the statutorily required contribution	(9,855)	(9,340)	(10,574)	(9,205)
Contribution deficiency (excess)	$ -	-	-	-
Commission's covered-employee payroll	$ 110,356	104,591	$ 118,410	103,080
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
9,084	8,281	6,776	6,497	6,318	5,552
(9,084)	(8,281)	(6,776)	(6,497)	(6,318)	(5,552)
-	-	-	-	-	-
104,775	102,615	97,496	97,699	99,496	91,769
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.

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Mary Mosiman, CPA
Auditor of State

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

To the Members of the Fremont County Sanitary Landfill Commission:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Fremont County Sanitary Landfill Commission as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, and have issued our report thereon dated June 21, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Fremont County Sanitary Landfill Commission's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Fremont County Sanitary Landfill Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fremont County Sanitary Landfill Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Fremont County Sanitary Landfill Commission's financial 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 that 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

Compliance and Other Matters

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

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

The Fremont County Sanitary Landfill Commission's Responses to the Findings

The Fremont County Sanitary Landfill Commission's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Fremont County Sanitary Landfill Commission's responses were not subjected to the auditing procedures applied in the audit of the financial 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 Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Fremont County Sanitary Landfill Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

June 21, 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 Commission's financial statements.

Condition – Generally, one or two individuals may have control over the following areas for which no compensating controls exist:

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

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

Cause – The Commission have 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 Commission'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 staff. However, the Commission should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel and Commission members.

Response – The Chair of the Commission will begin to document his review and approval of the bank reconciliation, associated claims and financial reports at each monthly meeting.

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 Commission's financial statements.

Condition – During the audit, we identified a material liability amount not recorded in the Commission's financial statements. In addition, we identified certain other revenues and expenses which were not properly recorded in the financial statements. Adjustments were subsequently made by the Commission to properly record the amounts in the financial statements.

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

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

Recommendation – The Commission should establish procedures to ensure all receivables and liabilities and other financial activity are identified and properly reported in the Commission's financial statements.

Response – The fiscal agent will begin a process to review the financial statements at year-end for any necessary adjustments.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

(1) Travel Expense – No expenses for travel expenses of spouses of Commission officials or employees were noted.

(2) Business Transactions – Business transactions between the Landfill and Landfill officials or employees are detailed as follows:

Name, Title and Business Connection	Transactions Description	Amount
Tom Shull, Chairman of the Commission Board, owner of Shull Hardware	Supplies and repairs	$ 195

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with the Chairman of the Commission do not appear to represent conflicts of interest since total transactions were less than $1,500 during the fiscal year.

(3) Commission Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not. However, the following items were noted during testing:

- The Commission did not post public notice at least 24 hours prior to Commission meetings for five of seven meetings tested as required by Chapter 21 of the Code of Iowa.
- The Commission did not always publish minutes within 20 days following adjournment of the meetings as required by Chapter 28E.6 of the Code of Iowa.
- Authorized pay rates were not documented in the minutes.

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

Response – As for the public notice, we are now documenting the actual posting date on the Commission minutes document. We will publish annual gross salaries and strive to get all minutes published timely, as required.

Conclusion – Response acknowledged. The Commission should also ensure minutes contain the required information as noted above.

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

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

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

	Closure/ Postclosure Care
Total estimated costs for closure and postclosure care	$ 1,704,163
Less: Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2017 (dedicated fund mechanism)	697,806
Remaining costs to be assured through the local government guarantee	$ 1,006,357
Financial assurance through the local government guarantee	$ 1,049,799

Staff

This audit was performed by:

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Jacob N. Bennett, Staff Auditor
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