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 February 12, 2021

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

FINANCIAL HIGHLIGHTS:

The Agency had total receipts of $1,582,238 and disbursements of $1,463,990 for the year ended June 30, 2020. Receipts and disbursements increased less than 1% over the prior year.

AUDIT FINDINGS:

Sand reported four findings related to the receipt and disbursement of taxpayer funds. They are found on pages 28 through 31 of this report. The findings address a lack of segregation of duties, the lack of independent review of the collections to billings reconciliations, noncompliance with Chapter 28E.6 of the Code of Iowa pertaining to publication of minutes of the Agency Board meetings within 20 days of the meeting and noncompliance with Chapter 455B.310 of the Code of Iowa pertaining to retained fees. Sand provided the Agency with recommendations to address each of the findings.

Three of the findings discussed above are repeated from the prior year. The Agency Board members have 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/.

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PRAIRIE SOLID WASTE AGENCY

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

JUNE 30, 2020

Prairie Solid Waste Agency

OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Rob Sand
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State Capitol Building
Des Moines, Iowa 50319-0006

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

January 14, 2021

Officials of the Prairie Solid Waste Agency
Creston, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for the Prairie Solid Waste Agency for the year ended June 30, 2020. 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 Prairie 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,

Rob Sand
Auditor of State

Table of Contents

Prairie Solid Waste Agency

Officials

Name	Title	Representing
Curt Angell	Chairperson	City of Cromwell
Dennis Brown	Vice Chairperson	Union County
Merrill Cornelison	Board Member	City of Lorimor
Brian Davis	Board Member	City of Creston
Terry Gilbert	Board Member	Shannon City
Mary Hill	Board Member	City of Afton
Jennifer Mitchell	Board Member	City of Thayer
Denny Wimmer	Board Member	City of Arispe
Vacant	Board Member	City of Macksburg
Amy Schultes	Manager	

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Rob Sand
Auditor of State

Independent Auditor's Report

To the Members of the Prairie Solid Waste Agency:

Report on the Financial Statement

We have audited the accompanying financial statement of the Prairie Solid Waste Agency as of and for the year ended June 30, 2020, and the related Notes to Financial Statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Prairie Solid Waste Agency as of June 30, 2020, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Other Information

The other information, the Schedule of the Agency's Proportionate Share of the Net Pension Liability and the Schedule of Agency Contributions on pages 20 through 25, has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2021 on our consideration of the Prairie 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 Prairie Solid Waste Agency's internal control over financial reporting and compliance.

Marlys Gaston

Marlys K. Gaston, CPA
Deputy Auditor of State

January 14, 2021

Prairie Solid Waste Agency

Basic Financial Statement

Prairie Solid Waste Agency

Prairie Solid Waste Agency

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

Year ended June 30, 2020

Operating receipts:	
Solid waste fees	$ 1,486,052
Member assessments	67,045
Miscellaneous	2,400
Total operating receipts	1,555,497
Operating disbursements:	
Salaries and benefits	91,896
Solid waste fees	350,116
Transportation and operating fees	633,583
Department of Natural Resources tonnage fee	59,420
Regulatory assistance and engineering	28,398
Equipment maintenance	47,709
Ground water monitoring and inspecting	78,316
Road gravel	266
Legal, accounting and auditing	5,189
Office equipment and supplies	9,319
Utilities	15,679
Insurance	11,692
Land rent	4,900
Miscellaneous	26,207
Total operating disbursements	1,362,690
Excess of operating receipts over operating disbursements	192,807
Non-operating receipts (disbursements):	
Interest on investments	26,741
Debt service	(101,300)
Net non-operating receipts (disbursements)	(74,559)
Change in cash balance	118,248
Cash balance beginning of year	1,517,990
Cash balance end of year	$ 1,636,238
Cash Basis Fund Balance	
Restricted for:	
Postclosure care	$ 818,355
Transfer station closure	23,143
Total restricted cash basis fund balance	841,498
Unrestricted	794,740
Total cash basis fund balance	$ 1,636,238

See notes to financial statements.

(1) Summary of Significant Accounting Policies

The Prairie Solid Waste Agency, formerly the Union County Solid Waste Management Commission, was formed in 1973 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to develop, operate and maintain solid waste facilities in Union County on behalf of the units of government which are members of the Agency.

The governing body of the Agency is composed of one representative from each member. The members of the Agency include Union County and the cities of Afton, Arispe, Cromwell, Creston, Lorimor, Macksburg, Shannon City and Thayer. Each member of the Agency has one vote, except for Union County and the City of Creston, which each have six votes. Currently, the Agency contracts for landfill operations.

The landfill operated by the Agency closed July 2, 2008. The Agency operates a transfer station to facilitate the collection and transfer of waste to the Metro Waste Authority for disposal.

(A) Reporting Entity

For financial reporting purposes, the Prairie 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 statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the 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 receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

(C) Basis of Accounting

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

(D) Cash Basis Fund Balance

Funds set aside for payment of closure, postclosure care and debt service are classified as restricted.

(2) Cash and Investments

The Agency's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

(3) Long-Term Debt

On August 7, 2017, the County issued $3,000,000 of general obligation urban renewal and refunding bonds. The Agency has agreed to pay the County the principal and interest on the general obligation solid waste disposal notes as they come due.

During the year ended June 30, 2020, the Agency paid the County for $80,000 of principal and the $21,300 of interest due on the refunded general obligation solid waste disposal bonds.

Annual debt service requirements to maturity for the bonds are as follows:

	Urban Renewal and Refunding			
Year	Issued Aug 7, 2017			
Ending June 30,	Interest Rates	Principal	Interest	Total
2021	3.00%	$ 85,000	18,900	$ 103,900
2022	3.00	85,000	16,350	101,350
2023	3.00	85,000	13,800	98,800
2024	3.00	90,000	11,250	101,250
2025	3.00	95,000	8,550	103,550
2026-2027	3.00	190,000	8,550	198,550
Total		$ 630,000	77,400	$ 707,400

(4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the Agency, except for 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 2020, 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, 2020 totaled $5,743.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the Agency had a liability of $49,105 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 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, 2019, the Agency's proportion was 0.0008%, which was an increase of 0.0001% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Agency's pension expense, deferred outflows of resources and deferred inflows of resources totaled $9,033, $7,717 and $9,621, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 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, 2019 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 2019 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%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100.0%	

<u>Discount Rate</u> – 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.

<u>Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate</u> – 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	$ 87,195	49,105	17,156

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

(5) Compensated Absences

Agency employees accumulate a limited amount of earned but unused vacation hours and compensatory time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Agency until used or paid. The Agency's approximate liability for earned vacation and compensatory time at June 30, 2020 was $5,300. This liability has been computed based on rates of pay in effect at June 30, 2020.

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

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

The costs for the Agency as of June 30, 2020 have been estimated at $725,732 for postclosure care. During the year ended June 30, 2009, the Agency stopped accepting waste at the landfill and began transferring waste to the Metro Waste Authority.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain a separate postclosure care account to accumulate resources for the payment of postclosure care costs. The Agency has accumulated resources to fund these costs and, at June 30, 2020, assets of $818,355 are restricted for postclosure care. These amounts are reported as restricted cash balance in the Statement of Cash Receipts, Disbursements and Changes in Cash Balance. At June 30, 2020, the Agency has demonstrated financial assurance for postclosure care by depositing sufficient amounts in the dedicated fund.

(7) Transfer Station Closure Care

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

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

The total closure care costs for the Agency as of June 30, 2020 have been estimated to be $23,143. The Agency has accumulated resources to fund these costs and, at June 30, 2020, assets of $23,143 are restricted for closure care. These amounts are reported as restricted cash balance in the Statement of Cash Receipts, Disbursements and Changes in Cash Balance.

(8) Solid Waste Tonnage Fees Retained

The Agency has not 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. Because the Agency has not established a separate account for restricting and tracking tonnage fees, it was not possible to determine whether the Agency had any unspent tonnage fees at June 30, 2020.

(9) Risk Management

The Agency is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The Agency's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The Agency's contributions to the Pool for the year ended June 30, 2020 were $11,409.

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 Agency'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 Agency'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 Agency'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. As of June 30, 2020, 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 claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with Workers Compensation. The Agency 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.

(10) Contracts

Solid Waste Disposal Agreement

The Agency entered into an agreement with Metro Waste Authority for the acceptance of solid waste from the Agency for $17.56 per ton. The agreement is in effect from October 1, 2007 to September 30, 2017 and extended to April 30, 2022. During the year ended June 30, 2020, the Agency paid $350,116 under the agreement

Transportation and Operations Agreement

On November 1, 2014, the Agency entered into an agreement with HJC, LLC for the operation of the transfer station and the transportation of solid waste to Metro Waste Authority. The most recent agreement for the operations is in effect from July 1, 2018 through December 31, 2023. The contractor is paid $5,000 per month for the service. The agreement for the transportation of the solid waste is for $25.12 per ton from March 2019 through February 2020 and $24.87 per ton March 2020 through February 2021 plus adjustments for changes in fuel prices. During the year ended June 30, 2020, the Agency paid the contractor $633,583 under the contract.

(11) Major Customer

A material part of the Agency's business is dependent upon one customer, the loss of which could have a material adverse effect on the Agency's revenues. During the year ended June 30, 2020, this customer accounted for approximately 30.73% of the solid waste fees.

(12) Lease Agreement

The Agency has entered into a lease agreement with Union County to lease its landfill and transfer station site for $4,900 per year. The lease is self-renewing for twelve-month periods unless written notice is given by either party 180 days prior to the termination date.

(13) 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 Prairie 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 City's operations and finances.

Other Information

Prairie Solid Waste Agency

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

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

Other Information

	2020	2019	2018	2017
Agency's proportion of the net pension liability	0.0008%	0.0007%	0.0009%	0.0008%
Agency's proportionate share of the net pension liability	$ 49,105	46,118	53,820	57,618
Agency's covered payroll	$ 64,534	56,842	60,314	65,700
Agency's proportionate share of the net pension liability as a percentage of its covered payroll	76.09%	81.13%	89.23%	87.70%
IPERS' net position as a percentage of the total 'pension liability	85.45%	83.62%	82.21%	81.82%

* 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.

2016	2015
0.0017%	0.0016%
83,331	66,539
115,554	109,787
72.11%	60.61%
85.19%	87.61%

Prairie Solid Waste Agency

Schedule of Agency Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years

Other Information

	2020	2019	2018	2017
Statutorily required contribution	$ 5,743	6,092	5,076	5,386
Contributions in relation to the statutorily required contribution	(5,743)	(6,092)	(5,076)	(5,386)
Contribution deficiency (excess)	$ -	-	-	-
Agency's covered payroll	$ 60,837	64,534	56,842	60,314
Contributions as a percentage of covered payroll	9.44%	9.44%	8.93%	8.93%

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
5,867	10,319	9,804	5,093	4,804	4,165
(5,867)	(10,319)	(9,804)	(5,093)	(4,804)	(4,165)
-	-	-	-	-	-
65,700	115,554	109,787	58,743	59,529	59,928
8.93%	8.93%	8.93%	8.67%	6.95%	6.65%

Prairie Solid Waste Agency

Changes of benefit terms:

There are no significant changes in benefit terms.

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.

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Rob Sand
Auditor of State

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

To the Members of the Prairie 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 statement of the Prairie Solid Waste Agency as of and for the year ended June 30, 2020, and the related Notes to Financial Statement, and have issued our report thereon dated January 14, 2021. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Prairie Solid Waste Agency'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 Prairie Solid Waste Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Prairie 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 Prairie Solid Waste Agency's financial statement will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement 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 Prairie Solid Waste Agency's Responses to the Findings

The Prairie Solid Waste Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Prairie Solid Waste Agency'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 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 Prairie 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 Gaston

Marlys K. Gaston, CPA
Deputy Auditor of State

January 14, 2021

Prairie Solid Waste Agency

Schedule of Findings

Year ended June 30, 2020

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

Condition – Generally, one individual in the Agency has primary control over charge accounts, including billing, mail receiving, deposit preparation, and posting transactions to accounting records. Additionally, mail is not opened and tested by an independent person.

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 procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including board members, to provide additional control through review of financial transactions, reconciliations and reports. An initial listing of receipts should be prepared by an independent mail opener and that person should reconcile the receipts per the initial listing to recording and deposit to ensure receipts are properly recorded and deposited.

Response – The Agency will segregate duties to the best possible extent with the limited number of employees. The Agency will prepare a mail receipts listing when the mail is received and entered into the Agency's software.

Conclusion – Response acknowledged. An independent person should open the mail and prepare and test an initial receipt listing.

(B) Billing/Collections Reconciliations

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

Condition – Monthly reconciliations of billings and collections are performed; however, the reconciliations are not reviewed by an independent person.

Cause – Policies have not been established and procedures have not been implemented to ensure monthly reconciliations of billings to collections are independently reviewed.

Effect – The lack of independent review of monthly reconciliations could result in unrecorded or misstated receipts, improper or unauthorized adjustments and write-offs.

Recommendation – An independent person should review the reconciliations of monthly billings and collections. The review should be documented by signing and dating the reconciliation.

Response – The Agency will have a Board member review. The reviewer will sign and date the reconciliation as evidence of their review.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

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

(2) Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.

(3) Restricted Donor Activity – No transactions were noted between the Agency, Agency officials, Agency employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

(4) Agency Minutes – Except as noted, no transactions were found that we believe should have been approved in the Agency's minutes but were not.

Of the twelve meeting minutes tested, four were not published within 20 days of the meeting date.

Recommendation – The Agency should comply with Chapter 28E.6 of the Code of Iowa and publish meeting minutes within 20 days of the meeting date.

Response – Will make sure meeting minutes are published with 20 days of the meeting date.

Conclusion – Response accepted.

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

(6) Solid Waste Fees Retainage – As the Agency has not 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, it was not possible to determine whether the Agency was in compliance with the Code of Iowa for solid waste fees retained.

Recommendation – The Agency should establish an account to track solid waste fees retained to evidence related disbursements comply with Chapter 455B.310 of the Code of Iowa.

Response – The Agency is going to put the retainage fees into an Excel spreadsheet to be able to track the activity.

Conclusion – Response accepted.

(7) Financial Assurance – The Agency has elected to demonstrate financial assurance for closure and post closure care by establishing a local government dedicated fund as provided in Chapter 567–113.14(6) of the Iowa Administrative Code (IAC). The calculation is made as follows:

	Transfer Station Closure	Postclosure Care
Total estimated cost for closure and postclosure care	$ 23,143	725,732
Less: Balance of funds held in the local dedicated fund at June 30, 2019	23,143	805,509
	-	(79,777)
Divided by the number of years remaining in the pay-in-period	1	1
Required payment into the local dedicated fund for the year ended June 30, 2020	-	(79,777)
Balance of funds held in the local dedicated fund at June 30, 2019	23,143	805,509
Balance of funds required to be held in the local dedicated fund at June 30, 2020	$ 23,143	725,732
Amount Agency has restricted for closure and postclosure care at June 30, 2020	$ 23,143	818,355

The Agency has demonstrated financial assurance for closure and postclosure care by depositing sufficient amounts in the dedicated fund.

Prairie Solid Waste Agency

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Lesley R. Geary, CPA, Manager
Molly N. Kalkwarf, Staff Auditor
Edward G. Mollohan, Assistant Auditor