OFFICE OF AUDITOR OF STATE

STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

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

Rob Sand
Auditor of State

NEWS RELEASE

Contact: Marlys Gaston
515/281-5834

FOR RELEASE September 30, 2020

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

FINANCIAL HIGHLIGHTS:

The Commission had total revenues of $783,920 for the year ended June 30, 2019, a 30.5% increase over the prior year. Expenses for the year ended June 30, 2019 totaled $530,414, a 14.2% decrease from the prior year. The significant increase in receipts is due primarily to an increase in gate fees resulting from a higher level of activity due to area flooding during fiscal year 2019. The significant decrease in disbursements is due primarily to a reduction in the estimate related to closure and postclosure care.

AUDIT FINDINGS:

Sand reported two findings related to the receipt and expenditure of taxpayer funds. They are found on pages 39 and 40 of this report. The findings address a lack of segregation of duties related to expenses and the need to establish procedures to ensure all financial activity is properly reported. Sand provided the Commission with recommendations to address each of the findings.

The findings discussed above are repeated from prior year. The Landfill 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/.

\# # #

FREMONT COUNTY SANITARY LANDFILL COMMISSION

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

JUNE 30, 2019

Fremont County Sanitary Landfill Commission

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

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

Rob Sand
Auditor of State

September 14, 2020

Officials of Fremont County Sanitary Landfill Commission
Sidney, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Fremont County Sanitary Landfill Commission, Sidney Iowa, 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 <u>Government Auditing Standards</u>.

I appreciate the cooperation and courtesy extended by the officials and employees of Fremont County Sanitary Landfill 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,

Rob Sand
Auditor of State

Table of Contents

Fremont County Sanitary Landfill Commission

Officials

Name	Title	Representing
Tom Shull	Chairperson	City of Farragut
Brian Hardy	Vice - Chairperson	City of Randolph
Kenny Eggers	Member	City of Riverton
Twila Potter	Member	City of Thurman
Dustin Sheldon	Member	Fremont County
Russell Stockstell	Member	City of Hamburg
Joe Travis	Member	City of Sidney
Randy Wirth	Member	City of Tabor
Vacant	Member	City of Imogene
Casey Moyer	Manager	
Bonnie Ward	Scale Operator	

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 Fremont County Sanitary Landfill Commission:

Report on the Financial Statement

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 14, 2020 on our consideration of the Fremont County Sanitary Landfill Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Fremont County Sanitary Landfill Commission's internal control over financial reporting and compliance.

Marlys Gaston

Marlys K. Gaston, CPA
Deputy Auditor of State

September 14, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2019 FINANCIAL HIGHLIGHTS

- The Commission's operating revenues increased 33.4%, or $196,214, from fiscal year 2018 to fiscal year 2019. Gate fees increased $197,978, or 43%, while county and city assessments remained relatively consistent between both years. The significant increase in gate fees resulted from an increase in activity in fiscal year 2019 as a result of area flooding.

- The Commission's operating expenses were 15.8%, or $95,578 less in fiscal year 2019 than in fiscal year 2018. The decrease is primarily due to a decrease in closure and postclosure care costs.

- As a result of the changes noted above, the Commission's net position increased 63.4%, or $253,506, from the June 30, 2018 balance.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. The Commission's net position at the end of fiscal year 2019 totaled $653,056. This compares to $399,550 at the end of fiscal year 2018. A summary of the Commission's net position is presented below.

Net Position

	June 30, 2019	June 30, 2018
Current assets	$ 1,201,064	212,247
Restricted investments	740,177	740,177
Capital assets, net of accumulated depreciation	972,090	1,138,683
Total assets	2,913,331	2,091,107
Deferred outflows of resources	31,904	33,348
Current liabilities	203,686	181,695
Noncurrent liabilities	2,077,740	1,532,249
Total liabilities	2,281,426	1,713,944
Deferred inflows of resources	10,753	10,961
Net position:		
Net investment in capital assets	598,100	625,944
Restricted for capital outlay	800,000	-
Unrestricted	(745,044)	(226,394)
Total net position	$ 653,056	399,550

The largest portion of the Commission's net position is net investment in capital assets (e.g., land, buildings and equipment). The unrestricted portion of the Commission's net position increased $281,350, or 124.3%, as a result of an increase in gate fees as well as a decrease in closure and postclosure care costs being recognized in fiscal year 2019.

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

Statement of Revenues, Expenses and Changes in Net Position

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

Changes in Net Position		
	Year ended June 30,	
	2019	2018
Operating revenues:		
Gate fees	$ 657,929	459,951
County and city assessments	125,754	127,518
Total operating revenues	783,683	587,469
Operating expenses:		
Salaries and benefits	181,038	145,081
Closure and postclosure care	(144,565)	60,266
Depreciation	212,660	216,248
Iowa Department of Natural Resources tonnage fees	22,118	11,426
Other operating expenses	238,980	172,788
Total operating expenses	510,231	605,809
Operating income	273,452	(18,340)
Non-operating revenues (expenses), net	(19,946)	762
Change in net position	253,506	(17,578)
Net position beginning of year	399,550	417,128
Net position end of year	$ 653,056	399,550

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

In fiscal year 2019, operating revenues increased 33.4%, or $196,214, primarily due to an increase in gate fees. Operating expenses decreased 15.8%, or $95,578, primarily due to a reduction in closure and postclosure care costs.

Statement of Cash Flows

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

CAPITAL ASSETS

At June 30, 2019, the Commission had $972,090 invested in capital assets, net of accumulated depreciation of $2,109,726. Depreciation expense totaled $212,660 for fiscal year 2019. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

DEBT ADMINISTRATION

At June 30, 2019, the Commission had $1,173,989 of debt outstanding, an increase of $661,250 from the prior year. The table below summarizes outstanding debt by type.

	June 30, 2019	June 30, 2018
Line of credit	$ -	19,721
Fremont County general obligation bonds	1,030,000	305,000
Solid waste alternative program loan	350	6,350
Capital lease purchase agreements	143,639	181,668
Total	$ 1,173,989	512,739

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

ECONOMIC FACTORS

The Fremont County Sanitary Landfill Commission's financial position increased during the current fiscal year, primarily due to an increase in gate fees and a decrease in closure and post closure care costs. The significant increase in gate fees resulted from a higher level of activity due to area flooding during fiscal year 2019. Gate fees increased at the rate of 43% and operating expenses decreased 15.8%. Machinery purchased in the prior year will aid in the decrease of equipment repairs in the future. The Commission also purchased certain equipment during fiscal year 2020 which were being leased in fiscal year 2019, resulting in a decrease to rental expense in the future. However, total outstanding debt increased in the current year as a result of the issuance of the Phase 5 capital loan notes. These debt service payments will begin in fiscal 2023 following the redemption of the 2015 general obligation solid waste disposal refunding notes. The current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities which may potentially become challenges for the Commission to meet are:

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

During fiscal year 2020, landfill operations have become more stable, but there is still some flood debris being brought in and will be brought in for quite some time. The Commission will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Fremont County Sanitary Landfill Commission

Statement of Net Position

June 30, 2019

Assets	
Current assets:	
Cash and cash equivalents	$ 927,827
Receivables:	
Accounts	252,327
Accrued interest	4,441
Due from other governments	11,536
Prepaid insurance	4,933
Total current assets	1,201,064
Noncurrent assets:	
Restricted investments	740,177
Capital assets, net of accumulated depreciation	972,090
Total noncurrent assets	1,712,267
Total assets	2,913,331
Deferred Outflows of Resources	
Pension related deferred outflows	31,904
Liabilities	
Current liabilities:	
Accounts payable	45,572
Sales tax payable	1,076
Accrued interest payable	2,720
Salaries and benefits payable	12,100
Due to other governments	14,125
Compensated absences payable	18,541
Current portion of:	
Loan payable	70,000
SWAP loan payable	350
Capital lease purchase agreements payable:	
Loader	6,457
Crawler loader	32,745
Total current liabilities	203,686
Non-current liabilities:	
Non-current portion of long-term obligations:	
Loan payable	960,000
Capital lease purchase agreements payable:	
Crawler loader	104,437
Landfill closure and postclosure care	915,213
Net pension liability	98,090
Total noncurrent liabilities	2,077,740
Total liabilities	2,281,426
Deferred Inflows of Resources	
Unavailable revenues:	
Pension related deferred inflows	10,753
Net Position	
Net investment in capital assets	598,100
Restricted for capital outlay	800,000
Unrestricted	(745,044)
Total net position	$ 653,056

See notes to financial statements.

Fremont County Sanitary Landfill Commission

Statement of Revenues, Expenses and
Changes in Net Position

Year ended June 30, 2019

Operating revenues:	
Gate fees	$ 657,929
County and city assessments	125,754
Total operating revenues	783,683
Operating expenses:	
Salaries and benefits	181,038
Equipment repair and supplies	17,687
Office expense	3,491
Building repair	1,621
Equipment rent	40,800
Fuel and oil	21,106
Insurance	5,157
Outside services	20,974
Accounting and legal fees	31,987
Iowa Department of Natural Resources tonnage fees	22,118
Utilities	8,520
Closure and postclosure care	(144,565)
Depreciation	212,660
Sales tax	7,451
Ground and leachate maintenance	65,279
Recycling	1,360
Rock hauling and purchase	10,417
Vehicle Expense	1,125
Miscellaneous	2,005
Total operating expenses	510,231
Operating income	273,452
Non-operating revenues (expenses):	
Interest income	237
Miscellaneous	(5,245)
Interest expense	(14,938)
Net non-operating revenues (expenses)	(19,946)
Change in net position	253,506
Net position beginning of year	399,550
Net position end of year	$ 653,056

See notes to financial statements.

Fremont County Sanitary Landfill Commission

Fremont County Sanitary Landfill Commission

Statement of Cash Flows

Year ended June 30, 2019

Cash flows from operating activities:	
Cash received from gate fees	$ 467,691
Cash received from assessments	125,754
Cash paid to suppliers for goods and services	(221,535)
Cash paid to employees for services	(171,460)
Net cash provided by operating activities	200,450
Cash flows from capital and related financing activities:	
Purchase of capital assets	(46,067)
Proceeds from issuance of debt	800,000
Proceeds from line of credit	9,439
Principal paid on loan from Fremont County	(75,000)
Principal paid on line of credit	(29,160)
Principal paid on capital lease purchase agreements payable	(38,029)
Principal paid on SWAP loan	(6,000)
Interest paid on loan from Fremont County	(5,905)
Interest paid on line of credit	(1,661)
Interest paid on capital lease purchase agreements payable	(5,612)
Miscellaneous	1,600
Net cash provided by capital and related financing activities	603,605
Cash flows from investing activities:	
Interest received	237
Increase in cash and cash equivalents	804,292
Cash and cash equivalents beginning of year	123,535
Cash and cash equivalents end of year	$ 927,827
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 273,452
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	212,660
Closure and postclosure care	(144,565)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Receivables	(190,238)
Prepaid expense	(1,131)
Accounts payable	32,385
Sales tax payable	(2,438)
Salaries and benefits payable	5,183
Due to other governments	10,747
Compensated absences	3,550
Net pension liability	(391)
Deferred outflows of resources	1,444
Deferred inflows of resources	(208)
Total adjustments	(73,002)
Net cash provided by operating activities	$ 200,450

See notes to financial statements.

(1) Summary of Significant Accounting Policies

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

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

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

A. Reporting Entity

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

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

The Statement of Net Position presents the Fremont County Sanitary Landfill Commission's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation 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 Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

Cash, Cash Equivalents and Investments – The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Investments not meeting the definition of cash equivalents at June 30, 2019 include certificates of deposit of $740,177.

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

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

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

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

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

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

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

Compensated Absences – Commission employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation and sick leave has been computed based on rates of pay in effect at June 30, 2019.

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

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

(2) Cash, Cash Equivalents 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 depositories to ensure there will be no loss of public funds.

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

The Commission had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the Commission, except 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.

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

<u>Contributions</u> – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 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 total contributions to IPERS for the year ended June 30, 2019 totaled $11,805.

<u>Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u> – At June 30, 2019, the Commission reported a liability of $98,090 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 0.001551%, which was an increase of 0.000059% over its proportion measured as of June 30, 2017.

For the year ended June 30, 2019 the Commission recognized pension expense of $12,650. At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 538	2,217
Changes of assumptions	13,993	-
Net difference between projected and actual earnings on IPERS' investments	-	2,696
Changes in proportion and differences between the Commission's contributions and its proportionate share of contributions	5,568	5,840
Commission contributions subsequent to the measurement date	11,805	-
Total	$ 31,904	10,753

$11,805 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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	$ 6,690
2021	2,377
2022	(572)
2023	733
2024	118
Total	$ 9,346

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:

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	100.0%	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Commission will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
ommission's proportionate share of the net pension liability	$ 166,478	98,090	40,722

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

Payable to IPERS – At June 30, 2019, the Commission reported payables to the defined benefit pension plan of $826 for legally required employer contributions and $551 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS by June 30, 2019.

(4) Capital Assets

A summary of capital assets activity for the year ended June 30, 2019 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	$ 67,071	-	-	67,071
Capital assets being depreciated:				
Buildings	259,714	-	-	259,714
Equipment and vehicles	1,097,992	16,014	-	1,114,006
Land improvements	1,573,139	30,053	-	1,603,192
Infrastructure	37,833	-	-	37,833
Total capital assets being depreciated	2,968,678	46,067	-	3,014,745
Less accumulated depreciation for:				
Buildings	116,565	14,136	-	130,701
Equipment and vehicles	797,407	70,628	-	868,035
Land improvements	957,083	126,005	-	1,083,088
Infrastructure	26,011	1,891	-	27,902
Total accumulated depreciation	1,897,066	212,660	-	2,109,726
Total capital assets being depreciated, net	1,071,612	(166,593)	-	905,019
Total capital assets, net	$ 1,138,683	(166,593)	-	972,090

Equipment costing $207,782 was purchased under a capital lease purchase agreement during the year ended June 30, 2010. Accumulated depreciation at June 30, 2019 and depreciation expense for the year ended June 30, 2019 on this equipment total $192,197 and $20,778, respectively.

Equipment costing $30,434 was purchased under a capital lease purchase agreement during the year ended June 30, 2015. Accumulated depreciation at June 30, 2019 and depreciation expense for the year ended June 30, 2019 on this equipment total $16,469 and $3,875, respectively.

Equipment costing $266,627 was purchased under a capital lease purchase agreement during the year ended June 30, 2016. Accumulated depreciation at June 30, 2019 and depreciation expense for the year ended June 30, 2019 on this equipment total $120,618 and $38,090, respectively.

(5) Short-Term and Long-Term Liabilities

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

	Line of Credit	Loan Payable	Solid Waste Alternative Program Loan Payable	Capital Lease Purchase Agreements Payable	Compensated Absences Payable	Net Pension Liability	Total
Balance beginning of year	$ 19,721	305,000	6,350	181,668	14,991	98,481	626,211
Increases	9,439	800,000	-	-	4,265	-	813,704
Decreases	29,160	75,000	6,000	38,029	715	391	149,295
Balance end of year	$ -	1,030,000	350	143,639	18,541	98,090	1,290,620
Due within one year	$ -	70,000	350	39,202	18,541	-	128,093

Line of Credit

On July 18, 2017, the Commission approved a renewal of a line of credit with a local bank for a maximum of $100,000. The line of credit bears interest per annum ranging from 4.75% to 6.00%. Funds are drawn to pay operating expenses and are repaid when funds are received from operations. At the beginning of fiscal year 2019, the balance was $19,721. During the year ended June 30, 2019, $9,439 was drawn on the line of credit and repayments of $29,160 were made. Interest of $1,661 was paid during the year.

Loan Payable

On November 1, 2014, Fremont County issued $520,000 of general obligation refunding capital loan notes for a crossover advance refunding of $495,000 of the general obligation solid waste disposal bonds dated August 9, 2007 for the purpose of constructing improvements to the Fremont County Landfill Commission facilities. The notes bear interest at .65% to 2.15% per annum and mature June 1, 2022.

On April 16, 2019 Fremont County issued $800,000 general obligation capital loan notes, in order to provide funds to pay the costs of improvements and extensions to the landfill facilities. The notes bear interest at 2.25% to 3.00% per annum and mature June 1, 2032. The Fremont County Landfill Commission agreed to make payments to the County to pay the principal and interest on the general obligation solid waste disposal refunding notes and the general obligation capital loan notes as they came due.

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

Year	Solid Waste Disposal Refunding Notes			
Ending June 30,	Interest Rates	Principal	Interest	Total
2020	1.70%	$ 70,000	4,630	74,630
2021	2.15	75,000	3,440	78,440
2022	2.15	85,000	1,828	86,828
Total		$ 230,000	9,898	239,898

Year	Solid Waste Disposal Capital Loan Notes			
Ending June 30,	Interest Rates	Principal	Interest	Total
2020	2.25%	$ -	22,610	22,610
2021	2.25	-	21,648	21,648
2022	2.25	-	21,648	21,648
2023	2.25	70,000	21,648	91,648
2024	2.25	75,000	20,073	95,073
2025-2029	2.45-3.00	390,000	72,743	462,743
2030-2032	3.00	265,000	16,050	281,050
Total		$ 800,000	196,420	996,420

Solid Waste Alternative Program (SWAP) Loan

In December 2014, the Commission entered into a loan agreement with the Iowa Department of Natural Resources to provide funds to assist with the cost of pouring a floor in an existing building for recycling operations and purchasing a shredder. The agreement awarded up to $30,000 in the form of a forgivable loan of $20,000 and a zero interest loan of $10,000. The term of the loan was 40 months and required 12 quarterly payments of $833, beginning July 15, 2015. At June 30, 2019, a total of $22,350 had been drawn on the loans.

In April 2016, the loan agreement was amended due to unmet conditions to achieve loan forgiveness. The terms of the original agreement were rescinded due to non-compliance. The amended agreement set forth a repayment schedule for the entire loan amount. Details of the Commission's outstanding SWAP loan at June 30, 2019 were amended as follows:

Year ending June 30,	Interest Rate	Principal
2020	0.00%	$ 350

Lease – Purchase Agreements

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

Year Ending June 30,	Present Value of Net Minimum Lease Payments	Amount Representing Interest	Total Minimum Lease Payments
2020	$ 6,457	196	6,653

Payments under this agreement during the year ended June 30, 2019 totaled $6,653, including interest.

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

Year Ending June 30,	Present Value of Net Minimum Lease Payments	Amount Representing Interest	Total Minimum Lease Payments
2020	$ 32,745	4,243	36,988
2021	33,758	3,230	36,988
2022	34,802	2,186	36,988
2023	35,877	1,110	36,987
Total	$ 137,182	10,769	147,951

Payments under this agreement during the year ended June 30, 2019 totaled $36,988, including interest.

(6) Closure and Postclosure Care

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

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

These costs for the Commission have been estimated at $1,008,820 for closure and $717,000 for postclosure care, for a total of $1,725,820 as of June 30, 2019, and the portion of the liability that has been recognized is $915,213. These amounts are based on what it would cost to perform the anticipated known closure and postclosure care during the year ended June 30, 2019. Actual costs may be higher due to inflation, early closure of the site, changes in technology, or changes in regulations. On October 1, 2007, the Vertical cell stopped accepting refuse and the Subtitle D cell was opened. The completion of Phase I and II added an anticipated life of 9 years. During 2011, the Commission completed work on Abutment A, which added an anticipated life of an additional 4 years. During 2014, the Commission completed work on Phase 4 expansion which added an anticipated life of an additional 7 years. Until additional abutments and/or Phases are constructed, the estimated remaining life of Phases I and II with the addition of Abutment A and Phase 4 expansion is 1 year. With the construction of all the abutments and Phases in the engineer’s conceptual design and at an average annual disposal rate, the landfill has an estimated 19.7 years of life available for waste.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2019, assets of $740,177 are restricted for these purposes. They are included in restricted investments on the Statement of Net Position.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission uses a combination of the local government guarantee and the local government dedicated fund financial assurance mechanisms.

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

(7) Solid Waste Tonnage Fees Retained

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2019, there are no unspent amounts retained by the Commission.

(8) Risk Management

The Commission is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 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 Commission not to exceed 300% of basis rate.

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

The Commission's property and casualty contributions to the Pool are recorded as expenses from its operating funds at the time of payment to the Pool. The Commission's contributions to the Pool for the year ended June 30, 2019 were $6,368.

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

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

The Commission does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2019, no liability has been recorded in the Commission's financial statements. As of June 30, 2019, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The Commission also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of $1,000,000. The Commission assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Commitments

In March 2019, the Commission awarded a contract for $624,897 to Leroy & Sons, LLC for the Phase 5 expansion project of the landfill. All construction costs will be disbursed in fiscal year 2020.

(10) Subsequent Events

In November 2019, the Commission approved the purchase of a 2017 John Deere 755K Crawler Loader that was rented previously for flood cleanup. The lessor agreed to apply the lease payments towards the purchase price of the loader. The total cost of the loader was $219,900 of which $63,000 represented lease payments previously paid by the Commission.

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 Fremont County Landfill Commission, 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 Commission's operations and finances.

Required Supplementary Information

Fremont County Sanitary Landfill Commission

Fremont County Sanitary Landfill Commission

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

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

Required Supplementary Information

	2019	2018	2017	2016	2015
Commission's proportion of the net pension liability	0.001551%	0.001492%	0.001457%	0.001728%	0.001575%
Commission's proportionate share of the net pension liability	$ 98,090	98,481	91,720	85,389	62,475
Commission's covered payroll	$ 116,499	110,356	104,591	118,410	103,080
Commission's proportionate share of the net pension liability as a percentage of its covered payroll	84.20%	89.24%	87.69%	72.11%	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 fiscal year.

See accompanying independent auditor's report.

Fremont County Sanitary Landfill Commission

Schedule of Commission Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years

Required Supplementary Information

	2019	2018	2017	2016
Statutorily required contribution	$ 11,805	10,403	9,855	9,340
Contributions in relation to the statutorily required contribution	(11,805)	(10,403)	(9,855)	(9,340)
Contribution deficiency (excess)	$ -	-	-	-
Commission's covered payroll	$ 125,057	116,499	110,356	104,591
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
10,574	9,205	9,084	8,281	6,776	6,497
(10,574)	(9,205)	(9,084)	(8,281)	(6,776)	(6,497)
-	-	-	-	-	-
118,410	103,080	104,775	102,615	97,496	97,699
8.93%	8.93%	8.67%	8.07%	6.95%	6.65%

Fremont County Sanitary Landfill Commission

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.

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

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

Rob Sand
Auditor of State

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

To the Members of the Fremont County Sanitary Landfill Commission:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Fremont County Sanitary Landfill Commission as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, and have issued our report thereon dated September 14, 2020.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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 Fremont County Sanitary Landfill Commission's Responses to the Findings

The Fremont County Sanitary Landfill Commission's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Fremont County Sanitary Landfill Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

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

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

Marlys Gaston

Marlys K. Gaston, CPA
Deputy Auditor of State

September 14, 2020

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

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

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

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

Response – The Commission will continue to work towards finding new ways to segregate duties, as appropriate.

Conclusion – Response accepted.

(B) Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the Commission's financial statements.

Condition – During the audit, we identified certain revenues and expenses which were not properly recorded in the financial statements. Adjustments were subsequently made by the Commission to properly record the amounts in the financial statements.

Cause – Commission policies do not require, and procedures have not been established to require independent review of revenue and expense transactions to ensure the Commission's financial statements are accurate and reliable.

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

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

Response – New Era Tax will work towards establishing monthly recordings to properly account for accrued items. New CD's are accrued quarterly, so in New Era Tax will work to ensure accrued interest will be accounted for throughout the year.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

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

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

Name, Title and Business Connection	Transactions Description	Amount
Tom Shull, Chairman of the Commission Board, owner of Shull Hardware	Supplies and repairs	$ 803

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

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

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

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

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

	Closure/ Postclosure Care
Total estimated costs for closure and postclosure care	$ 1,725,820
Less: Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2019 (dedicated fund mechanism)	740,177
Remaining costs to be assured through the local government guarantee	$ 985,643
Financial assurance through the local government guarantee	$ 985,643

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Suzanne R. Dahlstrom, CPA, Manager
Nichole D. Tucker, Staff Auditor
Christopher M. Anderson, Staff Auditor
Andrew J. Dunne, Staff Auditor