



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

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Rob Sand  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

October 26, 2021

Contact: Marlys Gaston  
515/281-5834

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

**FINANCIAL HIGHLIGHTS:**

The Commission had total receipts of \$841,384 for the year ended June 30, 2020. Disbursements for the year ended June 30, 2020 totaled \$470,805. For the year ended June 30, 2020, the Commission elected to change its method of accounting from the accrual basis of accounting to the basis of cash receipts and disbursement, which is a basis of accounting other than U.S. generally accepted accounting principles.

**AUDIT FINDINGS:**

Sand reported three findings related to the receipt and expenditure of taxpayer funds. They are found on pages 28 and 30 of this report. The findings address a lack of segregation of duties related to expenses, proper approval of payroll rates and the need to sign monthly meeting minutes. Sand provided the Commission with recommendations to address each of the findings.

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

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

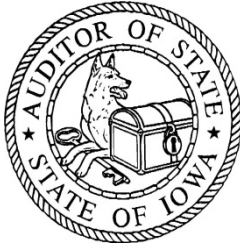
# # #

**FREMONT COUNTY SANITARY LANDFILL COMMISSION**

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

**JUNE 30, 2020**

**Fremont County Sanitary Landfill Commission**



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Rob Sand  
Auditor of State

September 28, 2021

Officials of Fremont County Sanitary Landfill Commission  
Sidney, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Fremont County Sanitary Landfill Commission, Sidney Iowa, for the year ended June 30, 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 Fremont County Sanitary Landfill Commission throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand  
Auditor of State

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## **Fremont County Sanitary Landfill Commission**

### **Officials**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Tom Shull	Chairperson	City of Farragut
Brian Hardy	Vice Chairperson	City of Randolph
Brandy Blake	Member	City of Thurman
Ken Brown	Member	City of Sidney
Kenny Eggers	Member	City of Riverton
Dustin Sheldon	Member	Fremont County
Russell Stockstell	Member	City of Hamburg
Randy Wirth	Member	City of Tabor
Vacant	Member	City of Imogene
Casey Moyer	Manager	
Debora Dinsmore	Scale Operator	



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### Independent Auditor's Report

To the Members of the Fremont County Sanitary Landfill Commission:

#### Report on the Financial Statement

We have audited the accompanying financial statement of the Fremont County Sanitary Landfill Commission 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 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 financial statement that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Fremont County Sanitary Landfill Commission 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.

### Emphasis of Matter

As discussed in Note 10 to the financial statement, the Commission elected to change from the accrual basis of accounting to the cash basis of accounting for the fiscal year ended June 30, 2020. Our opinion is not modified with respect to this matter.

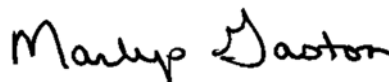
### Other Matters

#### *Other Information*

The other information, the Schedule of Commission's Proportionate Share of the Net Pension Liability and the Schedule of Commission 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 September 28, 2021 on our consideration of the Fremont County Sanitary Landfill Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Fremont County Sanitary Landfill Commission's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA  
Deputy Auditor of State

September 28, 2021



## **Financial Statement**

## Fremont County Sanitary Landfill Commission

Statement of Cash Receipts, Disbursements and  
Changes in Cash Balance

As of and for the year ended June 30, 2020

Operating receipts:	
Gate fees	\$ 704,791
County and city assessments	<u>114,356</u>
Total operating receipts	<u>819,147</u>
Operating disbursements:	
Salaries and benefits	133,160
Equipment repair and supplies	12,423
Office expense	2,417
Building repair	91
Equipment rent	18,200
Fuel and oil	17,038
Insurance	20,619
Outside services	21,508
Accounting and legal fees	21,439
Iowa Department of Natural Resources tonnage fees	12,117
Utilities	10,797
Ground and leachate maintenance	85,792
Recycling	2,732
Rock hauling and purchase	13,898
Vehicle expense	2,035
Miscellaneous	<u>1,699</u>
Total operating disbursements	<u>375,965</u>
Excess of operating receipts over operating disbursements	<u>443,182</u>
Non-operating receipts (disbursements):	
Interest on investments	22,237
Debt service:	
Principal	(70,000)
Interest and fees	<u>(24,840)</u>
Net non-operating receipts (disbursements)	<u>(72,603)</u>
Change in cash balance	370,579
Cash balance beginning of year, as restated	<u>733,096</u>
Cash balance end of year	<u>\$ 1,103,675</u>
<b>Cash Basis Fund Balance</b>	
Restricted for:	
Closure and postclosure care	\$ 860,332
Unrestricted	<u>243,343</u>
Total cash basis fund balance	<u>\$ 1,103,675</u>

See notes to financial statement.

Fremont County Sanitary Landfill Commission

Notes to Financial Statements

June 30, 2020

**(1) Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

C. Basis of Accounting

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

D. Cash Basis Fund Balance

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

**(2) Cash and Investments**

The Commission'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 depositories to ensure there will be no loss of public funds.

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

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

**(3) Loan and Capital Lease Payables**

A summary of changes in loan and capital lease payables for the year ended June 30, 2020 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Loan payable	\$ 1,030,000	-	70,000	960,000	75,000
Solid waste alternative program loan payable	350	-	350	-	-
Capital lease purchase agreements payable	143,639	-	39,202	104,437	33,758
Total loan and capital lease payable	<u>\$ 1,173,989</u>	<u>-</u>	<u>109,552</u>	<u>1,064,437</u>	<u>108,758</u>

Loan Payable

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

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

During the year ended June 30, 2020, the Commission paid principal of \$70,000 and interest of \$24,840 on the loans.

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

Year Ending June 30,	Solid Waste Disposal Refunding Notes			
	Interest Rates	Principal	Interest	Total
2021	2.15%	\$ 75,000	3,440	78,440
2022	2.15	85,000	1,828	86,828
Total		\$ 160,000	5,268	165,268

Year Ending June 30,	Solid Waste Disposal Capital Loan Notes				Total		
	Interest Rates	Principal	Interest	Total	Principal	Interest	Total
2021	2.25%	\$ -	21,648	21,648	\$ 75,000	25,088	100,088
2022	2.25	-	21,648	21,648	85,000	23,476	108,476
2023	2.25	70,000	21,648	91,648	70,000	21,648	91,648
2024	2.25	75,000	20,073	95,073	75,000	20,073	95,073
2025	2.45	75,000	18,385	93,385	75,000	18,385	93,385
2026-2030	2.45-3.00	400,000	62,308	462,308	400,000	62,308	462,308
2031-2032	3.00	180,000	8,100	188,100	180,000	8,100	188,100
Total		\$ 800,000	173,810	973,810	\$ 960,000	179,078	1,139,078

#### Solid Waste Alternative Program (SWAP) Loan

In December 2014, the Commission entered into a loan agreement with the Iowa Department of Natural Resources to provide funds to assist with the cost of pouring a floor in an existing building for recycling operations and purchasing a shredder. The agreement awarded up to \$30,000 in the form of a forgivable loan of \$20,000 and a zero interest loan of \$10,000. The term of the loan was 40 months and required 12 quarterly payments of \$833, beginning July 15, 2015. At June 30, 2020, a total of \$22,350 had been drawn on the loan.

In April 2016, the loan agreement was amended due to unmet conditions to achieve loan forgiveness. The terms of the original agreement were rescinded due to non-compliance. The amended agreement set forth a repayment schedule for the entire loan amount.

During the year ended June 30, 2020, the Commission paid principal of \$350 on the loan. At June 30, 2020, the loan was repaid in its entirety.

#### Lease – Purchase Agreements

In March 2015, the Commission entered into a capital lease purchase agreement for a loader. The agreement is for a period of five years at an interest rate of 3.00% per annum and expired in fiscal year 2020. Payments under this agreement during the year ended June 30, 2020 totaled \$6,653, including interest of \$196.

In May 2016, the Commission entered into a capital lease purchase agreement for a crawler loader. The agreement is for a period of seven years at an interest rate of 3.05% per annum and expires in fiscal year 2023. During the year ended June 30, 2020, the Commission paid principal of \$32,745 and interest of \$4,243 on the lease.

The following is a schedule by year of future minimum lease payments and the present value of net minimum lease payments.

Year Ending June 30,	Present Value of Net Minimum Lease Payments	Amount Representing Interest	Total Minimum Lease Payments
2021	\$ 33,758	3,230	36,988
2022	34,802	2,186	36,988
2023	35,877	1,110	36,987
Total	<u>\$ 104,437</u>	<u>6,526</u>	<u>110,963</u>

#### (4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the Commission, except those covered by another retirement system. Employees of the Commission are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://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 Commission contributed 9.44% of covered payroll, for a total rate of 15.73%.

The Commission’s total contributions to IPERS for the year ended June 30, 2020 totaled \$10,752.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the Commission reported a liability of \$95,155 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 Commission’s proportion of the net pension liability was based on the Commission’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the Commission’s proportion was 0.001643%, which was an increase of 0.000093% over its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Commission’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$17,504, \$14,954 and \$18,642, 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	3.25 to 16.25% average, including inflation.
(effective June 30, 2017)	Rates vary by membership group.
Long-term investment rate of return	7.00% compounded annually, net of investment
(effective June 30, 2017)	expense, including inflation.
Wage growth	3.25% per annum, based on 2.60% inflation
(effective June 30, 2017)	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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	10.31
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0%</u>	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Commission's proportionate share of the net pension liability	\$ 168,964	95,155	33,244

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](http://www.ipers.org).



**(5) Compensated Absences**

Commission employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Commission until used or paid. The Commission's approximate liability for earned vacation and sick leave payable to employees at June 30, 2020 is as follows:

Type of Benefit	Amount
Vacation	\$ 4,000
Sick leave	8,700
	<u>\$ 12,700</u>

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

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

These costs for the Commission have been estimated at \$1,243,900 for closure and \$723,000 for postclosure care, for a total of \$1,966,900 as of June 30, 2020. On October 1, 2007, the Vertical cell stopped accepting refuse and the Subtitle D cell was opened. The completion of Phase I and II added an anticipated life of 9 years. During 2011, the Commission completed work on Abutment A, which added an anticipated life of an additional 4 years. During 2014, the Commission completed work on Phase 4 expansion which added an anticipated life of an additional 7 years. During 2019, the Commission completed work on Phase 5 expansion. With the construction of all the abutments and Phases in the engineer's conceptual design and at an average annual disposal rate, the landfill has an estimated 16.6 years of life available for waste.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2020, assets of \$407,737 is for closure and \$452,595 is for postclosure care. They are reported as restricted cash balance in the Statement of Cash Receipts, Disbursements and Changes in Cash Balance.

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

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

#### **(7) Solid Waste Tonnage Fees Retained**

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2020, there are no unspent amounts retained by the Commission.

#### **(8) Risk Management**

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

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

The Commission's property and casualty contributions to the Pool are recorded as expenses from its operating funds at the time of payment to the Pool. The Commission's contributions to the Pool for the year ended June 30, 2020 were \$5,967.

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

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

The Commission does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2020, no liability has been recorded in the Commission's financial statements. 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 claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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

## **(9) COVID-19**

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the Fremont County Landfill Commission, remains uncertain.

To date, the outbreak has not created a material disruption to the operation of the Fremont County Landfill Commission. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the Commission's operations and finances.

**(10) Change in Accounting Basis/Restatement of Net Assets**

During the year ended June 30, 2020, the Commission elected to change its method of accounting from the accrual basis of accounting to the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. The effects of the change in accounting basis are as follows:

Net position balance, June 30, 2019, as previously reported	\$ 653,056
Change in cash balance for change in basis of accounting	<u>80,040</u>
Cash basis cash balance, July 1, 2019, as restated	<u><u>\$ 733,096</u></u>

**Fremont County Sanitary Landfill Commission**

### **Other Information**

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Fremont County Sanitary Landfill Commission

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

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

Required Supplementary Information

	2020	2019	2018	2017
Commission's proportion of the net pension liability	0.001643%	0.001551%	0.001492%	0.001457%
Commission's proportionate share of the net pension liability	\$ 95,155	98,090	98,481	91,720
Commission's covered payroll	\$ 125,057	116,499	110,356	104,591
Commission's proportionate share of the net pension liability as a percentage of its covered payroll	76.09%	84.20%	89.24%	87.69%
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.





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Fremont County Sanitary Landfill Commission

Schedule of Commission Contributions

Iowa Public Employees' Retirement System  
For the Last Ten Years

Required Supplementary Information

	2020	2019	2018	2017
Statutorily required contribution	\$ 10,752	11,805	10,403	9,855
Contributions in relation to the statutorily required contribution	(10,752)	(11,805)	(10,403)	(9,855)
Contribution deficiency (excess)	\$ -	-	-	-
Commission's covered payroll	\$ 113,897	125,057	116,499	110,356
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
9,340	10,574	9,205	9,084	8,281	6,776
(9,340)	(10,574)	(9,205)	(9,084)	(8,281)	(6,776)
-	-	-	-	-	-
104,591	118,410	103,080	104,775	102,615	97,496
8.93%	8.93%	8.93%	8.67%	8.07%	6.95%

**Fremont County Sanitary Landfill Commission**

Fremont County Sanitary Landfill Commission

Notes to Other Information – Pension Liability

Year ended June 30, 2020

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:

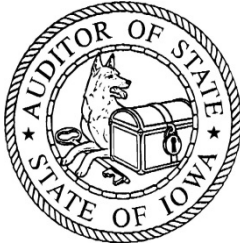
- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component 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.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- 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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## Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Members of the Fremont County Sanitary Landfill Commission:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Fremont County Sanitary Landfill Commission as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, and have issued our report thereon dated September 28, 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 Fremont County Sanitary Landfill Commission's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Fremont County Sanitary Landfill Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fremont County Sanitary Landfill Commission's internal control.

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

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

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

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

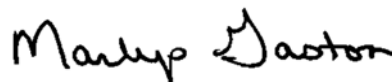
### The Fremont County Sanitary Landfill Commission's Responses to the Finding

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

### Purpose of this Report

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

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



Marlys K. Gaston, CPA  
Deputy Auditor of State

September 28, 2021

Fremont County Sanitary Landfill Commission

Schedule of Findings

Year ended June 30, 2020

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

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

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

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

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

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

Recommendation – We realize segregation of duties is difficult with a limited number of staff. However, the Commission should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel and Commission members.

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

Conclusion – Response accepted.

(B) Payroll Rates

Criteria – An effective internal control system provides for controls relating to payroll, including proper approval of pay rates.

Condition – Annual salary/hourly increases were approved based upon a percentage and the actual approved wages were not documented in the Commission's meeting minutes.

Cause – The Commission has not implemented procedures to ensure payroll is approved and documented at an actual wage rate.

Fremont County Sanitary Landfill Commission

Schedule of Findings

Year ended June 30, 2020

Effect – Using a percentage rather than per hour rate may cause errors in the actual rate approved which could result in unauthorized, unapproved or incorrect increases in pay.

Recommendation – Salaries and wages of employees should be stated in the Commission minutes as the approved payroll rates.

Response – We acknowledge this issue and have corrected it for fiscal year 2022.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



Fremont County Sanitary Landfill Commission

Schedule of Findings

Year ended June 30, 2020

**Other Findings Related to Required Statutory Reporting:**

- (1) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.
- (3) Restricted Donor Activity – No transactions were noted between Commission, Commission officials, Commission employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (4) Commission Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not. However, meeting minutes were not signed.

Recommendation – The minutes should be signed by the Commission Chair to authenticate the actions taken.

Response – We acknowledge this issue and have corrected it for fiscal year 2022.

Conclusion – Response accepted.

- (5) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Commission's investment policy were noted.
- (6) Solid Waste Tonnage Fees Retained – No instances of non-compliance with the solid waste tonnage fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.
- (7) Financial Assurance – The Commission has elected to demonstrate financial assurance for closure and postclosure care by establishing a local government dedicated fund and through the local government guarantee mechanism, both as provided in Chapter 567-113.14(6) of the Iowa Administration Code (IAC). The local government guarantee mechanism is in place to assure those costs not covered by the dedicated fund mechanism. Financial assurance is demonstrated as follows:

	<u>Closure/ Postclosure Care</u>
Total estimated costs for closure and postclosure care	\$ 1,966,900
Less: Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2020 (dedicated fund mechanism)	<u>860,332</u>
Remaining costs to be assured through the local government guarantee	<u>\$ 1,106,568</u>
Financial assurance through the local government guarantee	<u>\$ 1,106,568</u>

Fremont County Sanitary Landfill Commission

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy  
Ryan J. Pithan, CPA, Manager  
Steve D. Rater, Staff Auditor  
Allison L. Carlon, Staff Auditor