



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

NEWS RELEASE

FOR RELEASE

May 29, 2020

Contact: Marlys Gaston
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The Agency's revenues totaled \$2,365,193 for the year ended June 30, 2019, a less than one percent decrease from the prior year. Expenses for the year ended June 30, 2019 totaled \$2,038,485, a 15.0% increase over the prior year. The significant increase in expenses is primarily due to an expansion to the landfill being placed in service during fiscal year 2018 which increased the landfill's capacity and increased tonnage brought to the landfill.

AUDIT FINDINGS:

Sand reported three findings related to the receipt and expenditure of taxpayer funds. They are found on pages 46 through 49 of this report. The findings address issues such as a lack of segregation of duties and a disbursement that does not appear to not meet the test of public purpose. Sand provided the Agency with recommendations to address each of the findings.

The three findings discussed above are repeated from the prior year. The Agency has a fiduciary responsibility to provide oversight of the Agency'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/>.

#

CLINTON COUNTY SOLID WASTE AGENCY

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

JUNE 30, 2019

Clinton County Solid Waste Agency



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

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

May 6, 2020

Officials of the Clinton County Solid Waste Agency
Clinton, Iowa

Dear Agency Members:

I am pleased to submit to you the financial and compliance audit report for the Clinton County Solid Waste Agency 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 Clinton County Solid Waste Agency 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, appearing to read "Rob Sand".

Rob Sand
Auditor of State

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-7
Management's Discussion and Analysis		8-11
Basic Financial Statements:	<u>Exhibit</u>	
Statement of Net Position	A	14
Statement of Revenues, Expenses and Changes in Net Position	B	15
Statement of Cash Flows	C	17
Notes to Financial Statements		18-30
Required Supplementary Information:		
Schedule of the Agency's Proportionate Share of the Net Pension Liability		33
Schedule of Agency Contributions		34-35
Notes to Required Supplementary Information – Pension Liability		36
Schedule of Changes in the Agency's Total OPEB Liability, Related Ratios and Notes		37
Supplementary Information:	<u>Schedule</u>	
Schedule of Charges for Service	1	41
Schedule of Operating Expenses	2	42-43
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		44-45
Schedule of Findings		46-49
Staff		50

Clinton County Solid Waste Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Paul Varner	Chairperson	City of Camanche
Brandi Pray	Vice-Chairperson	City of Low Moor
Tom Determann	Secretary-Treasurer	Clinton County
Kari Kedley	Member	City of Andover
Tyler Leibold	Member	City of Calamus
Ed Klindschmidt	Member	City of Charlotte
Bill Schemers	Member	City of Clinton
Doug Goodall	Member	City of Delmar
Garey Chrones	Member	City of DeWitt
Patsy Farrell	Member	City of Goose Lake
Will Fischer	Member	City of Grand Mound
Ramon Gilroy	Member	City of Lost Nation
Elba Scheper	Member	City of Toronto
Dan Vosatka	Member	City of Welton
Bob Denahy	Member	City of Wheatland
Bradley Seward	Director of Operations and Education	
Cindy Howard	Office Manager	

Clinton County Solid Waste Agency



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Independent Auditor's Report

To the Members of the Clinton County Solid Waste Agency:

Report on the Financial Statements

We have audited the accompanying Statement of Net Position, and the related Statements of Revenues, Expenses and Changes in Net Position and Cash Flows of the Clinton County Solid Waste Agency as of and for the year ended June 30, 2019, and the related Notes to Financial Statements which collectively comprise the Clinton County Solid Waste Agency's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Clinton County Solid Waste Agency as of June 30, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the Agency's Proportionate Share of the Net Pension Liability, the Schedule of Agency Contributions and the Schedule of Changes in the Agency's Total OPEB Liability, Related Ratios and Notes on pages 8 through 11 and 33 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

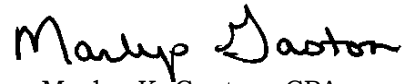
Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 6, 2020 on our consideration of the Clinton County Solid Waste Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Clinton County Solid Waste Agency's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

May 6, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Clinton County Solid Waste Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2019. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

2019 FINANCIAL HIGHLIGHTS

- The Agency's operating revenues decreased 8.0%, or \$186,061, from fiscal year 2018 to fiscal year 2019. Charges for service increased while county and city assessments decreased.
- The Agency's operating expenses were 14.9%, or \$264,825, higher in fiscal year 2019 than in fiscal year 2018. The increase is primarily due to an expansion to the landfill being placed in service during fiscal year 2018 which increased the landfill's capacity and increased tonnage brought to the landfill. In addition, the landfill employed an additional staff member during fiscal year 2019.
- The Agency's net position increased 2.7%, or \$328,280, from June 30, 2018 to June 30, 2019.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with the Agency's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the Association's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about revenues and expenses.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Agency's financial position. The Agency's net position at the end of fiscal year 2019 totaled approximately \$12,409,000. This compares to approximately \$12,080,000 at the end of fiscal year 2018. A summary of the Agency's net position is presented below.

Net Position		
	June 30,	
	2019	2018
Current assets	\$ 4,459,101	4,235,525
Restricted investments	3,810,661	3,661,491
Capital assets at cost, less accumulated depreciation	5,289,577	5,292,414
Total assets	13,559,339	13,189,430
Deferred outflows of resources	84,636	101,206
Current liabilities	-	70,887
Noncurrent liabilities	1,212,951	1,123,199
Total liabilities	1,212,951	1,194,086
Deferred inflows of resources	22,379	16,185
Net position:		
Net investment in capital assets	5,289,577	5,289,180
Restricted for:		
Tonnage fees retained	831,453	980,931
Closure and postclosure costs	2,901,926	2,861,042
Unrestricted	3,385,689	2,949,212
Total net position	\$ 12,408,645	12,080,365

The unrestricted portion of the Agency's net position (27%) may be used to meet the Agency's obligations as they come due. The invested in capital assets (e.g., land, buildings and equipment), less the related debt portion of net position (43%) are resources allocated to capital assets. The remaining net position (30%) is restricted for closure and postclosure care and for tonnage fees due to the State of Iowa. State and federal laws and regulations require the Agency to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure.

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues are received for charges for service from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues are for finance charges, interest income, rental income and the gain on disposal of capital assets. The utilization of capital assets is reflected in the financial statements as depreciation/amortization, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the years ended June 30, 2019 and 2018 is presented below.

Changes in Net Position		
	Year ended June 30,	
	2019	2018
Operating revenues:		
Charges for service	\$ 1,497,997	1,224,023
County and city assessments	-	392,928
Contracted waste	432,382	446,679
Commodities sold	30,896	50,173
Other operating revenues	167,262	200,795
Total operating revenues	<u>2,128,537</u>	<u>2,314,598</u>
Operating expenses:		
Landfill	1,692,337	1,482,544
Recycling	291,516	251,041
Regional Collection Center	53,060	38,503
Total operating expenses	<u>2,036,913</u>	<u>1,772,088</u>
Operating income	<u>91,624</u>	<u>542,510</u>
Non-operating revenues (expenses):		
Finance charges	161	2,352
Interest revenue	187,029	45,240
Rental income	24,466	24,508
Gain on disposal of capital assets	25,000	-
Net non-operating revenues	<u>236,656</u>	<u>72,100</u>
Change in net position	328,280	614,610
Net position beginning of year	<u>12,080,365</u>	<u>11,465,755</u>
Net position end of year	<u>\$ 12,408,645</u>	<u>12,080,365</u>

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

In fiscal year 2019, operating revenues decreased \$186,061 or 8.0%, primarily a result of county and city assessments decreasing approximately \$393,000. This is due to a change in the Agency's 28E agreement. The decrease in county and city assessments was partially offset by an increase in charges for services which was the result of an increase in tonnage due to such things as the Lyondell Turnaround project and increased home demolition in the City of Clinton. Operating expenses increased \$264,825, or 14.9%. The increase is primarily due to an expansion to the landfill being placed in service during fiscal year 2018 which increased the landfill's capacity and increased tonnage brought to the landfill. In addition, the landfill employed an additional staff member during fiscal year 2019.

Statement of Cash Flows

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

CAPITAL ASSETS

At June 30, 2019, the Agency had approximately \$5,290,000 invested in capital assets, net of accumulated depreciation/amortization of approximately \$4,436,000. Depreciation expense totaled \$229,046 for fiscal year 2019. More detailed information about the Agency's capital assets is presented in Note 3 to the financial statements.

LONG-TERM DEBT

Information about the Agency's long-term debt is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

The Clinton County Solid Waste Agency continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities which may potentially become challenges for the Agency to meet are:

- Work must continue to maintain landfill areas closed in the past. This includes addressing any issues found in assessment of corrective measures plans and the drilling of wells into bedrock for groundwater monitoring.
- The Agency is facing a change in the recycling program. The Agency has decided to convert to single stream recycling. Recyclable materials are now being transferred to Scott County instead of processing those items on site. The City of Clinton, previously the Agency's largest recycling client, now brings its recyclable materials to the Agency now that the single stream conversion is finished.
- Facilities and equipment of Clinton County Area Solid Waste will continue to require routine maintenance and upkeep.
- Technology and trends in the solid waste industry continue to change. The Agency will have to continue to work to update technology and trends at a reasonable cost. These changes could affect each of the services that the Agency has to offer.
- Some of the solid waste programs that are required for the Agency to handle have been implemented with a user fee to help support them. This will continue to happen to keep the programs alive and to keep them available for residents.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Clinton County Solid Waste Agency, PO Box 996, Clinton, Iowa 52732.

Clinton County Solid Waste Agency

Basic Financial Statements

Exhibit A

Clinton County Solid Waste Agency

Statement of Net Position

June 30, 2019

Assets	
Current assets:	
Cash and cash equivalents	\$ 850,428
Restricted cash and cash equivalents	831,453
Investments	2,595,692
Accounts receivable	153,431
Prepaid insurance	28,097
Total current assets	<u>4,459,101</u>
Noncurrent assets:	
Restricted investments	3,810,661
Capital assets, net of accumulated depreciation/amortization	<u>5,289,577</u>
Total noncurrent assets	<u>9,100,238</u>
Total assets	<u>13,559,339</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>84,636</u>
Liabilities	
Noncurrent liabilities:	
Landfill closure and postclosure care	908,735
Total OPEB obligation	37,115
Net pension liability	<u>267,101</u>
Total liabilities	<u>1,212,951</u>
Deferred Inflows of Resources	
Pension related deferred inflows	20,478
OPEB related deferred inflows	<u>1,901</u>
Total deferred inflows of resources	<u>22,379</u>
Net Position	
Net investment in capital assets	5,289,577
Restricted for:	
Tonnage fees retained	831,453
Closure and postclosure care	2,901,926
Unrestricted	<u>3,385,689</u>
Total net position	<u>\$ 12,408,645</u>

See notes to financial statements.

Clinton County Solid Waste Agency
Statement of Revenues, Expenses and
Changes in Net Position

Year ended June 30, 2019

Operating revenues:	
Landfill	
Charges for service	\$ 1,497,997
Tire handling fee	35,181
Permit fees	5,552
Contracted waste	432,382
Salvage	8,383
Miscellaneous	<u>38,315</u>
Total landfill	<u>2,017,810</u>
Recycling	
Commodities sold	<u>30,896</u>
Regional Collection Center (RCC)	
Member's expense reimbursement	14,647
Conditionally Exempt Small Quantity Generator	8,253
Customer	26,071
Miscellaneous	<u>30,860</u>
Total RCC	<u>79,831</u>
Total operating revenues	<u>2,128,537</u>
Operating expenses:	
Landfill	1,692,337
Recycling	291,516
Regional Collection Center	<u>53,060</u>
Total operating expenses	<u>2,036,913</u>
Operating income	<u>91,624</u>
Non-operating revenues:	
Finance charges	161
Interest revenue:	
Operations	107,598
Financial assurance	79,431
Rental income	24,466
Gain on sale of asset	<u>25,000</u>
Net non-operating revenues	<u>236,656</u>
Change in net position	328,280
Net position beginning of year	<u>12,080,365</u>
Net position end of year	<u>\$ 12,408,645</u>

See notes to financial statements.

Clinton County Solid Waste Agency

Clinton County Solid Waste Agency

Statement of Cash Flows

Year ended June 30, 2019

Cash flows from operating activities:	
Cash received from customers	\$ 2,097,814
Cash received from other operating receipts	40,048
Cash paid to suppliers for goods and services	(1,365,929)
Cash paid to employees for services	<u>(389,254)</u>
Net cash provided by operating activities	<u>382,679</u>
Cash flows from capital and related financing activities:	
Rental income	24,466
Purchase of capital assets	<u>(204,442)</u>
Net cash used by capital and related financing activities	<u>(179,976)</u>
Cash flows from investing activities:	
Finance charges	(1,572)
Interest received	187,029
Investment purchases	(114,529)
Investment redemptions	9,448
Restricted investment purchases	<u>(149,170)</u>
Net cash used by investing activities	<u>(68,794)</u>
Net decrease in cash and cash equivalents	133,909
Cash and cash equivalents beginning of year	<u>1,547,972</u>
Cash and cash equivalents end of year	<u>\$ 1,681,881</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 93,357</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	229,045
Closure and postclosure care	99,940
Decrease in accounts receivable	7,592
Decrease in prepaid expenses	7,822
Decrease in deferred outflows of resources	16,570
Decrease in accounts payable	(42,802)
Decrease in accrued ground water tax	(24,750)
Decrease in accrued other withholdings	(101)
Increase in total OPEB liability	2,277
Decrease in net pension liability	(12,465)
Increase in deferred inflows of resources	<u>6,194</u>
Total adjustments	<u>289,322</u>
Net cash provided by operating activities	<u>\$ 382,679</u>

See notes to financial statements.

Clinton County Solid Waste Authority

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies

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

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

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Buildings and improvements	\$ 25,000
Equipment and vehicles	5,000

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

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

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2019.

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the Agency after the measurement date but before the end of the Agency’s reporting period.

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

Total OPEB Liability – The Agency participates in the Clinton County postretirement medical plan (OPEB). For purposes of measuring the total OPEB liability, deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on Clinton County’s actuary report. The Agency’s portion of the total OPEB liability, deferred inflows of resources related to OPEB and OPEB expense were calculated using the ratio of full-time equivalent employees of the Agency compared to full-time equivalent employees of Clinton County. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid by the Enterprise Fund.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consist of the unrecognized items not yet charged to pension and OPEB expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

(2) Cash, Cash Equivalents and Investments

The Agency’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 depositories to ensure there will be no loss of public funds.

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

The Agency’s investments at June 30, 2019 were as follows:

	Fair Value
Investments	
U.S. Government agency bonds	\$ 336,479
Market certificates of deposit	808,947
Mutual funds-fixed income	1,169,777
U.S. Government notes and bonds	103,824
Money market accounts	176,665
	2,595,692
Restricted investments	
Certificates of deposit	3,810,661
Total investments	\$ 6,406,353

The Agency uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The recurring fair value measurement for the investments were determined using the last reported sales price at current exchange rates. (Level 1 inputs)

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

The Agency’s investments in out of state market certificates of deposit do not comply with Chapter 12B.10 of the Code of Iowa. Also, there is no custodial agreement for the investment of public funds as required by Chapter 12B.10C of the Code of Iowa.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2019 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated/amortized:				
Land and Improvements	\$ 808,097	31,172	-	839,269
Construction in Progress	25,459	-	25,459	-
Total capital assets not being depreciated/amortized	833,556	31,172	25,459	839,269
Capital assets being depreciated/amortized:				
Intangibles	26,439	-	-	26,439
Development Costs	6,078,472	-	-	6,078,472
Buildings	1,851,514	-	-	1,851,514
Equipment and vehicles	797,397	220,496	88,019	929,874
Total capital assets being depreciated/amortized	8,753,822	220,496	88,019	8,886,299
Less accumulated depreciation/amortization for:				
Intangibles	20,257	2,061	-	22,318
Development Costs	1,932,899	182,351	-	2,115,250
Buildings	1,768,190	8,350	-	1,776,540
Equipment and vehicles	573,618	36,284	88,019	521,883
Total accumulated depreciation/amortization	4,294,964	229,046	88,019	4,435,991
Total capital assets being depreciated/amortized, net	4,458,858	(8,550)	-	4,450,308
Total capital assets, net	\$ 5,292,414	22,622	25,459	5,289,577

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2019 is as follows:

	Installment Purchase Agreement	Net OPEB Obligation	Net Pension Liability	Landfill Closure and Postclosure Care Costs	Total
Balance beginning of year	\$ 3,234	34,838	279,566	808,795	1,126,433
Increases	-	2,277	-	99,940	102,217
Decreases	3,234	-	12,465	-	15,699
Balance end of year	\$ -	37,115	267,101	908,735	1,212,951
Due within one year	\$ -	-	-	-	-

(5) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the Agency, except those covered by another retirement system. Employees of the Agency are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 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 Agency contributed 9.44% of covered payroll, for a total rate of 15.73%.

The Agency’s contributions to IPERS for the year ended June 30, 2019 totaled \$31,374.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the Agency reported a liability of \$267,101 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 Agency's proportion of the net pension liability was based on the Agency's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the Agency's proportion was 0.004221%, which was an increase of 0.000024% over its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Agency recognized pension expense of \$41,668. At June 30, 2019, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,464	6,037
Changes of assumptions	38,104	-
Net difference between projected and actual earnings on IPERS investments	-	7,339
Changes in proportion and differences between Agency contributions and the Agency's proportionate share of contributions	13,694	7,102
Agency contributions subsequent to the measurement date	31,374	-
Total	<u>\$ 84,636</u>	<u>20,478</u>

\$31,374 reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2020	\$ 24,148
2021	12,068
2022	(2,685)
2023	(566)
2024	(181)
Total	<u>\$ 32,784</u>

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:

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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Agency's proportionate share of the net pension liability	\$ 453,325	267,101	110,888

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

Payables to IPERS – All legally required Agency contributions and legally required employee contributions which had been withheld from employee wages were remitted by the Agency to IPERS by June 30, 2019.

(6) Other Postemployment Benefits (OPEB)

Plan Description – The Agency participates in the Clinton County postretirement medical plan (OPEB). Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Details of the OPEB plan are available in Clinton County's audit report for the year ended June 30, 2019. The report may be obtained by writing to the Clinton County Auditor's Office, 1900 North 3rd Street, Clinton, Iowa 52733-2957.

OPEB Benefits – Individuals who are employed by the Clinton County Solid Waste Agency 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 and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>8</u>
Total	<u>8</u>

Total OPEB Liability - The Agency's total OPEB liability of \$37,115 was measured as of June 30, 2019, was determined by an actuarial valuation as of June 30, 2018, and represents the Agency's portion of Clinton County's total OPEB liability. The County's total OPEB liability was rolled forward from the June 30, 2018 valuation date to the June 30, 2019 measurement date. The Agency's portion of the total OPEB liability was calculated using the ratio of full-time equivalent employees of the Agency compared to full-time equivalent employees of Clinton County.

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurements.

Rate of inflation (effective June 30, 2018)	3.00% per annum.
Discount Rate (effective June 30, 2018)	3.72% compounded annually.
Healthcare cost trend rate (effective June 30, 2018)	6.00% per year.

Discount Rate – The discount rate used to measure the total liability was 3.72% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP 2014 Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 34,838
Changes for the year:	
Service cost	3,087
Interest	1,407
Differences between expected and actual experiences	(2,057)
Benefits	<u>(160)</u>
Net changes	<u>2,277</u>
Total OPEB liability end of year	<u>\$ 37,115</u>

Sensitivity of the Agency’s Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Agency, as well as what the Agency’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.72%) or 1% higher (4.72%) than the current discount rate.

	<u>1% Decrease (2.72%)</u>	<u>Discount Rate (3.72%)</u>	<u>1% Increase (4.72%)</u>
Total OPEB liability	\$ 41,068	37,115	33,590

Sensitivity of the Agency's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the Agency, as well as what the Agency's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower (5.00%) or 1% higher (7.00%) than the current healthcare cost trend rate.

		1% Decrease (5.00%)	Healthcare Cost Trend Rate (6.00%)	1% Increase (7.00%)
Total OPEB liability	\$	32,034	37,115	43,159

OPEB Expense and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the Agency recognized OPEB expense of \$4,191. At June 30, 2019 the Agency reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Differences between expected an actual experience	\$ (1,901)

The amount reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2020	\$ 156
2021	156
2022	156
2023	156
2024	156
Thereafter	1,121
Total	\$ 1,901

(7) Closure and Postclosure Care

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

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

These costs for the Agency have been estimated at \$286,344 for postclosure care for Cell A and \$2,660,006 for closure and \$1,403,181 for postclosure care for Cell B, for a total of \$4,349,531 as of June 30, 2019, and the portion of the liability that has been recognized is \$908,735. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2019. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated life remaining of Cell B is 53 years. The capacity used at June 30, 2019 in Cell A is 100% and Cell B is 15.3%.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has begun accumulating resources to fund these costs and, at June 30, 2019, assets of \$3,810,661 are restricted for these purposes. They are reported as restricted investments in the Statement of Net Position.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Agency must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number years remaining in the pay-in period

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

(8) Solid Waste Tonnage Fees Retained

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa.

At June 30, 2019, the unspent amounts retained by the Agency and restricted for the required purposes totaled \$831,453.

(9) Lease Agreements

The Agency leases 7 parcels of cropland to 4 unrelated lessees. The lease terms for all 7 leases are from March 1, 2019 to February 28, 2020. The land for 5 of the leases must be used for agricultural crop purposes with rental fees of \$10,239 per year, 1 of which is payable quarterly and 4 of which are payable annually. 1 of leases is a parcel of pastureland which must be used for feeding livestock with rental fees of \$1,275 per year, payable quarterly. 1 of the leases is a parcel used for production of hay product with rental fees of \$12,050 per year, payable twice a year.

Total rental income totaled \$24,466 for the year ended June 30, 2019.

(10) Contracts

As of June 30, 2019, the Agency entered into the following contracts:

Project	Total Contract	Remaining Balance
Landfill operations and maintenance	\$ 1,102,800	669,006

(11) Risk Management

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

(12) Subsequent Event

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of the Clinton County Solid Waste Agency, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the County's operations and finances.

Required Supplementary Information

Clinton County Solid Waste Agency

Clinton County Solid Waste Agency

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

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

Required Supplementary Information

	2019	2018	2017	2016	2015
Agency's proportion of the net pension liability	0.004221%	0.004197%	0.004388%	0.004103%	0.003695%
Agency's proportionate share of the net pension liability	\$ 267,101	279,566	276,175	202,714	146,526
Agency's covered payroll	\$ 317,234	313,281	315,028	278,813	241,758
Agency's proportionate share of the net pension liability as a percentage of its covered payroll	84.20%	89.24%	87.67%	72.71%	60.61%
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 year.

See accompanying independent auditor's report.

Clinton County Solid Waste Agency
Schedule of Agency Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years
Required Supplementary Information

	2019	2018	2017	2016
Statutorily required contribution	\$ 31,374	28,329	27,976	28,132
Contributions in relation to the statutorily required contribution	(31,374)	(28,329)	(27,976)	(28,132)
Contribution deficiency (excess)	\$ -	-	-	-
Agency's covered payroll	\$ 332,354	317,234	313,281	315,028
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
24,898	21,589	20,528	21,207	19,285	17,963
(24,898)	(21,589)	(20,528)	(21,207)	(19,285)	(17,963)
-	-	-	-	-	-
278,813	241,758	236,770	262,788	277,482	270,120
8.93%	8.93%	8.67%	8.07%	6.95%	6.65%

Clinton County Solid Waste Agency

Notes to Other Information – Pension Liability

Year ended June 30, 2019

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for current 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.

Clinton County Solid Waste Agency
Schedule of Changes in the Agency's
Total OPEB Liability, Related Ratios and Notes

For the Last Two Years
Required Supplementary Information

	2019	2018
Service cost	\$ 3,087	3,088
Interest cost	1,407	1,327
Difference between expected and actual experiences	(2,057)	(2,044)
Benefit payments	(160)	(249)
Net change in total OPEB liability	2,277	2,122
Total OPEB liability beginning of year	34,838	32,716
Total OPEB liability end of year	\$ 37,115	34,838
Covered-employee payroll	\$ 335,136	321,249
Total OPEB liability as a percentage of covered-employee payroll	11.1%	10.8%

Notes to Schedule of Changes in the Agency's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

There were no changes in assumptions.

Clinton County Solid Waste Agency

Supplementary Information

Clinton County Solid Waste Agency

Clinton County Area Solid Waste Agency

Schedule of Charges for Service

Year ended June 30, 2019

Refuse - \$44.00 per ton from July 1, 1994 through June 30, 2019	\$ 1,362,189
Asbestos - \$25.00 per cu. Yd. from February 1, 1992 through June 30, 2019	1,781
Sludge - \$25.00 per ton through June 30, 2019	<u>134,027</u>
Total Charges for Service	<u>\$ 1,497,997</u>

See accompanying independent auditor's report.

Schedule 2

Clinton County Solid Waste Agency

Schedule of Operating Expenses

Year ended June 30, 2019

Operating Expenses

Landfill

Insurance	\$	148,515
Professional fees		121,945
Equipment repairs		18,323
Agency vehicle		695
Advertising		9,962
Education expense		104
Payroll		241,189
Employee education		2,175
Clothing allowance		1,496
Payroll tax		17,800
IPERS tax expense		31,374
Pension expense		10,294
Contracted compacting and covering charges		292,393
Tire expense		55,236
Utilities		10,859
Telephone		2,299
Office expense		25,897
Postage		1,030
Mileage		2,166
Maintenance		98,691
Testing expenses		13,545
Ground water tax		104,022
Refuse processing		86,475
System maintenance		36,404
Closure and postclosure care		99,940
Supplies		11,415
Office supplies		4,124
Dues		4,667
Travel expense		1,821
Bank charges		4,064
Penalties and fines		2
Miscellaneous expense		136
Depreciation/amortization		212,942
Loss on doubtful account		19,678
Equipment lease		659
Total landfill		<u>1,692,337</u>

Clinton County Solid Waste Agency

Schedule of Operating Expenses

Year ended June 30, 2019

Recycling		
Professional fees	\$	9,593
Brown goods disposal		21,638
Insurance		47,109
Payroll		93,947
Equipment repairs		5,836
Building repairs		2,390
Reimbursements		14
Clothing allowance		750
Payroll tax		7,125
Machine repairs		2,073
Utilities		8,590
Maintenance		6,665
Supplies		24,521
Depreciation/amortization		13,240
Recycling		48,025
Total recycling		<u>291,516</u>
Regional Collection Center (RCC)		
Equipment repairs		249
Supplies		1,984
RCC disposal		47,073
Education expense		135
Office expense		530
Travel		226
Depreciation/amortization		2,863
Total Regional Collection Center		<u>53,060</u>
Total operating expenses	\$	<u>2,036,913</u>

See accompanying independent auditor's report.



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

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

To the Members of the Clinton County Solid Waste Agency:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Clinton County Solid Waste Agency as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, and have issued our report thereon dated May 6, 2020.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Clinton County Solid Waste Agency's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

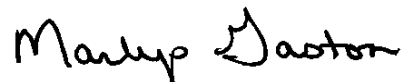
The Clinton County Solid Waste Agency's Responses to the Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



Marlys K. Gaston, CPA
Deputy Auditor of State

May 6, 2020

Clinton County Solid Waste Agency

Schedule of Findings

Year ended June 30, 2019

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

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

- (1) Cash – initiating cash receipt and disbursement transactions, handling and recording cash and reconciling bank accounts.
- (2) Receipts – collecting, depositing, posting and reconciling.
- (3) Capital assets – purchasing, recording, reconciling, and custody.
- (4) Disbursements – preparing, recording, reconciling, and approving.
- (5) All incoming mail is not opened by an employee who is not authorized to make entries into the accounting records.

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

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

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

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

Conclusion – Response accepted.

Clinton County Solid Waste Agency

Schedule of Findings

Year ended June 30, 2019

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Clinton County Solid Waste Agency

Schedule of Findings

Year ended June 30, 2019

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Expenses – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain expenses were noted which we believe may not meet the requirements of public purpose as defined the Attorney General’s opinion since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Pizza Ranch	Employee training meals	\$ 316

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Agency should determine and document the public purpose served by these expenses before authorizing any further payments. If this practice is continued, the Agency should establish written policies and procedures, including requirements for proper public purpose documentation.

Response – The Agency acknowledges this issue and has since adopted a policy to make said safety training meetings open to the public.

Conclusion – Response acknowledged. Although the Agency has adopted a policy allowing meals to be served during these meetings which are paid for by the Agency, the policy does not clearly document how the public is benefiting from this use of public funds.

- (2) Travel Expense – No expenses of money for travel expenses of spouses of Agency officials or employees were noted.
- (3) Board Minutes – No transactions were found that we believe should have been approved in the Agency minutes but were not.
- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted, except as follows:

The Agency’s investments in out of state market certificates of deposit do not comply with Chapter 12B.10 of the Code of Iowa. Also, there is no custodial agreement for the investment of public funds as required by Chapter 12B.10C of the Code of Iowa.

Recommendation – The Agency should ensure all investments comply with Chapter 12B.10 of the Code of Iowa. Also, the Agency should create a custodial agreement for the investment of public funds as required by Chapter 12B.10C of the Code of Iowa.

Clinton County Solid Waste Agency

Schedule of Findings

Year ended June 30, 2019

Response – The Agency will work with financial institutions to comply with Iowa Code.

Conclusion – Response accepted.

- (5) Solid Waste Tonnage Fees Retained – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.
- (6) Financial Assurance – The Agency has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

	Cell A	Cell B	Total
Total estimated costs for closure and postclosure care	\$ 286,344	4,063,187	4,349,531
Less: Balance of funds held in the local dedicated fund at June 30, 2018	(308,334)	(3,353,157)	(3,661,491)
Less Fiscal year 2018 required payment made in made in fiscal year 2019	(32)	(69,708)	(69,740)
	(22,022)	640,322	618,300
Divided by the number of years remaining in the pay-in period	9	9	-
Required payment into the local dedicated fund for the year ended June 30, 2019	(2,447)	71,147	68,700
Balance of funds held in the local dedicated fund at June 30, 2018	308,334	3,353,157	3,661,491
Fiscal year 2018 required payment made in fiscal year 2019	32	69,708	69,740
Required balance of funds to be held in the local dedicated fund at June 30, 2019	\$ 305,919	3,494,012	3,799,931
Amount Agency has restricted for closure and postclosure care at June 30, 2019	\$ 308,650	3,502,011	3,810,661

In July 2019, the Agency made the required deposit to demonstrate financial assurance for closure and postclosure care.

Clinton County Solid Waste Authority

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Tammy A. Hollingsworth, CIA, Manager
Brett S. Gillen, CPA, Staff Auditor
Andrew J. Dunne, Assistant Auditor
Vivian J. Hustad, Assistant Auditor