OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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NEWS RELEASE

Contact: Andy Nielsen
515/281-5834

FOR RELEASE November 21, 2018

Auditor of State Mary Mosiman today released an audit report on the Rathbun Area Solid Waste Commission.

The Commission had total receipts of $1,211,060 during the year ended June 30, 2018, a 4.9% increase over the prior year. The receipts included transfer station gate fees of $1,014,946, recycling sales of $147,494 and non-operating receipts of $48,620.

Disbursements for the year ended June 30, 2018 totaled $1,189,125, a 4.0% increase over the prior year, and included $358,961 for salaries and benefits, $344,217 for solid waste disposal fees and $99,282 for debt service.

A copy of the audit report is available for review at the Rathbun Area Solid Waste Commission's office, in the Office of Auditor of State and on the Auditor of State's web site at https://auditor.iowa.gov/reports/audit-reports/.

# # #

RATHBUN AREA SOLID WASTE COMMISSION

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

JUNE 30, 2018

1814-0008-B00F

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Rathbun Area Solid Waste Commission

Officials

Name	Title	Representing
Ralph Alshouse	Chair	City of Seymour
Linda Demry	Member	Appanoose County
Marsha Mitchell	Member	City of Centerville
Glen Moritz	Member	City of Centerville
Rebecca Clark	Member	City of Cincinnati
John Matheny	Member	City of Exline
Irene Brooks	Member	City of Moravia
Jason Ogden	Member	City of Moulton
Carl Clark	Member	City of Mystic
Richard Brooke	Member	City of Numa
Nancy Jones	Member	City of Plano
Leonard Jondle	Member	City of Promise City
Barb Milburn	Member	City of Rathbun
Eric Pace	Member	City of Udell
Marlin Nuckolls	Member	City of Unionville
Rodger Kaster	Director	
Denise Matherly	Treasurer	

Rathbun Area Solid Waste Commission

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Independent Auditor's Report

To the Members of the Rathbun Area Solid Waste Commission:

Report on the Financial Statement

We have audited the accompanying financial statement of the Rathbun Area Solid Waste Commission as of and for the year ended June 30, 2018, and the related Notes to Financial Statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Rathbun Area Solid Waste Commission as of June 30, 2018, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Emphasis of a Matter

As discussed in Note 5 to the financial statements, the Rathbun Area Solid Waste Commission adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

The other information, Management's Discussion and Analysis, the Schedule of the Commission's Proportionate Share of the Net Pension Liability and the Schedule of Commission Contributions on pages 7 through 9 and 25 through 28, has not been subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2018 on our consideration of the Rathbun Area Solid Waste Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Rathbun Area Solid Waste Commission's internal control over financial reporting and compliance.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

October 24, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Rathbun Area Solid Waste Commission (RASWC) provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the RASWC is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the Commission's financial statement, which follows.

2018 FINANCIAL HIGHLIGHTS

- Operating receipts increased 3.6%, or approximately $40,000, from fiscal year 2017 to fiscal year 2018.

- Operating disbursements increased 9.1%, or approximately $82,000, from fiscal year 2017 to fiscal year 2018.

- The Commission's cash balance increased 1.7%, or approximately $22,000, from June 30, 2017 to June 30, 2018.

USING THIS ANNUAL REPORT

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

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

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

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

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the RASWC's financial activities.

- The Statement of Cash Receipts, Disbursements and Changes in Cash Balance presents information on the RASWC's operating receipts and disbursements, non-operating receipts and disbursements and whether the RASWC's cash basis financial position has improved or deteriorated as a result of the year's activities.

- Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

- Other information further explains and supports the RASWC's proportionate share of the net pension liability and related contributions.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

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

Operating receipts are received for gate fees from accepting solid waste, recycling and the sale of recycled material. Operating disbursements are disbursements paid to operate the transfer station, recycling center and regional collection center. Non-operating receipts and disbursements are for grants, interest on investments, debt service and equipment purchases. A summary of cash receipts, disbursements and changes in cash balance for the years ended June 30, 2018 and June 30, 2017 is as follows:

Changes in Cash Balance

	Year ended June 30,	
	2018	2017
Operating receipts:		
Gate fees	$ 1,014,946	965,832
Recycling sales	147,494	156,596
Total operating receipts	1,162,440	1,122,428
Operating disbursements:		
Salaries and benefits	358,961	319,252
Solid waste disposal	344,217	298,836
Postclosure care	87,959	80,576
Other	189,560	199,883
Total operating disbursements	980,697	898,547
Excess of operating receipts over operating disbursements	181,743	223,881
Non-operating receipts (disbursements):		
Grants	30,070	14,713
Interest on investments	17,783	15,811
Donations for environmental quality program	-	2,080
Sale of capital assets	767	-
Debt service	(99,282)	(115,425)
Environmental management system	(33,873)	(17,635)
Regional Collection Center	(386)	(384)
Equipment	(73,827)	(109,097)
Miscellaneous	(1,060)	(2,145)
Net non-operating receipts (disbursements)	(159,808)	(212,082)
Change in cash balance	21,935	11,799
Cash balance beginning of year	1,275,420	1,263,621
Cash balance end of year	$ 1,297,355	1,275,420
Cash Basis Fund Balance		
Restricted for:		
Closure and postclosure care	$ 598,039	657,053
Debt service	142,949	139,608
Tonnage fees	33,835	18,917
Environmental quality program	989	989
Total restricted cash basis fund balance	775,812	816,567
Unrestricted	521,543	458,853
Total cash basis fund balance	$ 1,297,355	1,275,420

In fiscal year 2018, operating receipts increased $40,012, or 3.6%, over fiscal year 2017. The increase in gate fees was the result of more collections during fiscal year 2018 when compared to the prior year. In fiscal year 2018, operating disbursements increased $82,150, or 9.1%, over fiscal year 2017. Solid Waste disposal costs increased $45,381 primarily due to receiving more collections during fiscal year 2018 which resulted in more disposal cost during fiscal year 2018.

The largest portion of the RASWC's cash basis fund balance (46%) is restricted for closure and postclosure care. State and federal laws and regulations require the RASWC to perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. Other cash basis fund balance (14%) is restricted for debt service, tonnage fees retained and unspent environmental quality program donations. The total restricted cash basis fund balance decreased approximately $41,000, or 5.0%, during the year. The remaining portion (40%) is the unrestricted cash basis fund balance which is available to meet the RASWC's obligations as they come due. Unrestricted cash basis fund balance increased approximately $63,000, or 13.7%, during the year.

LONG-TERM DEBT

At June 30, 2018, the RASWC had $745,000 of notes outstanding compared to $825,000 of notes outstanding last year.

Debt decreased during fiscal year 2018 due to the scheduled principal payment on the general obligation refunding capital loan notes. Additional information about the RASWC's long-term debt is presented in Note 3 to the financial statement.

ECONOMIC FACTORS

The RASWC's cash basis financial position increased during the current fiscal year. Despite the increase in cash basis financial position, the current condition of the economy in the state continues to be a concern for RASWC officials. Some of the realities which may potentially become challenges for the RASWC to meet are:

- Facilities and equipment require constant maintenance and upkeep.
- Continual upkeep of the closed landfill site.
- The state-wide trend of declining solid waste tonnage.
- Volatility of the recycling markets.

Market rates for recycled goods have stabilized but remain low. With respect to the next fiscal year, the Commission expects to maintain similar receipts and disbursements, but is prepared to adjust accordingly.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the RASWC's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Rathbun Area Solid Waste Commission at 3020 McCarty Street, Centerville, Iowa 52544.

Rathbun Area Solid Waste Commission

Financial Statement

Rathbun Area Solid Waste Commission

Rathbun Area Solid Waste Commission

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

As of and for the year ended June 30, 2018

Operating receipts:		
Gate fees	$	1,014,946
Recycling sales		147,494
Total operating receipts		1,162,440
Operating disbursements:		
Salaries and benefits		358,961
Solid waste disposal fees		344,217
Engineering		2,226
Recycling		28,564
Professional services		6,819
Legal, accounting and auditing		13,260
Insurance		29,361
Fuel		35,053
Equipment maintenance		31,560
Office equipment and supplies		15,630
Utilities		9,621
Education and promotion		5,394
Travel		351
Postclosure care		87,959
Miscellaneous		11,721
Total operating disbursements		980,697
Excess of operating receipts over operating disbursements		181,743
Non-operating receipts (disbursements):		
Grants		30,070
Interest on investments		17,783
Sale of capital assets		767
Debt service:		
Principal		(80,000)
Interest and fees		(19,282)
Environmental management system		(33,873)
Regional Collection Center		(386)
Equipment		(73,827)
Miscellaneous		(1,060)
Net non-operating receipts (disbursements)		(159,808)
Change in cash balance		21,935
Cash balance beginning of year		1,275,420
Cash balance end of year	$	1,297,355
Cash Basis Fund Balance		
Restricted for:		
Closure and postclosure care	$	598,039
Debt service		142,949
Tonnage fees		33,835
Environmental quality program		989
Total restricted cash basis fund balance		775,812
Unrestricted		521,543
Total cash basis fund balance	$	1,297,355

See notes to financial statement.

(1) Summary of Significant Accounting Policies

The Rathbun Area Solid Waste Commission was formed in 1983 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to develop, operate and maintain solid waste facilities on behalf of the units of government which are members of the Commission.

The governing body of the Commission is composed of representatives from each member. The members of the Commission include the cities of Centerville, Cincinnati, Exline, Moravia, Moulton, Mystic, Numa, Plano, Promise City, Rathbun, Seymour, Udell and Unionville and Appanoose County. The Commissioners are appointed by the participating political subdivisions and have one vote for each one thousand population, or fraction thereof, which the member represents.

The Commission ceased landfill operation on December 3, 2007 and has operated as a transfer station since that time.

A. Reporting Entity

For financial reporting purposes, the Rathbun Area Solid Waste 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 statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the 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 Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

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

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

C. Basis of Accounting

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

D. Cash Basis Fund Balance

Funds set aside for payment of closure, postclosure care, debt service, tonnage fees and unspent donations for the environmental quality program are classified as restricted.

(2) Cash and Investments

The Commission's deposits in banks at June 30, 2018 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure 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.

At June 30, 2018, the Commission had the following investments:

	Carrying	Fair	Maturity (in years)				
Investment	Amount	Value	1-5	6-10	11-15	16-20	over 20
FHLMC	$ 48,514	46,309	5,345	5,040	15,591	20,333	-
FHR (REMIC)	36,266	35,695	-	1,068	23,404	11,223	-
FNMA	75,125	72,126	12,733	21,652	10,966	22,090	4,685
FNR (REMIC)	6,678	6,546	-	2,826	1,410	2,310	-
GNMA	242,597	236,230	7,094	32,430	65,372	63,068	68,266
GNR (REMIC)	23,687	22,490	-	-	1,931	17,511	3,048
Total	$ 432,867	419,396	25,172	63,016	118,674	136,535	75,999

The Commission 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 above securities of $419,396 were determined using the last reported sales price at current exchange rates. (Level 1 inputs)

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

Credit risk – The FHLMC, FHR, FNMA and FNR investments at June 30, 2018 are rated AAA to AA+ by Moody's Investors Service.

Concentration of credit risk – The Commission places no limit on the amount that may be invested in any one issuer. More than 5% of the Commission's investments are in FHLMC (11%), FHR (REMIC) (8.5%), FNMA (17.2%), GNMA (56.3%) and GNR (REMIC) (5.4%).

(3) Notes and Loan Payable

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	General Obligation Refunding Capital Loan Notes Series 2013 Issued May 2, 2013 Interest Rates	Principal	Interest	Total
2019	1.25%	$ 85,000	17,782	102,782
2020	1.70	85,000	16,720	101,720
2021	1.70	85,000	15,276	100,276
2022	2.00	90,000	13,830	103,830
2023	2.00	90,000	12,030	102,030
2024-2027	2.00-3.30	310,000	22,605	332,605
Total		$ 745,000	98,243	843,243

(4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the Commission, except for 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 Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 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 2018, 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 contribution rate of 14.88%.

The Commission's contributions to IPERS for the year ended June 30, 2018 totaled $22,667.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the Commission reported a liability of $214,336 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the Commission's proportion was 0.003218%, which was an increase of 0.000110% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Commission's pension expense, deferred outflows of resources and deferred inflows of resources totaled $29,482, $78,126 and $43,012, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

Rate of inflation (effective June 30, 2017)	 2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience study dated March 24, 2017.

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
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	100.0%	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Commission's proportionate share of the net pension liability	$ 353,140	214,336	97,714

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.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The Commission operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The Commission currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Commission and the plan members range from $828 for single coverage to $1,653 for family coverage. For the year ended June 30, 2018, the Commission contributed the entire cost of $59,129 to the plan. At June 30, 2018, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Rathbun Solid Waste Commission and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement. At June 30, 2018, 4 active and no inactive employees were covered by the benefit terms.

(6) 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, retirement or death. These accumulations are not recognized as disbursements by the Commission until used or paid. The Commission's approximate liability for earned vacation and sick leave payable to employees at June 30, 2018 is as follows:

Type of Benefit	Amount
Vacation	$ 10,200
Sick leave	23,300
	$ 33,500

This liability has been computed based on rates of pay in effect at June 30, 2018.

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

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

These costs for the Commission have been estimated to be $446,600 for postclosure care as of June 30, 2018.

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 Commission has accumulated resources to fund these costs and, at June 30, 2018, assets of $559,134 are restricted for postclosure care. They are reported as restricted cash basis fund balance in the Statement of Cash Receipts, Disbursements and Changes in Cash Balance.

(8) Transfer Station Closure Care

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

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

The total closure care costs for the Commission as of June 30, 2018 have been estimated at $35,497. Assets of $38,905 are restricted for these purposes and are reported as restricted cash basis fund balance in the Statement of Cash Receipts, Disbursements and Changes in Cash Balance.

(9) 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, 2018, the Commission had unspent tonnage fees of $33,835.

(10) Risk Management

The Commission is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 775 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of the 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 disbursements 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, 2018 were $19,997.

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 reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

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

The Commission also carries commercial insurance purchased from another insurer 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.

(11) Solid Waste Disposal Agreement

The Commission entered into an agreement with the South Central Iowa Solid Waste Agency for acceptance of solid waste from the Commission for $23.35 per ton plus the DNR tonnage fees, collected as a surcharge. The agreement is in effect from July 1, 2016 through June 30, 2026. During the year ended June 30, 2018, the Commission paid $320,789 under the agreement.

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Other Information

Rathbun Area Solid Waste Commission

Rathbun Area Solid Waste Commission

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

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

Other Information

	2018	2017	2016	2015
Commission's proportion of the net pension liability	0.003218%	0.003108%	0.003191%	0.003202%
Commission's proportionate share of the net pension liability	$ 214,336	195,615	157,641	126,988
Commission's covered payroll	$ 240,182	223,064	219,171	203,875
Commission's proportionate share of the net pension liability as a percentage of its covered payroll	89.24%	87.70%	71.93%	62.29%
IPERS' net position as a percentage of the total pension liability	82.21%	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.

Rathbun Area Solid Waste Commission

Schedule of Commission Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years

Other Information

	2018	2017	2016	2015
Statutorily required contribution	$ 22,667	21,448	19,920	19,572
Contributions in relation to the statutorily required contribution	(22,667)	(21,448)	(19,920)	(19,572)
Contribution deficiency (excess)	$ -	-	-	-
Commission's covered payroll	$ 253,834	240,182	223,064	219,171
Contributions as a percentage of covered payroll	8.93%	8.93%	8.93%	8.93%

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
18,206	17,597	15,992	13,450	12,301	11,259
(18,206)	(17,597)	(15,992)	(13,450)	(12,301)	(11,259)
-	-	-	-	-	-
203,875	202,964	198,166	193,525	184,977	177,307
8.93%	8.67%	8.07%	6.95%	6.65%	6.35%

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.

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

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

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

To the Members of the Rathbun Area Solid Waste Commission:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statement of the Rathbun Area Solid Waste Commission as of and for the year ended June 30, 2018, and the related Notes to Financial Statement, and have issued our report thereon dated October 24, 2018. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Rathbun Area Solid Waste 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 Rathbun Area Solid Waste Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Rathbun Area Solid Waste Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Rathbun Area Solid Waste Commission's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rathbun Area Solid Waste 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.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2018 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 Rathbun Area Solid Waste Commission's Response to the Finding

The Rathbun Area Solid Waste Commission's response to the findings identified in our audit are described in the accompanying Schedule of Findings. The Rathbun Area Solid Waste 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 Rathbun Area Solid Waste 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

October 24, 2018

Findings Related to the Financial Statement:

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 statement.

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

(1) Investments are not reconciled to investment records by an independent person and an independent verification of interest earnings is not performed.

(2) Incoming mail is opened by an employee who is authorized to make entries to the accounting records and the listing of receipts is not compared to the cash receipts record or bank deposit by an independent person.

(3) Generally, one individual may have control over collecting, depositing, posting, maintaining receivable records and daily reconciling of receipts for which no compensating controls exist.

Cause – The Commission 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 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 office employees. However, the Commission should review its control procedures to obtain the maximum internal control possible under the circumstances, including utilizing available staff or designating a member of the Commission to provide additional control through independent reviews and verification.

Response – We will look for opportunities to improve internal 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 Commission's financial statement.

Condition – Material amounts of receipts were not properly recorded in the Commission's financial statement. Adjustments were subsequently made by the Commission to properly include these amounts in the financial statement.

Cause – Commission policies do not require and procedures have not been established to require review of receipt transactions posted.

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

Recommendation – The Commission should implement procedures to ensure receipts are properly recorded in the Commission's financial statement.

Response – All deposits entered into QuickBooks (QB) will be double checked monthly by the Commission Treasurer to make sure they are properly coded. The Commission Treasurer will also compare the deposit detail in QB recycling to the recycling operating receipts on the statement of cash receipts and disbursements each month to make sure the recycling income is accurate.

Conclusion – Response accepted.

(C) Compensated Absences - Vacation

Criteria – Based on Commission policy, vacation time is earned following the first year of service. The amount of vacation time earned is based on the years of service. Employees have the option at the end of a calendar year to receive up to one week pay of vacation time not used and no carry over of vacation time is allowed. The maximum vacation time earned for employees with 17 years of service is 160 hours.

Condition – For the year ended June 30, 2018, one employee had accrued vacation of 201.5 hours.

Cause – Procedures have not been implemented to ensure accrued vacation balances are consistent with the Commission's policy.

Effect – Lack of procedures to enforce the Commission's policy can result in employees accruing vacation in excess of the maximum hours allowed.

Recommendation – The Commission should review vacation balances for all employees and ensure balances do not exceed the amount allowed by Commission policy.

Response – We will review our vacation policy.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

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

(2) Travel Disbursements – No disbursements of Commission money for travel disbursements of spouses of Commission officials or employees were noted.

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

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

(5) Solid Waste Fees Retainage – 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 Commission has elected to demonstrate financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567–113.14(6) of the Iowa Administrative Code. Financial assurance is demonstrated as follows:

	Transfer Station Closure	Landfill Postclosure Care
Total estimated costs for closure and postclosure care	$ 35,497	446,600
Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2018	$ 38,905	559,134

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure care accounts be made at least annually within 30 days of the close of each fiscal year. No deposit was required during the year ended June 30, 2018 because the Commission has restricted sufficient funds to pay the total estimated costs for closure and postclosure care.

Rathbun Area Solid Waste Commission

Staff

This audit was performed by:

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