



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Des Moines, Iowa 50319-0006

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Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE _____ June 16, 2020

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on the North Central Iowa Regional Solid Waste Agency.

The Agency had total receipts of \$4,393,081 for the year ended June 30, 2019, an 8.5% increase over the prior year. The increase in receipts is primarily due to an increase of tonnage brought to the landfill from a construction project on highway 20. Disbursements for the year ended June 30, 2019 totaled \$ 3,727,745, a 43.6% increase over the prior year. The significant increase in disbursements is due primarily to expansion project costs and the purchase of a new bulldozer.

AUDIT FINDINGS:

Sand reported six findings related to receipt and disbursement of taxpayer funds. They are found on pages 28 through 33 of this report. The findings address issues such as a lack of segregation of duties, lack of supporting documentation for additional employee compensation and noncompliance with the minutes publication requirements of Chapter 28E.6 of the Code of Iowa. Sand provided the Agency with recommendations to address each of the findings.

One of the findings discussed above is repeated from the prior year. The Agency Board has a fiduciary responsibility to provide oversight of the Landfills' 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/audit-reports>.

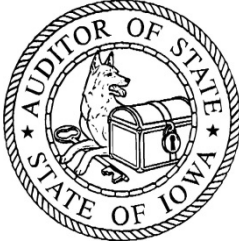
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NORTH CENTRAL IOWA REGIONAL SOLID WASTE AGENCY

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

JUNE 30, 2019

North Central Iowa Regional Solid Waste Agency



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Rob Sand
Auditor of State

May 11, 2020

Officials of North Central Iowa Regional Solid Waste Agency
Fort Dodge, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for North Central Iowa Regional Solid Waste Agency, Fort Dodge, 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 Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of North Central Iowa Regional Solid Waste Agency throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

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

Rob Sand
Auditor of State

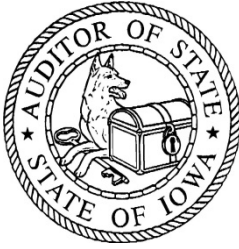
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North Central Iowa Regional Solid Waste Agency

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Travis Goedken	Executive Board Chairman	Jan 2020
Donna Bice	Executive Board Vice Chairman	Jan 2020
Jamie Bemrich	Executive Board Member	Jan 2020
Rick Pedersen	Executive Board Member	Jan 2020
Donovan Adson	Executive Board Member	Jan 2020
Mark Campbell	Executive Board Member	Jan 2021
Jerry Koberdanz	Executive Board Member	Jan 2021
Wally Lorenzen	Executive Board Member	Jan 2021
Duane Schuttler	Executive Board Member	Jan 2021
Jeffrey Halter	Executive Board Member	Jan 2021
Dale Graham	Executive Board Member	Jan 2021
Lori Lindstrom	Secretary/Treasurer and Chief Financial Officer	Indefinite



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Rob Sand
Auditor of State

Independent Auditor's Report

To the Members of the North Central Iowa Regional Solid Waste Agency:

Report on the Financial Statement

We have audited the accompanying financial statement of the North Central Iowa Regional Solid Waste Agency as of and for the year ended June 30, 2019, and the related Notes to Financial Statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 North Central Iowa Regional Solid Waste Agency as of June 30, 2019, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

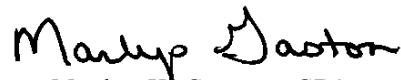
Other Matters

Other Information

The other information, Schedule of the Agency's Proportionate Share of the Net Pension Liability and the Schedule of Agency Contributions on pages 21 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 May 11, 2020 on our consideration of the North Central Iowa Regional 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 North Central Iowa Regional Solid Waste Agency's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

May 11, 2020

North Central Iowa Regional Solid Waste Agency

Basic Financial Statement

North Central Iowa Regional Solid Waste Agency

North Central Iowa Regional Solid Waste Agency

Statement of Cash Receipts, Disbursements and
Changes in Cash Balance

As of and for the year ended June 30, 2019

Operating receipts:	
Solid waste fees	\$ 3,697,216
City member assessments	257,265
County member assessments	63,158
Recycling sales	126,439
Hazardous waste fees	16,784
Miscellaneous	42,624
Total operating receipts	<u>4,203,486</u>
Operating disbursements:	
Salaries and benefits	1,302,510
Department of Natural Resources tonnage fees	196,743
Equipment rental	4,508
Fuel	158,812
Consulting	3,480
Monitoring and inspection	8,015
Equipment maintenance	136,441
Building maintenance	53,225
Supplies	16,297
Legal and professional fees	138,674
Office expense and postage	12,021
Utilities	57,986
Advertising	2,741
Road maintenance	6,347
Insurance	103,191
Recycling	63,688
Promotion and education	12,230
Leachate control	11,313
Miscellaneous	81,552
Total operating disbursements	<u>2,369,774</u>
Excess of operating receipts over operating disbursements	<u>1,833,712</u>
Non-operating receipts (disbursements):	
Interest on investments	189,595
Expansion project	(979,258)
Equipment	(378,713)
Net non-operating receipts (disbursements)	<u>(1,168,376)</u>
Change in cash balance	665,336
Cash balance beginning of year	<u>14,999,779</u>
Cash balance end of year	<u>\$ 15,665,115</u>
Cash Basis Fund Balance	
Restricted for:	
Closure	\$ 790,721
Postclosure care	3,887,887
DNR - recycling projects and landfill planning	841,126
Total restricted cash basis fund balance	<u>5,519,734</u>
Unrestricted	<u>10,145,381</u>
Total cash basis fund balance	<u>\$ 15,665,115</u>

See notes to financial statements.

North Central Iowa Regional Solid Waste Agency

Notes to Financial Statement

June 30, 2019

(1) Summary of Significant Accounting Policies

The North Central Iowa Regional Solid Waste Agency was formed in December 1992 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 Webster 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 for each 10,000 in population or fraction thereof. The members of the Agency include Webster, Hamilton and Humboldt Counties and the cities of Badger, Barnum, Blairsburg, Bradgate, Callender, Clare, Dakota City, Dayton, Duncombe, Eagle Grove, Ellsworth, Fort Dodge, Gilmore City, Gowrie, Harcourt, Hardy, Humboldt, Jewell, Kamrar, Knierim, Lehigh, Livermore, Manson, Moorland, Otho, Ottosen, Pioneer, Pomeroy, Randall, Renwick, Rockwell City, Rutland, Stanhope, Stratford, Thor, Vincent, Webster City and Williams.

A. Reporting Entity

For financial reporting purposes, the North Central Iowa Regional 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 and postclosure care, recycling projects and landfill planning are classified as restricted.

(2) Cash and Investments

The Agency's deposits in banks at June 30, 2019 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against 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) 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 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Agency contributed 9.44% of covered payroll, for a total rate of 15.73%.

The Agency’s contributions to IPERS for the year ended June 30, 2019 totaled \$88,323.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the Agency had a liability of \$809,928 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency’s proportion of the net pension liability was based on the Agency’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the Agency’s proportion was 0.012799%, which was an increase of 0.001341% over its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Agency’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$109,738, \$214,352 and \$134,931, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

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

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100.0%</u>	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Agency's proportionate share of the net pension liability	\$ 1,374,611	809,928	366,243

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

(4) 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.

These costs for the Agency have been estimated to be \$2,291,000 for closure and \$1,347,000 for postclosure care, for a total of \$3,638,000 as of June 30, 2019. The estimated remaining life of the landfill is 7.6 years, with approximately 79.7% of the landfill's capacity used at June 30, 2019.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has begun to accumulate resources to fund these costs and, at June 30, 2019, assets of \$4,678,608 are restricted for these purposes, of which \$790,721 is for closure and \$3,887,887 is for postclosure care. They are reported as restricted cash balance in the Statement of Cash Receipts, Disbursements and Changes in Cash Balance.

(5) Solid Waste Tonnage Fees Retained

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2019, the unspent amount retained by the Agency and restricted for the required specific purposes totaled \$841,126.

(6) 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 778 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The 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, 2019 were \$44,898.

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.

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 workmen's compensation insurance through the Iowa Municipalities Workers' Compensation Association in the amount of \$1,000,000.

(7) Compensated Absences

Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Agency until used or paid. The Agency's approximate liability for earned vacation at June 30, 2019 was \$40,000. This liability has been computed based on rates of pay in effect at June 30, 2019.

Employees who retire from the Agency or who leave the Agency after ten years of employment are paid the equivalent of up to 25% of their accumulated unused sick leave, not to exceed a total of 30 days. These accumulations are not recognized as disbursements by the Agency until used or paid. The Agency's approximate liability for earned sick leave payable at June 30, 2019 was \$550.

(8) Commitments

In April 2018, the Agency entered into a construction contract totaling \$1,178,784 for the Phase 2 Expansion project. As of June 30, 2019, the project costs totaled \$913,213.

(9) 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 North Central Iowa Regional 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 Agency's operations and finances.

North Central Iowa Regional Solid Waste Agency

Other Information

North Central Iowa Regional Solid Waste Agency

North Central Iowa Regional Solid Waste Agency

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

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

Other Information

	2019	2018	2017	2016	2015
Agency's proportion of the net pension liability	0.012799%	0.011458%	0.008995%	0.008040%	0.008303%
Agency's proportionate share of the net pension liability	\$ 809,928	763,223	447,193	397,217	336,031
Agency's covered payroll	\$ 961,940	855,254	620,125	550,817	554,434
Agency's proportionate share of the net pension liability as a percentage of its covered payroll	84.20%	89.24%	72.11%	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.

North Central Iowa Regional Solid Waste Agency

Schedule of Agency Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years

Other Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 88,323	85,901	76,374	55,377
Contributions in relation to the statutorily required contribution	<u>(88,323)</u>	<u>(85,901)</u>	<u>(76,374)</u>	<u>(55,377)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Agency's covered payroll	\$ 935,624	961,940	855,254	620,125
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
49,188	49,511	56,724	54,308	42,469	41,631
(49,188)	(49,511)	(56,724)	(54,308)	(42,469)	(41,631)
-	-	-	-	-	-
550,817	554,434	654,256	672,962	611,065	626,030
8.93%	8.93%	8.67%	8.07%	6.95%	6.65%

North Central Iowa Regional Solid Waste Agency

North Central Iowa Regional Solid Waste Agency

Notes to Other Information – Pension Liability

Year ended June 30, 2019

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

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

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

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

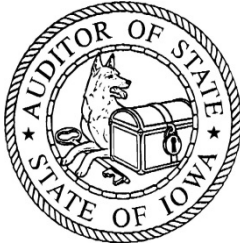
- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.



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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 North Central Iowa Regional 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 North Central Iowa Regional Solid Waste Agency as of and for the year ended June 30, 2019, and the related Notes to Financial Statement, and have issued our report thereon dated May 11, 2020. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the North Central Iowa Regional 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 North Central Iowa Regional Solid Waste Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Central Iowa Regional 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 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 first 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 items (A) and (B) to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Central Iowa Regional 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.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial 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.

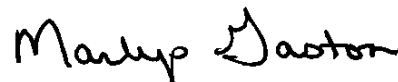
The North Central Iowa Regional Solid Waste Agency's Responses to the Findings

The North Central Iowa Regional Solid Waste Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The North Central Iowa Regional 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 North Central Iowa Regional Solid Waste Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Marlys K. Gaston, CPA
Deputy Auditor of State

May 11, 2020

North Central Iowa Regional Solid Waste Agency

Schedule of Findings

Year ended June 30, 2019

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

Condition – One person had control over each of the following areas:

- (1) Accounting system – performing all general accounting functions and having custody of assets.
- (2) Cash – initiating cash receipt and disbursement transactions and handling and recording cash.
- (3) Receipts – opening mail, billing, collecting, depositing, posting and reconciling.

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 transitions 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 – We realize segregation of duties is difficult with a limited number of office employees. However, the Agency should review its operating procedures to obtain the maximum internal control possible under the circumstances. Currently available personnel or designated Board members should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible and should be documented by the signature or initials of the reviewer and the date of review.

Response – The Secretary/Treasurer is not the individual responsible for accepting cash or writing out the bank deposits for the Agency, landfill, recycling center or HHW sites to be taken to the bank. Daily cash deposits are prepared by the Administrative Assistant, the landfill scale attendants, the HHW Operations Manager and/or the COO. The Secretary/Treasurer only accepts cash at the window for certain electronics if the Administrative Assistant is off for the day. When the Administrative Assistant is out of the office, the HHW Operations Manager and/or the COO prepares all deposits of checks received in the mail, and for cash received for TV's, computers and other electronics. The Secretary/Treasurer does not write out deposit slips.

North Central Iowa Regional Solid Waste Agency

Schedule of Findings

Year ended June 30, 2019

The Secretary/Treasurer does receive the deposit receipts from the bank(s); however, they are attached to the yellow handwritten deposit slips prepared by the personnel mentioned above. The Administrative Assistant then staples each bank deposit slip to the correct copy of the bank deposit slip and supporting documents. The Secretary/Treasurer is not responsible for writing out the deposit slips.

For accounts receivable, the Administrative Assistant is responsible for inputting all landfill cash, credit card and charge invoices into QuickBooks. The Secretary/Treasurer does not input the same. The Administrative Assistant also ties out all daily cash, credit card and charge invoices to the daily landfill reports generated by PDOX (landfill software), so there is some segregation of duties with accounts receivable. The Secretary/Treasurer is responsible for posting payments received on account, as well as collections. Because we are limited in staff, segregation of duties can be difficult, and we completely understand the comment. The monthly bank statements and reconciliations are reviewed and initialed each month by the Chair or Vice Chair.

Conclusion – Response accepted.

(B) Accounts Receivable

Criteria – A deficiency in internal control over accounts receivable 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 accounts receivable 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 Agency's account receivables.

Condition – Certain charges were posted to the incorrect customer account.

Cause – Agency policies do not require, and procedures have not been established to require charge tickets to be compared to the accounts receivable records by an independent person.

Effect – Lack of policies and procedures resulted in Agency employees not detecting the errors in the normal course of performing their assigned functions.

Recommendation – The Agency should implement procedures to ensure charges are properly recorded in the Agency's account receivables.

Response – Currently, the landfill scale attendants generate accounts receivable invoices on a landfill software called PDOX. Each morning the landfill account receivable invoices are brought to the Agency's main office where the Administrative Assistant re-enters all landfill invoices (cash, credit card and charges) into QuickBooks accounting software. Upon completion of this task the Administrative Assistant runs a daily customer detail report from QuickBooks and verifies that the QuickBooks cash invoices tie out to the landfill daily cash report, that the QuickBooks credit card invoices tie out to the landfill daily credit card transactions, and the QuickBooks customer charge invoices tie to the landfill daily customer charge report.

North Central Iowa Regional Solid Waste Agency

Schedule of Findings

Year ended June 30, 2019

The above process does not verify that the daily landfill invoices are posted correctly to each charge customer. Because of the volume of cash, credit card and charge invoices input daily, the Agency would need to hire a full-time employee to proof other staff's daily work. Due to the limited number of employees there is not a procedure in place to verify the accuracy of employee's work.

The Secretary/Treasurer will prepare a written corrective plan with staff to proof each invoice separately (i.e. customer name, date, invoice number, classification code, item and total amount) prior to selecting the "Save" button and posting transactions in QuickBooks. The Secretary/Treasurer will prepare a procedure manual providing step-by-step instructions for daily work of the Administrative Assistant.

Because we are limited in staff, segregation of duties can be difficult, and we completely understand the comment.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

North Central Iowa Regional Solid Waste Agency

Schedule of Findings

Year ended June 30, 2019

Other Findings Related to Required Statutory Reporting:

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

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Menards	Gatorade and water	\$ 13
Hy-Vee	Cookies	38
Mastermans	Flavored drink	320
Printer Services, Inc.	Water bottles	3,360

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

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

Response – Currently, the Agency does have a resolution, approved by the Executive Board, for the purchase of coffee, water and cookies for Executive Board meetings that the public attend.

The Executive Board was aware of the purchase of Gatorade/water for staff as a safety measure due to the high heat index and working in a metal building, and/or outside work, such as the grounds keeper, in the direct heat. The Gatorade/water was not provided to staff who work in the A/C office(s) or in a piece of heavy equipment with A/C.

The Executive Board was aware of the purchase of shaker bottles, which the Agency uses to promote recycling at public events, schools and tours of the recycling center.

These questionable disbursements will be discussed with the Executive Board.

Conclusion – Response acknowledged. The Board should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice continues, the Agency should establish written policies and procedures, including the requirements for proper documentation.

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

North Central Iowa Regional Solid Waste Agency

Schedule of Findings

Year ended June 30, 2019

- (3) Agency Minutes – No transactions were found that we believe should have been approved in the Agency’s minutes but were not. However, three out of twelve meeting minutes tested were not published timely as required by Chapter 28E.6(3) of the Code of Iowa.

Recommendation – The Agency should ensure the minutes, including the schedule of bills allowed and gross salaries, are published, as required.

Response – Throughout the entire FY19, North Central Iowa Regional Solid Waste Agency was without a COO, with the Secretary/Treasurer-CFO being assigned the position of Interim COO until a COO was hired. With the Secretary/Treasurer-CFO’s workload and daily responsibilities changing/increasing, along with overseeing three sites (Landfill, Recycling Center and HHM), and including working with a board approved headhunter for five months during FY19 to secure the position of a COO, this tardiness occurred. The Agency does publish the annual gross salaries with are board approved.

The CFO take responsibility for three of the Agency’s minutes being published late and understands the comment.

Conclusion – Response acknowledged. The Agency should ensure the minutes, including the schedule of bills allowed and gross salaries, are published, as required.

- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency’s investment policy were noted.
- (5) Solid Waste Fees Retainage – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.
- (6) Financial Assurance – The Agency has elected to demonstrate financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567–113.14(6) of the Iowa Administrative Code (IAC). The calculation is made as follows:

	Closure	Postclosure	Total
Total estimated cost for closure and postclosure care at June 30, 2019	\$ 2,291,000	1,347,000	3,638,000
Amount Agency has restricted for closure and postclosure care at June 30, 2019	\$ 790,721	3,887,887	4,678,608

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

- (7) Notification – Section 11.6(7) of the Code of Iowa requires governmental subdivisions to notify the Auditor of State regarding any suspected embezzlement, theft or other significant financial irregularities. The Auditor of State was not notified when North Central Iowa Regional Solid Waste Agency officials became aware of suspected misappropriation of receipts.

Recommendation – North Central Iowa Regional Solid Waste Agency should implement procedures to ensure compliance with section 11.6(7) of the Code of Iowa.

North Central Iowa Regional Solid Waste Agency

Schedule of Findings

Year ended June 30, 2019

Response – The Secretary/Treasurer did immediately report suspicious circumstances to the Executive Oversight Committee; however, the Auditor of State was not immediately notified because further investigation by the Executive Oversight Committee of the Agency did not verify wrongful conduct. The North Central Iowa Regional Solid Waste Agency will implement a procedure policy to follow should there be suspicion of misappropriation of receipts or suspected fraud, which includes immediately notifying the Auditor of State.

Conclusion – Response accepted.

- (8) Additional Compensation – The North Central Iowa Regional Solid Waste Agency Board authorized additional compensation totaling \$42,500 for four employees for additional work they performed while the Agency was without a Chief Operating Officer. The Board approved one-time compensation of \$7,500 for three employees and \$20,000 for one employee. Supporting documentation was not available to support the calculation of the additional compensation amounts.

Recommendation – The Board should document how the additional compensation was determined to support the amounts paid to each employee.

Response – In the future, should the Agency be without a COO or CFO, the Executive Board shall approve at the beginning of this vacancy, if another employee is to take on the full-time responsibilities of the absent position, how much additional compensation, if any, this employee would receive while doing the work and responsibilities of two full-time positions, until a replacement is hired. This could involve more than one management staff stepping up and taking on more work and responsibilities.

Conclusion – Response acknowledged. Subsequent to our inquiry, the Agency provided explanation as to how the additional compensation amounts were determined. We accept the response that how much additional compensation, if any, will be determined prior to an employee's taking on additional duties. In addition, the methodology behind how the amounts were determined should be documented prior to similar future payouts, if any.

North Central Iowa Regional Solid Waste Agency

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Janet K. Mortvedt, CPA, Manager
Matthew A. Miller, Staff Auditor
Adrian T. Duer Assistant Auditor