



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 12, 2020

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on the Wayne-Ringgold-Decatur County Solid Waste Management Commission.

FINANCIAL HIGHLIGHTS:

The Commission had total receipts of \$816,226 for the year ended June 30, 2019, an 8.2% increase over the prior year. Disbursements for the year ended June 30, 2019 totaled \$699,995, a 35.1% increase over the prior year. The increase in receipts is primarily due to an increase in gate receipts collected and interest on investments received over the prior year. The significant increase in disbursements is primarily due to an increase in leachate lagoon draining in fiscal year 2019

AUDIT FINDINGS:

Sand reported five finding related to the receipt and disbursement of taxpayer funds. The finding is found on pages 28 through 31 of this report. The findings address a lack of segregation of duties, a lack of a bank reconciliation and the reconciliation of receipts to deposit. Sand provided the Commission with recommendations to address the finding.

Four of the five findings discussed above are repeated from the prior year. The Solid Waste Management Commission has a fiduciary responsibility to provide oversight of the Landfill's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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/>.

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**WAYNE-RINGGOLD-DECATUR COUNTY
SOLID WASTE MANAGEMENT COMMISSION**

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

JUNE 30, 2019

**Wayne-Ringgold-Decatur County
Solid Waste Management Commission**



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February 26, 2020

Officials of the Wayne-Ringgold-Decatur County Solid Waste Management Commission
Grand River, Iowa

Dear Commission Members:

I am pleased to submit to you the financial and compliance audit report for the Wayne-Ringgold-Decatur County Solid Waste Management Commission for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the Wayne-Ringgold-Decatur County Solid Waste Management Commission throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand".

Rob Sand
Auditor of State

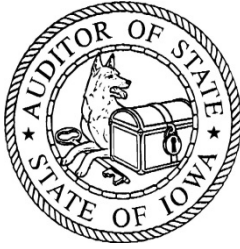
Table of Contents

| | <u>Page</u> |
|---|----------------|
| Officials | 3 |
| Independent Auditor's Report | 4-5 |
| Financial Statement: | <u>Exhibit</u> |
| Statement of Cash Receipts, Disbursements and Changes in Cash Balance | A 9 |
| Notes to Financial Statement | 10-18 |
| Other Information: | |
| Schedule of the Commission's Proportionate Share of the Net Pension Liability | 21 |
| Schedule of Commission Contributions | 22-23 |
| Notes to Other Information – Pension Liability | 25 |
| 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 <u>Government Auditing Standards</u> | 26-27 |
| Schedule of Findings | 28-32 |
| Staff | 33 |

**Wayne-Ringgold-Decatur County
Solid Waste Management Commission**

Officials

| <u>Name</u> | <u>Title</u> | <u>Representing</u> |
|------------------|------------------------|----------------------|
| | <u>Executive Board</u> | |
| Kraig Pennington | Chair | Ringgold County |
| Dave Dotts | Vice Chair | Wayne County |
| Jim Fulton | Member | Decatur County |
| Kenny Robertson | Member | City of Mount Ayr |
| Jonathan Erb | Member | City of Leon |
| | <u>Members</u> | |
| Sandy White | Member | City of Grand River |
| Randy Roe | Member | City of Allerton |
| Larry Jarred | Member | City of Tingley |
| Nathan Silver | Member | City of Lamoni |
| Tim Myers | Member | City of Humeston |
| Mike Nessen | Member | City of Beaconsfield |
| Gary Gurrels | Member | City of Davis City |
| Jon Rouze | Member | City of Van Wert |
| Eric Showers | Member | City of Weldon |
| Kathy Johnston | Member | City of Kellerton |
| Julie Malcom | Member | City of Diagonal |
| Jeff Quick | Member | City of Redding |
| DM Zollman | Member | City of Benton |
| Mike Wik | Member | City of Lineville |
| Eric Purvis | Member | City of Clio |
| Amanda Waske | Secretary/Treasurer | |
| Sheila Caldwell | Office Manager | |



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Independent Auditor's Report

To the Members of the Wayne-Ringgold-Decatur County
Solid Waste Management Commission:

Report on the Financial Statement

We have audited the accompanying financial statement of the Wayne-Ringgold-Decatur County Solid Waste Management Commission as of and for the year ended June 30, 2019, 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 Wayne-Ringgold-Decatur County Solid Waste Management Commission as of June 30, 2019, 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 described in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

The other information, the Schedule of the Commission's Proportionate Share of the Net Pension Liability and the Schedule of Commission Contributions on pages 21 through 25 has not been subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 26, 2020 on our consideration of the Wayne-Ringgold-Decatur County Solid Waste Management 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 Wayne-Ringgold-Decatur County Solid Waste Management Commission's internal control over financial reporting and compliance.


Marlys K. Gaston, CPA
Deputy Auditor of State

February 26, 2020

**Wayne-Ringgold-Decatur County
Solid Waste Management Commission**

Financial Statement

**Wayne-Ringgold-Decatur County
Solid Waste Management Commission**

Wayne-Ringgold-Decatur County Solid Waste Management Commission

Statement of Cash Receipts, Disbursements and
Changes in Cash Balance

Year ended June 30, 2019

| | |
|---|---------------------|
| Operating receipts: | |
| Member assessments | \$ 187,544 |
| Landfill gate receipts | 576,759 |
| Miscellaneous | <u>20,297</u> |
| Total operating receipts | <u>784,600</u> |
| Operating disbursements: | |
| Salaries and benefits | 208,487 |
| Iowa Department of Natural Resources tonnage fee | 45,273 |
| Insurance | 18,958 |
| Fuel | 21,640 |
| Equipment repair, maintenance and supplies | 18,595 |
| Disposal/recycling/hauling service | 8,022 |
| Leachate lagoon draining | 173,629 |
| Meetings and travel | 5,264 |
| Road rock and sand | 23,526 |
| Administration | 27,365 |
| Utilities | 4,992 |
| Office operation | 11,683 |
| Professional services | 64,176 |
| Miscellaneous | <u>23,977</u> |
| Total operating disbursements | <u>655,587</u> |
| Excess of operating receipts over operating disbursements | <u>129,013</u> |
| Non-operating receipts (disbursements): | |
| Interest on investments | 28,626 |
| Rent | 3,000 |
| Equipment | (22,689) |
| Debt service: | |
| Principal | (21,333) |
| Interest | <u>(386)</u> |
| Net non-operating receipts (disbursements) | <u>(12,782)</u> |
| Change in cash balance | 116,231 |
| Cash balance beginning of year | <u>3,376,757</u> |
| Cash balance end of year | <u>\$ 3,492,988</u> |
| Cash Basis Fund Balance | |
| Restricted for: | |
| Closure and postclosure care | \$ 2,152,194 |
| Solid waste tonnage fees retained | <u>56,260</u> |
| Total restricted cash basis fund balance | 2,208,454 |
| Unrestricted | <u>1,284,534</u> |
| Total cash basis fund balance | <u>\$ 3,492,988</u> |

See notes to financial statements.

Wayne-Ringgold-Decatur County Solid Waste Management Commission

Notes to Financial Statement

June 30, 2019

(1) Summary of Significant Accounting Policies

The Wayne-Ringgold-Decatur County Solid Waste Management Commission was formed in 1988 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 and recycling facilities for Wayne, Ringgold and Decatur Counties on behalf of the units of government which are members of the Commission.

The governing body of the Commission is composed of one representative from each of the member units of government. The member counties are Wayne, Ringgold and Decatur Counties and the member cities are the cities of Lamoni, Leon, Davis City, Garden Grove, Van Wert, Grand River, Decatur, Weldon, Pleasanton, Le Roy, Mount Ayr, Diagonal, Kellerton, Tingley, Redding, Ellston, Delphos, Maloy, Beaconsfield, Benton, Humeston, Lineville, Clio, and Allerton. The commissioners are appointed by the participating political subdivisions and each has one vote for each one thousand population, or fraction thereof, which the member represents.

A. Reporting Entity

For financial reporting purposes, the Wayne-Ringgold-Decatur County Solid Waste Management 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 post-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 and post-closure care and solid waste tonnage fees retained are classified as restricted.

(2) Cash and Investments

The Commission's deposits in banks at June 30, 2019 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.

At June 30, 2019, the Commission had the following investments:

| Type | Carrying Amount | Fair Value | Investment Maturities (in Years) | |
|---------------------|-----------------|------------|-------------------------------------|---------|
| | | | Less Than 1 | 1-5 |
| U.S. Treasury Notes | \$ 674,325 | 668,073 | - | 668,073 |

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 U.S. Treasury Notes of \$668,073 was determined using the last reported sales price at current exchange rates. (Level 1 inputs)

Interest Rate Risk – The Commission's investment policy does not limit 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.

(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 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Commission contributed 9.44% of covered payroll, for a total rate of 15.73%.

The Commission’s contributions to IPERS for the year ended June 30, 2019 totaled \$14,488.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the Commission had a liability of \$136,603 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the Commission’s proportion was 0.002159%, which was an increase of 0.000122% over its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Commission’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$18,508, \$36,153 and \$22,757, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 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, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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 | 22.0% | 6.01% |
| International equity | 15.0 | 6.48 |
| Global smart beta equity | 3.0 | 6.23 |
| Core plus fixed income | 27.0 | 1.97 |
| Public credit | 3.5 | 3.93 |
| Public real assets | 7.0 | 2.91 |
| Cash | 1.0 | (0.25) |
| Private equity | 11.0 | 10.81 |
| Private real assets | 7.5 | 4.14 |
| Private credit | 3.0 | 3.11 |
| Total | <u>100.0%</u> | |

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 | \$ 231,841 | 136,603 | 56,711 |

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 \$795 for single coverage and \$1,102 for family coverage. For the year ended June 30, 2019, the Commission contributed \$27,963 and plan members eligible for benefits were not required to contribute to the plan. At June 30, 2019, 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 Wayne-Ringgold-Decatur County Solid Waste Management 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, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2019, the following employees were covered by the benefit terms:

| | |
|--|----------|
| Inactive employees or beneficiaries currently receiving benefit payments | - |
| Active employees | <u>3</u> |
| Total | <u>3</u> |

(5) Compensated Absences

Commission employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. Sick leave hours are lost upon resignation, 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 leave at June 30, 2019 was approximately \$2,600. This liability has been computed based on rates of pay in effect at June 30, 2019.

(6) Closure and Post-closure Care

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/post-closure care plan to provide funding necessary to effect closure and post-closure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty year care requirements for all municipal solid waste landfills 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 post-closure 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 post-closure 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 post-closure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the post-closure 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 at \$990,552 for closure and \$1,097,874 for post-closure care, for a total of \$2,088,426 as of June 30, 2019. The estimated remaining life of the landfill is 52 years, with approximately 21.4% of the landfill's capacity used at June 30, 2019.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and post-closure care accounts to accumulate resources for the payment of closure and post-closure care costs. The Commission has begun to accumulate resources to fund these costs and, at June 30, 2019, assets of \$2,152,194 are restricted for these purposes. They are reported as restricted cash balance in the Statement of Cash Receipts, Disbursements and Changes in Cash Balance. At June 30, 2019, the estimated closure and post-closure costs were fully funded.

(7) Solid Waste Tonnage Fees Retained

The Commission has not established adequate procedures 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, 2019, the calculated unspent amounts retained by the Commission and restricted for the required specific purposes totaled \$56,260.

(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 778 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, 2019 were \$18,958.

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 other insurers for coverages 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.

(9) Loan Agreement

On October 24, 2016, the Commission made a down-payment of \$225,000 and entered into a loan agreement with US Bank in Mt. Ayr, Iowa for \$84,955 with interest at 1.80% per annum, for a Caterpillar D6T-T4 Tractor. The agreement was payable through 2019 and required semi-annual payments of \$21,719.

During the year ended June 30, 2019, the Commission paid \$21,719 of principal and interest under the agreement.

(10) Special Investigation

The Commission requested the Office of Auditor of State perform a special investigation of the Commission as a result of concerns identified with a Commission employee. A separate report was issued upon completion of the special investigation, in October 2019.

Other Information

**Wayne-Ringgold-Decatur County
Solid Waste Management Commission**

Wayne-Ringgold-Decatur County Solid Waste Management Commission

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

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

Other Information

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|------------|-----------|-----------|-----------|-----------|
| Commission's proportion of the net pension liability | 0.002159% | 0.002037% | 0.001965% | 0.001986% | 0.002225% |
| Commission's proportionate share of the net pension liability | \$ 136,603 | 135,661 | 123,643 | 98,125 | 88,221 |
| Commission's covered payroll | \$ 150,034 | 152,020 | 141,003 | 136,069 | 146,753 |
| Commission's proportionate share of the net pension liability as a percentage of its covered payroll | 91.05% | 89.24% | 87.69% | 72.11% | 60.12% |
| IPERS' net position as a percentage of the total pension liability | 83.62% | 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.

Wayne-Ringgold-Decatur County Solid Waste Management Commission
Schedule of Commission Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years

Other Information

| | 2019 | 2018 | 2017 | 2016 |
|---|------------|----------|----------|----------|
| Statutorily required contribution | \$ 14,488 | 13,398 | 13,575 | 12,592 |
| Contributions in relation to the statutorily required contribution | (14,488) | (13,398) | (13,575) | (12,592) |
| Contribution deficiency (excess) | \$ - | - | - | - |
| Commission's covered payroll | \$ 153,475 | 150,034 | 152,020 | 141,003 |
| Contributions as a percentage of covered payroll | 9.44% | 8.93% | 8.93% | 8.93% |

See accompanying independent auditor's report.

| 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|----------|----------|----------|----------|---------|---------|
| 12,151 | 13,105 | 11,960 | 11,001 | 9,383 | 8,786 |
| (12,151) | (13,105) | (11,960) | (11,001) | (9,383) | (8,786) |
| - | - | - | - | - | - |
| 136,069 | 146,753 | 137,947 | 136,320 | 135,007 | 132,120 |
| 8.93% | 8.93% | 8.67% | 8.07% | 6.95% | 6.65% |

**Wayne-Ringgold-Decatur County
Solid Waste Management Commission**

Wayne-Ringgold-Decatur County Solid Waste Management Commission

Notes to Other Information – Pension Liability

Year ended June 30, 2019

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 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

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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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 Wayne-Ringgold-Decatur County
Solid Waste Management 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 Wayne-Ringgold-Decatur County Solid Waste Management Commission as of and for the year ended June 30, 2019, and the related Notes to Financial Statement, and have issued our report thereon dated February 26, 2020. 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 Wayne-Ringgold-Decatur County Solid Waste Management 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 Wayne-Ringgold-Decatur County Solid Waste Management Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Wayne-Ringgold-Decatur County Solid Waste Management 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 Wayne-Ringgold-Decatur County Solid Waste Management Commission's financial statement will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2019 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.

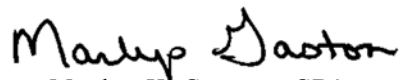
The Wayne-Ringgold-Decatur County Solid Waste Management Commission's Responses to the Findings

The Wayne-Ringgold-Decatur County Solid Waste Management Commission's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Wayne-Ringgold-Decatur County Solid Waste Management 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 Wayne-Ringgold-Decatur County Solid Waste Management 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.


Marlys K. Gaston, CPA
Deputy Auditor of State

February 26, 2020

Schedule of Findings

Year ended June 30, 2019

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 – Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist: billing, collection and deposit of receipts.

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 employees. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing current personnel, including Commission members, to perform independent reviews and verifications.

Response - It is difficult to remedy this comment as there is only one full time office manager and a part time secretary. Both count and verify cash/checks and transactions as well as verification on claims. We will continue to review our procedures and segregate duties where possible.

Conclusion – Response accepted.

(B) Reconciliation of Receipts to Deposit

Criteria – An effective internal control system provides for internal controls related to comparing landfill collections to deposits to ensure proper recording of landfill receipts.

Condition – Landfill receipt ticket reports (i.e. collections) are not reconciled to the deposits.

Cause – Policies have not been established and procedures have not been implemented to reconcile collections to deposits.

Effect – This condition could result in unrecorded or misstated landfill receipts.

Wayne-Ringgold-Decatur County Solid Waste Management Commission

Schedule of Findings

Year ended June 30, 2019

Recommendation – Procedures should be established to ensure receipts are reconciled to deposits each week. Review and approval of the reconciliations should be performed by an independent person and the review should be documented by the signature or initials of the independent reviewer and the date of the review.

Response – In July 2018 we implemented a procedure of balancing in that when the deposit is brought over by the Wayne-Ringgold-Decatur (WRD) office staff each week, daily tickets are also delivered. These reports are balanced to the deposits each week. The County Auditor’s office signs off on both the deposit and daily tickets for the week. The deposit is then verified again by the Ringgold County Treasurer before depositing in the WRD account at Great Western Bank.

Conclusion – Response accepted.

(C) Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by reconciling bank and book balances.

Condition – The Commission’s financial activity is accounted for in several different bank accounts and certificates of deposit maintained by the Commission. A complete bank reconciliation, including all bank and investment accounts, is not prepared. At June 30, 2019, the adjusted bank balance was \$9,614 more than the amount shown on the Commission’s June 30, 2019 balance sheet.

Cause – Procedures have not been designed and implemented to ensure all accounts are reconciled and the amounts recorded in the books are complete, accurate and properly accounted for.

Effect – The lack of a complete bank to book reconciliation can result in unrecorded transactions, undetected errors and the opportunity for misappropriation.

Recommendation – To improve financial accountability and control, the Commission should prepare monthly bank reconciliations which include all bank and investment accounts and variances between book and bank balances should be investigated and resolved in a timely manner. The reconciliations should be reviewed by an independent person and the review should be documented by the signature or initials of the independent reviewer and the date of review.

Response – Since becoming Fiscal Agent, the County prepares the bank reconciliations each month. The Deputy Treasurer enters any interest earned as well as EFT and auto deposits received for the month, into the County’s accounting software. This is then balanced to the County Treasurer’s daily sheet which balances back to the County’s cash and investment report. One new process put in place will be having the County Auditor’s office verify the debited amounts on the Landfill statement for payroll and claims match the amounts provided for the month.

Conclusion – Response accepted.

Wayne-Ringgold-Decatur County Solid Waste Management Commission

Schedule of Findings

Year ended June 30, 2019

(D) 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 – Receipt, deposit, accounts receivable, account balance and disbursement records and reports sent to external agencies were not properly reviewed by an independent individual.

Cause – Policies have not been established and procedures have not been implemented to review Commission's billings, collections, bank deposits and reports to external agencies.

Effect – This condition could result in unrecorded or misstated Commission revenues and expenses.

Recommendation – The receipt, deposit, accounts receivable, account balance and disbursement records and reports should be reviewed by an independent person, such as a Commission member, and the independent review should be documented by the signature or initials of the reviewer and the date of the review.

Response – The WRD Office Manager receives monthly disbursement and receipt reports from the County Auditor's Office. The County Auditor will provide a breakdown of account balances, showing investments for each fund. Prior to each meeting these reports will be provided to the Board for their review. The Board will also create a policy providing authority to the Chair (Kraig Pennington) to pre-approve the claims then at each Board meeting, the claims will be approved by the group. The Landfill office manager will provide a monthly accounts receivable and deposit summary to the Board.

Conclusion – Response accepted

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Wayne-Ringgold-Decatur County Solid Waste Management Commission

Schedule of Findings

Year ended June 30, 2019

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 be approved in the Commission’s 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 Tonnage Fees Retained – The Commission has not established adequate procedures 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, 2019, the calculated unspent amounts retained by the Commission and restricted for the required specific purposes totaled \$56,259.

Recommendation – The Commission should implement procedures to restrict and use solid waste tonnage fees retained, as required.

Response – The Landfill Board will work to establish a policy for use of these funds.

Conclusion – Response accepted.

Wayne-Ringgold-Decatur County Solid Waste Management Commission

Schedule of Findings

Year ended June 30, 2019

- (6) Financial Assurance – The Commission has elected to demonstrate financial assurance for landfill closure and postclosure care by establishing local government dedicated funds as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

| | Closure / | | |
|--|-------------------|------------------|---------------------|
| | Closure | Postclosure Care | Total |
| Total estimated costs for closure and postclosure care at June 30, 2019 | \$ 990,552 | 1,097,873 | 2,088,425 |
| Less: Balance of funds held in the local dedicated fund at June 30, 2018 | <u>990,552</u> | <u>1,097,874</u> | <u>2,088,426</u> |
| | - | (1) | (1) |
| Divided by the number of years remaining in the pay-in period | <u>-</u> | <u>-</u> | <u>-</u> |
| Required payment into the local dedicated fund for the year ended June 30, 2019 | - | - | - |
| Balance of funds held in the local dedicated fund at June 30, 2018 | - | | |
| | <u>990,552</u> | <u>1,097,874</u> | <u>2,088,426</u> |
| Balance of funds required to be held in the local dedicated fund at June 30, 2019 | <u>\$ 990,552</u> | <u>1,097,874</u> | <u>2,088,426</u> |
| Amount Commission has restricted for closure and postclosure care at June 30, 2019 | | | <u>\$ 2,152,194</u> |

Wayne-Ringgold-Decatur County Solid Waste Management Commission

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Deborah J. Moser, CPA, Manager
Nichole Tucker, Staff Auditor
Coltin Collins, Staff Auditor