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

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NEWS RELEASE

Contact: Marlys Gaston
515-281-5834

FOR RELEASE February 18, 2019

Auditor of State Rob Sand today released an audit report on the Butler County Area Solid Waste Commission.

The Commission had total receipts of $968,394 for the year ended June 30, 2018, an 8.9% increase over the prior year. The receipts included gate fees of $248,565, city contributions of $389,458 and county contributions of $234,696.

Disbursements for the year ended June 30, 2018 totaled $959,145, an 8.7% increase over the prior year, and included $270,530 for salaries and benefits, $401,875 for landfill disposal fees and $119,848 for transporting recyclables and recycling.

A copy of the audit report is available for review on the Auditor of State's web site at https://auditor.iowa.gov/reports/audit-reports/.

# # #

# BUTLER COUNTY AREA SOLID WASTE COMMISSION

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

**JUNE 30, 2018**

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**Butler County Area Solid Waste Commission**

**Officials**

| Name | Title | Representing |
|---|---|---|
| Rusty Eddy | Chairperson/ Executive Board/ RIWMA Representative | Butler County |
| Mardee Johnson | Vice Chairperson/ Executive Board | City of Aredale |
| Deb Prier | Secretary/Executive Board | City of Aplington |
| James Blockhus | Member | City of Allison |
| Dennis Petersen | Member | City of Bristow |
| Greg Barnett | Member | Butler County |
| Tom Heidenwirth | Member | Butler County |
| Jeff Kolb | Member/Executive Board | City of Clarksville |
| Ed Mouw | Member | City of Dumont |
| Jim O'Brien | Member | City of Greene |
| John Andersen | Member | City of New Hartford |
| Michael Timmer | Member | City of Parkersburg |
| Ed Willert | Member/Executive Board | City of Shell Rock |
| Matt Ramker | Director | |

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## Independent Auditor's Report

To the Members of the Butler County Area Solid Waste Commission:

### Report on the Financial Statement

We have audited the accompanying financial statement of the Butler County 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 Butler County 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 4 to the financial statement, Butler County 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 23 through 26, has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 5, 2019 on our consideration of the Butler County 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 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 Butler County Area Solid Waste Commission's internal control over financial reporting and compliance.

ROB SAND
Auditor of State

February 5, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Butler County Area Solid Waste Commission provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Butler County Area Solid Waste Commission is for the 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 8.4%, or approximately $74,000, from fiscal year 2017 to fiscal year 2018.
- Operating disbursements increased 8.0%, or approximately $70,000, from fiscal year 2017 to fiscal year 2018.
- The Commission's cash balance increased 1.8%, or approximately $9,200, from June 30, 2017 to June 30, 2018.

### USING THIS ANNUAL REPORT

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

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

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

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

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Commission's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Balance presents information on the Commission's operating receipts and disbursements, non-operating receipts and disbursements and whether the Commission'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 Commission'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 Commission and the disbursements paid by the Commission, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Commission's cash basis financial position by analyzing the increase or decrease in the Commission's cash balance.

Operating receipts are received for gate fees from accepting solid waste, assessments from the members of the Commission and recycling sales. Operating disbursements are disbursements paid to operate the transfer station. Non-operating receipts and disbursements are for interest on investments, grants 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 | $ | 248,565 | 210,090 |
| City contributions | | 389,458 | 361,881 |
| County contributions | | 234,696 | 217,932 |
| Recycling sales | | 81,395 | 91,975 |
| Miscellaneous | | 6,501 | 4,556 |
| Total operating receipts | | 960,615 | 886,434 |
| Operating disbursements: | | | |
| Salaries and benefits | | 270,530 | 265,594 |
| Transporting recyclables and recycling | | 119,848 | 124,665 |
| Landfill disposal fees | | 401,875 | 346,596 |
| Other | | 145,392 | 131,204 |
| Total operating disbursements | | 937,645 | 868,059 |
| Excess of operating receipts over operating disbursements | | 22,970 | 18,375 |
| Non-operating receipts (disbursements): | | | |
| Interest on investments | | 2,975 | 2,157 |
| Grants | | 4,804 | 957 |
| Equipment | | (21,500) | (13,920) |
| Net non-operating receipts (disbursements) | | (13,721) | (10,806) |
| Change in cash balance | | 9,249 | 7,569 |
| Cash balance beginning of year | | 514,282 | 506,713 |
| Cash balance end of year | $ | 523,531 | 514,282 |
| **Cash Basis Fund Balance** | | | |
| Restricted for closure care | $ | 34,626 | 34,340 |
| Unrestricted | | 488,905 | 479,942 |
| Total cash basis fund balance | $ | 523,531 | 514,282 |

In fiscal year 2018, operating receipts increased approximately $74,000, or 8.4%, over fiscal year 2017. Gate fees increased approximately $38,000 or 18.3%, due in part to waste received as a result of flood damage in the cities of Greene, Clarksville and Shellrock. City and county contributions increased approximately $28,000 and $17,000, respectively, due to the increase in the per capita assessment from $3.25 to $3.50.

In fiscal year 2018, operating disbursements increased approximately $70,000, or 8.0%, over fiscal year 2017. The increase is due primarily to an increase in landfill disposal fees from the additional waste received during the year.

## LONG-TERM DEBT

At June 30, 2018, the Commission had no long term debt outstanding.

## ECONOMIC FACTORS

The Commission's financial picture improved slightly in fiscal year 2018. Some factors which continue to cause long term concerns are:

- Facilities and equipment require constant maintenance and upkeep for safety and regulatory requirements.
- Equipment maintenance and replacement costs continue to increase due to the escalating costs of steel.
- Heating and electrical costs for the transfer station continue to be difficult to predict and, therefore, budget for.

The Commission will monitor receipts and disbursements to regulate the Commission's budget.

## CONTACTING THE AGENCY'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 its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Butler County Area Solid Waste Commission, 25251 Highway 3, Allison, Iowa 50602.

**Butler County Area Solid Waste Commission**

## Basic Financial Statement

**Butler County Area Solid Waste Commission**

Butler County 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 | $ 248,565 |
| City contributions | 389,458 |
| County contributions | 234,696 |
| Recycling sales | 81,395 |
| Miscellaneous | 6,501 |
| Total operating receipts | 960,615 |
| Operating disbursements: | |
| Salaries | 186,207 |
| Employee benefits | 84,323 |
| Utilities and telephone | 11,879 |
| Transfer station expense and supplies | 49,093 |
| Transporting recyclables and recycling | 119,848 |
| Office supplies and recycling promotion | 1,139 |
| Landfill disposal fees | 401,875 |
| Transporting household hazardous waste materials | 6,232 |
| Insurance | 22,250 |
| Professional fees | 4,994 |
| Water analysis | 9,075 |
| Solid waste transportation | 34,663 |
| Miscellaneous | 6,067 |
| Total operating disbursements | 937,645 |
| Excess of operating receipts over operating disbursements | 22,970 |
| Non-operating receipts (disbursements): | |
| Interest on investments | 2,975 |
| Grants | 4,804 |
| Equipment | (21,500) |
| Net non-operating receipts (disbursements) | (13,721) |
| Change in cash balance | 9,249 |
| Cash balance beginning of year | 514,282 |
| Cash balance end of year | $ 523,531 |
| **Cash Basis Fund Balance** | |
| Restricted for closure care | $ 34,626 |
| Unrestricted | 488,905 |
| Total cash basis fund balance | $ 523,531 |

See notes to financial statements.

## (1) Summary of Significant Accounting Policies

The Butler County Area Solid Waste Commission was formed in 1980 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to develop, operate and maintain a sanitary landfill in Butler County for use by all of the residents of the County. In October 1989, the Butler County Landfill was closed and the Commission began operating a solid waste transfer station.

The governing body of the Commission is composed of one representative from each participating city and three representatives from Butler County. The representative of each City shall be appointed by the Mayor, approved by the City Council and certified to the Commission by the City Clerk. Representatives of the County shall be the members of the Board of Supervisors. The member cities are: Allison, Aplington, Aredale, Bristow, Clarksville, Dumont, Greene, New Hartford, Parkersburg and Shell Rock.

A. Reporting Entity

For financial reporting purposes, the Butler County 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.

Jointly Governed Organization – The Commission is a member of the Rural Iowa Waste Management Association (RIWMA), a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa. RIWMA is composed of two members from the Butler County Area Solid Waste Commission (one City representative and one County Supervisor). The purpose of the RIWMA is to effectively provide for the sanitary disposal of solid waste and other solid waste reduction or recycling programs as the Commissions deem necessary and beneficial to the citizens they serve.

RIWMA is responsible for sanitary landfill activities. The responsibilities for hazardous waste, waste reduction, special waste and education under the Environmental Protection Act remain with each separate Commission.

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 payable for closure 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 care 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 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 Commission 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 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 the 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 rate of 14.88%.

The Commission's contributions to IPERS for the year ended June 30, 2018 were $16,264.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the Commission's liability for its proportionate share of the net pension liability totaled $159,316. 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 collective 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 0.002392%, which was a decrease of 0.000114% 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 collective deferred inflows of resources totaled $21,914, $29,145 and $3,044, respectively.

There were no non-employee 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:

| | |
|---|---|
| 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 | $ 262,489 | 159,316 | 72,631 |

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

## (4) Other Postemployment Benefits (OPEB)

Plan Description – The 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 $682 for single coverage to $2,030 for family coverage. For the year ended June 30, 2018, the Commission contributed $47,577 and plan members eligible for benefits contributed $7,045 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 the 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, the following employees were covered by the benefit terms:

| | |
|---|---|
| Active employees | 4 |

**(5) Landfill Closure**

The landfill closed in October 1989 and began operating as a transfer station. Because the landfill closed before the October 9, 1993 effective date of certain state and federal rules and regulations, the Commission is not required to meet certain closure and postclosure care requirements, nor demonstrate financial assurance for closure and postclosure care. However, state law requires the Commission to conduct ground water monitoring at the landfill for 30 years.

**(6) 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 that have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles that will remain on site, including the rinsing of all surfaces that 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 complete a closure account as financial assurance for the closure care costs. The effect of the state requirement is to commit landfill owners to perform certain closing functions as a condition for the right to operate the transfer station in the current period.

The total closure care for the Commission as of June 30, 2018 has been estimated to be $19,229. The balance has been restricted and is fully funded at June 30, 2018.

**(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, 2018, the Commission had no unspent tonnage fees.

**(8) 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 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 was $14,483.

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

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

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

The Commission also carries commercial insurance purchased from another insurer for coverage associated with an employee blanket bond in the amount of $50,000. 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.

## (9) Compensated Absences

Commission employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Commission until used or paid. The Commission's approximate liability for earned vacation at June 30, 2018 was $5,000. This liability has been computed based on rates of pay in effect at June 30, 2018.

**Other Information**

**Butler County Area Solid Waste Commission**

## Butler County 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*
### (In Thousands)

### Other Information

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Commission's proportion of the net pension liability | 0.002392% | 0.002506% | 0.002538% | 0.002567% |
| Commission's proportionate share of the net pension liability | $ 159 | 158 | 125 | 101 |
| Commission's covered payroll | $ 179 | 180 | 174 | 167 |
| Commission's proportionate share of the net pension liability as a percentage of its covered payroll | 88.83% | 87.78% | 71.84% | 60.48% |
| 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 year.

See accompanying independent auditor's report.

Butler County Area Solid Waste Commission

Schedule of Commission Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

| | | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Statutorily required contribution | $ | 16 | 16 | 16 | 16 |
| Contributions in relation to the statutorily required contribution | | (16) | (16) | (16) | (16) |
| Contribution deficiency (excess) | $ | - | - | - | - |
| Commission's covered payroll | $ | 182 | 179 | 180 | 174 |
| Contributions as a percentage of covered payroll | | 8.93% | 8.93% | 8.93% | 8.93% |

* Amounts reported do not agree with the calculated amounts due to rounding required contributions and covered payroll to the nearest thousandth.

See accompanying independent auditor's report.

| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| 15 | 14 | 14 | 10 | 11 | 9 |
| (15) | (14) | (14) | (10) | (11) | (9) |
| - | - | - | - | - | - |
| 167 | 164 | 173 | 144 | 165 | 142 |
| 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.
- 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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Rob Sand
Auditor of State

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 Butler County 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 Government Auditing Standards, issued by the Comptroller General of the United States, the financial statement of the Butler County 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 February 5, 2019. 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 Butler County 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 Butler County Area Solid Waste Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Butler County Area Solid Waste 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 Butler County Area Solid Waste 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 which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Butler County 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 Butler County Area Solid Waste Commission's Response to the Finding

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

ROB SAND
Auditor of State

February 5, 2019

**Finding Related to the Financial Statement:**

**INTERNAL CONTROL DEFICIENCY:**

(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 – One person has primary control over charge accounts, including billing, deposit preparation, posting transactions to accounting records and reconciling payments to receivable records. In addition, there is no evidence of review of the account receivable reconciliation by an independent person.

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 – The Commission should utilize available staff or designate a member of the Board to provide additional control through review of financial transactions to help ensure accounts receivable charges and payments on account are properly recorded and deposited intact.

Response – We will work to the best of our ability to work within the restrictions given the number of employees that can perform this task.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Other Findings Related to Required Statutory Reporting:**

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

(2) Travel Expense – No disbursements of Commission money for travel expenses 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.

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Malika Moutiq, Staff Auditor

Marlys Gaston

Marlys K. Gaston, CPA
Deputy Auditor of State