LOUISA REGIONAL SOLID WASTE AGENCY

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

June 30, 2015

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LOUISA REGIONAL SOLID WASTE AGENCY

Officials

June 30, 2015

Name	Title	Representing
Randy Griffin	Chairperson	Louisa County Supervisor's Office
Mark Shear	Vice-Chairperson	City of Columbus City
Phil Kaalberg	Member	City of Columbus Junction
Mary Boysen	Member	Rural Louisa County
Mark Jay	Member	City of Cotter
Jack Reif	Member	Rural Louisa County
Doug Wolf	Member	City of Grandview
Jerry Kirk	Member	City of Letts
Benita Grooms	Member	City of Oakville
Roger Noble	Member	City of Wapello
Julie Frank	Member	City of Fredonia

LOUISA REGIONAL SOLID WASTE AGENCY

Menke & Company
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Members of the Louisa Regional Solid Waste Agency:

Report on the Financial Statement

We have audited the accompanying financial statement of the Louisa Regional Solid Waste Agency as of and for the year ended June 30, 2015, 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 auditing standards generally accepted in the United States of America 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 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 Louisa Regional Solid Waste Agency as of June 30, 2015, 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 accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As disclosed in Note 3 to the financial statements, the Louisa Regional Solid Waste Agency adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

The other information, Management's Discussion and Analysis, the Schedule of the Agency's Proportionate Share of the Net Pension Liability and the Schedule of Agency Contributions information on pages 7 through 9 and on pages 23 through 26, has not been subjected to the auditing procedures applied in the audit of the 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 March 16, 2016 on our consideration of the Louisa 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 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 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 Louisa Regional Solid Waste Agency's internal control over financial reporting and compliance.

Menke & Company

Menke & Company
Certified Public Accountants
Professional Corporation
West Point, Iowa
March 16, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Louisa Regional Solid Waste Agency provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Louisa Regional Solid Waste Agency is for the year ended June 30, 2015. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

2015 FINANCIAL HIGHLIGHTS

- Operating receipts increased 6%, or approximately $24,535, from fiscal year 2014 to fiscal year 2015.
- Operating disbursements increased 10%, or approximately $37,262, from fiscal year 2014 to fiscal year 2015.
- The Agency's net assets increased 4%, or approximately $17,320, from June 30, 2014 to June 30, 2015.

USING THIS ANNUAL REPORT

The Agency has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

> Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Agency's financial activities.
>
> The Statement of Cash Receipts, Disbursements and Changes in Cash Balance presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's cash basis financial position has improved or deteriorated as a result of the year's activities.
>
> Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the basic financial statement.

Other Information further explains and supports the Agency's proportionate share of the net pension liability and related contributions.

Financial Analysis of the Agency

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Agency's cash basis financial position by analyzing the increase or decrease in the Agency's cash balance.

Operating receipts are received for transfer fees from accepting solid waste and assessments from the members of the Agency. Operating disbursements are disbursements paid to operate the transfer station and provide solid waste disposal at landfills near Milan, Illinois and Burlington, Iowa. Non-operating receipts and disbursements are for interest on investments, equipment purchases and capital projects. A summary of cash receipts, disbursements and changes in cash balance for the years ended June 30, 2015 and 2014 is as follows:

	For the Year Ended June 30,	
	2015	2014
Operating receipts:		
Transfer fees	$ 365,632	$ 337,199
City, town and county assessments	63,326	69,556
Other	3,571	1,239
Total operating receipts	432,529	407,994
Operating disbursements:		
Landfill transfer fees	167,989	144,951
Operating contractor fees	187,743	179,554
Other disposal fees	8,482	9,743
Other operating expenses	62,703	55,407
Total operating disbursements	426,917	389,655
Excess of operating receipts over operating disbursements	5,612	18,339
Non-operating receipts (disbursements), net	11,708	(4,549)
Change in cash balance	17,320	13,790
Cash balance beginning of year	435,255	421,465
Cash balance end of year	$ 452,575	$ 435,255

Financial Analysis of the Agency (Continued)

Cash Basis Fund Balance

	2015	2014
Restricted	$ 12,000	$ 12,000
Unrestricted	440,575	423,255
Total cash basis fund balance	$ 452,575	$ 435,255

In fiscal year 2015, operating receipts increased $24,535, or 6%, over fiscal year 2014. The increase was primarily a result of transfer fees increasing by $28,433. Operating costs increased $37,262 or 10%, from fiscal year 2014 to fiscal year 2015, due in large part to increases in landfill transfer fees and operating contractor fees.

A portion of the Agency's cash balance, $12,000 (3%), is restricted for closure and postclosure care. State and federal laws and regulations require the Agency to perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining cash balance, $440,575 (97%) is unrestricted and can be used to meet the Agency's obligations as they come due. The restricted cash balance was unchanged during the year. The unrestricted cash balance increased $17,320 or 4% during the year.

ECONOMIC FACTORS

The financial position of the Agency improved during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

Facilities require constant maintenance and upkeep.

Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up-to-date technology at a reasonable cost.

Annual deposits which may be required to be made to closure and postclosure accounts are based on constantly changing cost estimates.

The Agency anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Agency's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Louisa Regional Solid Waste Agency, 8313 K Avenue, Wapello, Iowa 52653.

LOUISA REGIONAL SOLID WASTE AGENCY

FINANCIAL STATEMENT

LOUISA REGIONAL SOLID WASTE AGENCY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE
For the Year Ended June 30, 2015

Operating receipts:	
Transfer fees	$ 365,632
City and town assessments	39,381
County assessments	23,945
Scrap sales	547
Other	3,024
Total operating receipts	432,529
Operating disbursements:	
Salaries	4,692
Payroll taxes and employee benefits	831
Landifll transfer fees	167,989
Operating contractor fees	187,743
Other disposal fees	8,482
Insurance	3,990
Taxes and licenses	210
Repairs and maintenance	25,965
Supplies	3,256
Utilities	5,860
Telephone	1,113
Office expense	652
Training	836
Professional fees	15,298
Total operating disbursements	426,917
Excess of operating receipts over operating disbursements	5,612
Non-operating receipts (disbursements):	
Interest from cash and cash equivalents	2,487
Insurance claim proceeds	10,232
Buildings and grounds	(1,011)
Net non-operating disbursements	11,708
Change in cash basis net assets	17,320
Cash basis net assets, beginning of year	435,255
Cash basis net assets, end of year	$ 452,575
Cash Basis Net Assets	
Restricted net assets	$ 12,000
Unrestricted net assets	440,575
Total cash basis net assets	$ 452,575

See notes to financial statement

LOUISA REGIONAL SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENT
For the Year Ended June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Louisa Regional Solid Waste Agency was formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to providing solid waste handling services for Louisa County, Iowa on behalf of units of government which are members of the Agency.

The governing body of the Agency is composed of one representative from each of the eight member cities and three representatives from Louisa County. The member cities are Columbus City, Columbus Junction, Cotter, Fredonia, Grandview, Letts, Oakville and Wapello. The representatives are appointed by the respective political subdivisions and each member is entitled to one vote, except for Louisa County, which has three votes. The Agency receives funds related to postclosure costs for the landfill from its current members, as well as from the former member cities of Winfield, Conesville and Morning Sun. Currently, the Agency contracts for landfill operations.

Reporting Entity

For financial reporting purposes, the 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the closure and postclosure care. Accordingly, the financial statement does not present the financial position and results of operations of the Agency in accordance with accounting principles generally accepted in the United States of America.

Cash Basis Fund Balance

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

NOTE 2 – CASH AND INVESTMENTS

The Agency's deposits in banks at June 30, 2015 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 insure 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 deposits 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 GASB Statement No. 40.

NOTE 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 Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at www.ipers.org.

NOTE 3 – PENSION PLAN (Continued)

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, anytime 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. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used 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 the service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects the 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.

NOTE 3 – PENSION PLAN (Continued)

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that 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 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Agency contributed 8.93 percent for a total rate of 14.88 percent.

The Agency's contributions to IPERS for the year ended June 30, 2015 were $419.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the Agency's liability for its proportionate share of the collective net pension liability totaled $3,004. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the collective net pension liability was based on the Agency's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Agency's proportion was .0000757 percent, which was an increase of 0.0000011 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the Agency collective pension expense, collective deferred outflows and collective deferred inflows totaled $225, $166, and $1,146, respectively.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Rate of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

NOTE 3 – PENSION PLAN (Continued)

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan 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
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(.69)
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that the employee contributions will be made at the contractually required rate and that the contributions from the Agency will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 3 – PENSION PLAN (Continued)

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 7.5 percent, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Agency's proportionate share of the net pension liability	$ 5,677	$ 3,004	$ 749

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

NOTE 4 – 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 727 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.

NOTE 4 – RISK MANAGEMENT (Continued)

The agency's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Agency's contributions to the Pool for the year ended June 30, 2015 were $3,495.

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 $350,000 per claim. Claims exceeding $350,000 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.

The Agency does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probably such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the Agency's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool of reinsurance coverage since the Pool's inception.

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

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

NOTE 5 – 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 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 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.

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. Because the landfill stopped taking waste by August 24, 1994, it is exempt from the financial assurance requirements described above and is permitted to fund these costs from current operations. This funding is provided by all current members of the Agency and former member cities of Winfield, Conesville and Morning Sun.

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

NOTE 6 – TRANSFER STATION CLOSURE CARE

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

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

The total closure and postclosure care costs related to the transfer station as of June 30, 2015 have been estimated at $12,000. The Agency has deposited this amount in a separate bank account specifically to meet this funding requirement. These funds are reported as restricted net assets on the Statement of Cash Receipts, Disbursements, and Changes in Cash Balance. This balance has been restricted and is fully funded at June 30, 2015.

NOTE 7 –OPERATOR CONTRACT

The Agency entered into a contract for the operation of the transfer station. Under the contract, the contractor is to operate the transfer station site in compliance with the applicable laws, rules and regulations. The contractor is to furnish all labor, tools and equipment necessary for operation, except for recycling responsibilities. For these services, the contractor fees for the year ended June 30, 2015 totaled $187,743. The contract expires August 31, 2017.

NOTE 8 – SUBSEQUENT EVENTS

The Agency performed an evaluation of subsequent events through March 16, 2016, which is the date the financial statements were available to be issued. There have been no subsequent events that would require disclosure or recognition in the financial statement as of June 30, 2015.

OTHER INFORMATION

LOUISA REGIONAL SOLID WASTE AGENCY
SCHEDULE OF THE AGENCY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2015

	2015
Agency's proportion of the net pension liability	0.0000746%
Agency's proportionate share of the net pension liability	$ 3,004
Agency's covered-employee payroll	$ 4,692
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	64.02%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Agency will present information for those years for which information is available.

See notes to other information - pension liability

LOUISA REGIONAL SOLID WASTE AGENCY
SCHEDULE OF AGENCY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN YEARS
OTHER INFORMATION

	2015	2014	2013	2012	2011
Statutorily required contributions	$ 419	$ 443	$ 424	$ 406	$ 306
Contributions in relation to the statutorily required contribution	419	443	424	406	306
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Agency's covered-employee payroll	$ 4,692	4,957	4,896	4,800	4,500
Contributions as a percentage of covered-employee payroll	8.93%	8.94%	8.66%	8.46%	6.80%

	2010	2009	2008	2007	2006
Statutorily required contributions	$ 349	$ 272	$ 272	$ 241	$ 224
Contributions in relation to the statutorily required contribution	349	272	272	241	224
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Agency's covered-employee payroll	$ 5,250	4,500	4,500	4,200	3,900
Contributions as a percentage of covered-employee payroll	6.65%	6.04%	6.04%	5.74%	5.74%

See notes to other information - pension liability

Changes of benefit terms:

Legislation passed 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 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future services only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by employee and employer, instead of the previous 40-60 split.

Change of assumptions:

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

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent 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 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.

PENSION LIABILITY (Continued)

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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

LOUISA REGIONAL SOLID WASTE AGENCY

Menke & Company
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Members of the Louisa Regional Solid Waste Agency:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statement of the Louisa Regional Solid Waste Agency as of and for the year ended June 30, 2015, and the related Notes to Financial Statement, and have issued our report thereon dated March 16, 2016**.** 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 accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Louisa 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 Louisa Regional Solid Waste Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Louisa Regional Solid Waste Agency'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 weakness or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the 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 Louisa Regional Solid Waste Agency's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item A to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, 2015 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.

Louisa Regional Solid Waste Agency's Responses to the Findings

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

Sincerely,

Menke & Company

Menke & Company
Certified Public Accountants
Professional Corporation
West Point, Iowa
March 16, 2016

LOUISA REGIONAL SOLID WASTE AGENCY
SCHEDULE OF FINDINGS
Year Ended June 30, 2015

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has primary control over charge accounts, including billing, deposit preparation, posting transactions to accounting records, and reconciling payments to receivable records.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should continue to review its operating procedures to obtain the maximum internal control possible under the circumstances. The Agency should designate a member of the Board to provide additional control through review of financial transactions and reconciliations. Such reviews should be evidenced by initials or signature of the reviewer and the date of the review.

Response – We will consider the recommendation.

Conclusion – Response accepted.

Instances of Noncompliance:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

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

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

(3) Agency Minutes – No transactions were found that we believe should have been approved in the Agency minutes but were not. However, the minutes, including the schedule of bills allowed and gross salaries, were not published 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 – We will consider the recommendation.

    Conclusion – Response accepted.

LOUISA REGIONAL SOLID WASTE AGENCY
SCHEDULE OF FINDINGS
Year Ended June 30, 2015

Other Findings Related to Required Statutory Reporting (Continued):

(4) Deposits and Investments – No instances of noncompliance 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, except as follows:

A former board member is listed as an authorized signer on one of the Agency's bank accounts.

Recommendation – The Agency should obtain a new signature card for the bank account that has a former board member as an authorized signer and establish procedures to ensure only current authorized employees and board members are authorized signers on Agency bank accounts.

Response – We will consider the recommendation.

Conclusion – Response accepted.

(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. The calculation is made as follows:

Total estimated costs for closure and postclosure care	$ 12,000
Less: Closure and postclosure care costs assured under the local Government test at June 30, 2015	(12,000)
	$ 0
Required balance of funds to be held in the local dedicated fund at June 30, 2015	$ 12,000
Amount Agency has restricted and reserved for closure and postclosure care at June 30, 2015	$ 12,000

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure fund be made at least annually within 30 days of the close of the fiscal year. The required deposit was made during the year ended June 30, 2015.

LOUISA REGIONAL SOLID WASTE AGENCY

Staff

The audit was performed by:

Ann M. Menke, CPA
Carol Ross, CPA
Kristy Adams, Staff Auditor
Kim Settles, CPA