



**Financial Statements**

**June 30, 2015**

**Dubuque Metropolitan Area Solid  
Waste Agency  
(A Component Unit of the City of  
Dubuque, Iowa)**

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# DUBUQUE METROPOLITAN AREA SOLID WASTE AGENCY

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**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
BOARD MEMBERS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom L. Hancock	Board Member	January 31, 2016
David T. Resnick	Chairperson	January 31, 2016
Ric W. Jones	Vice Chairperson	January 31, 2016



## **Independent Auditor's Report**

To the Dubuque Metropolitan Area  
Solid Waste Agency Board

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Dubuque Metropolitan Area Solid Waste Agency (Agency), a component unit of the City of Dubuque, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Dubuque Metropolitan Area Solid Waste Agency, a component unit of the City of Dubuque, Iowa, as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter Regarding Scope of Financial Statements**

As discussed in Note 1, the financial statements referred to above present only the Dubuque Metropolitan Area Solid Waste Agency, a component unit of the City of Dubuque, and are not intended to present fairly the financial position of the City of Dubuque and the changes in financial position and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter Regarding Implementation of Accounting Standards**

As discussed in Notes 1 and 10 to the financial statements, the Dubuque Metropolitan Area Solid Waste Agency, a component unit of the City of Dubuque, has adopted provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, which has resulted in a restatement of the net position as of July 1, 2014. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Dubuque Metropolitan Area Solid Waste Agency's financial statements. The list of board members and combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The list of board members has not been subjected to the auditing procedures applied in the audit of the basic financial statements 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 a report dated February 22, 2016, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Agency's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Dubuque, Iowa  
February 22, 2016

**DUBUQUE METROPOLITAN AREA SOLID WASTE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

This section of the financial report of the City of Dubuque Metropolitan Area Solid Waste Agency (DMASWA) presents our discussion and analysis of the financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the financial statements of the DMASWA found in this report.

**FINANCIAL HIGHLIGHTS**

- The assets of the DMASWA exceeded its liabilities at the close of the fiscal year by \$8,617,648 (net position). This was a decrease of \$1,098,577 over restated fiscal year ending June 30, 2014. Unrestricted net position at June 30, 2015, in the amount of \$84,168 may be used to meet the DMASWA's ongoing obligations.
- Total operating expenses exceeded revenues by \$1,032,990.
- Within the DMASWA's operating fund, expenses exceeded revenue and transfers by \$943,302.
- Within the DMASWA's planning fund, expenses exceeded revenue and transfers by \$155,275.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The DMASWA's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position and a statement of cash flows. This discussion and analysis is intended to serve as an introduction to the basic financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

The statement of net position presents information on all of the DMASWA's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents information showing how the DMASWA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what cash was used for and what was the change in cash and cash equivalents during the reporting year.

## FINANCIAL ANALYSIS

**Net Position:** As noted earlier, net position may serve as a useful indicator of a facility's financial position when observed over time. In the case of the DMASWA, assets exceeded liabilities by \$8,617,648 at June 30, 2015.

The largest part of the DMASWA's non capital assets (51.4%) reflects its investment in cash and cash investments. The DMASWA's deposits 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 bank depositories to insure there will be no loss of public funds.

### DMASWA NET POSITION

	2015	2014*
Current and Other Assets	\$ 10,102,419	\$ 6,415,832
Capital Assets	9,024,785	8,344,904
Total Assets	<u>19,127,204</u>	<u>14,760,736</u>
Deferred Outflows of Resources	<u>81,578</u>	<u>-</u>
Long-term Liabilities	9,814,871	4,294,189
Other Liabilities	626,146	260,491
Total Liabilities	<u>10,441,017</u>	<u>4,554,680</u>
Deferred Inflows of Resources	<u>150,117</u>	<u>-</u>
Net Position:		
Net investment in Capital Assets	8,390,736	8,344,904
Restricted by State Statute	118,027	143,265
Restricted for Minority Interest	24,717	389,960
Unrestricted	84,168	1,327,927
Total Net Position	<u>\$ 8,617,648</u>	<u>\$ 10,206,056</u>

\*not restated

The largest portion of DMASWA's long-term liabilities reflects landfill closure and post closure care liability.

Certain assets of the DMASWA are classified as restricted assets because they may be used only for such purposes specified by state statute.

At the close of fiscal year 2015, the DMASWA reports a total operating loss of \$1,032,990 and a decrease in net position of \$1,098,577.

**DMASWA  
CONDENSED STATEMENT OF REVENUES,  
EXPENSES, AND CHANGES IN NET POSITION**

	2015	2014*
Operating Revenues	\$ 3,498,001	\$ 3,460,057
Operating Expenses	4,530,991	4,297,609
Operating Income(Loss)	(1,032,990)	(837,552)
Non-Operating Revenues	(65,587)	126,059
Change in Net Position	(1,098,577)	(711,493)
Net Position, Beginning	9,716,225	10,917,549
Net Position, Ending	\$ 8,617,648	\$ 10,206,056

\*not restated

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets:** The DMASWA's investment in capital assets for its operating and planning funds as of June 30, 2015, amounts to \$9,024,785 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, and construction in progress. Additional information on the DMASWA's capital assets can be found in Note 3 to the financial statements in this report.

**CAPITAL ASSETS (net of accumulated depreciation)**

	2015	2014
Land	\$ 2,952,666	\$ 2,952,666
Construction in Progress	810,960	-
Buildings	106,495	88,495
Improvements other than buildings	10,306,408	10,306,408
Machinery and equipment	4,022,922	3,737,130
Accumulated depreciation	(9,174,666)	(8,739,795)
	\$ 9,024,785	\$ 8,344,904

**Long-term debt:** At year end, the Dubuque Metropolitan Area Solid Waste Area had \$4,639,086 of debt outstanding. Additional information on the DMASWA's long-term debt can be found in Note 8 to the financial statements in this report.

## **ECONOMIC FACTORS**

Rates increased 2.7% and tonnage increased 0.2% in fiscal year 2015.

**Requests for information:** This financial report is designed to provide a general overview of the DMASWA's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Dubuque, Finance Director, 50 West 13<sup>th</sup> Street, Dubuque, Iowa 52001-4864.

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

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**ASSETS**

**CURRENT ASSETS**

Cash and cash investments	\$ 1,225,447
Receivables	
Accounts	255,924
Accrued interest	7,148
Prepaid items	12,817
Total Current Assets	<u>1,501,336</u>

**NONCURRENT ASSETS**

Restricted cash and cash investments	
Restricted cash and pooled cash investments	4,039,616
For landfill closure and post closure care	4,443,440
By state statute	118,027
Total restricted cash and cash investments	<u>8,601,083</u>

**Capital Assets**

Land	2,952,666
Buildings	106,495
Improvements to other than buildings	10,306,408
Machinery and equipment	4,022,922
Construction in progress	810,960
Accumulated depreciation	<u>(9,174,666)</u>
Net Capital Assets	<u>9,024,785</u>
Total Noncurrent Assets	<u>17,625,868</u>
Total Assets	<u>19,127,204</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Pension related deferred outflows	<u>\$ 81,578</u>
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**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
STATEMENT OF NET POSITION (continued)  
JUNE 30, 2015**

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**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable	\$ 330,848
Accrued payroll	17,229
General obligation bonds payable	185,000
Accrued interest payable	10,632
Accrued compensated absences	28,497
Intergovernmental payable	53,940
Total Current Liabilities	626,146

**NONCURRENT LIABILITIES**

Landfill closure and post closure care	4,619,086
General obligation bonds	4,454,086
Accrued compensated absences	271,924
Net Pension Liability	393,621
Net OPEB Liability	76,154
Total Noncurrent Liabilities	9,814,871
Total Liabilities	10,441,017

**DEFERRED INFLOWS OF RESOURCES**

Pension related deferred inflows	150,117
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**NET POSITION**

Net investment in capital assets	8,390,736
Restricted by state statute	118,027
Restricted for minority interest	24,717
Unrestricted	84,168
Total Net Position	\$ 8,617,648

See notes to financial statements.

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2015**

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OPERATING REVENUES	
Charges for sales and services	\$ 3,488,840
Other	9,161
Total Operating Revenues	<u>3,498,001</u>
OPERATING EXPENSES	
Employee expense	1,335,501
Utilities	53,340
Repairs and maintenance	536,212
Supplies and services	1,402,244
Insurance	76,234
Closure and post closure care	692,589
Depreciation	434,871
Total Operating Expenses	<u>4,530,991</u>
OPERATING INCOME (LOSS)	<u>(1,032,990)</u>
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental	39,021
Investment earnings	33,583
Interest expense	(64,146)
Bond issue costs	(74,045)
Total Nonoperating Revenues	<u>(65,587)</u>
CHANGE IN NET POSITION	(1,098,577)
NET POSITION, BEGINNING, AS RESTATED	<u>9,716,225</u>
NET POSITION, ENDING	<u><u>\$ 8,617,648</u></u>

See notes to financial statements.

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,551,405
Cash payments to suppliers for goods and services	(1,842,365)
Cash payments to employees for services	(1,369,593)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>339,447</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Intergovernmental grant proceeds	<u>39,021</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,114,752)
Proceeds from issuance of debt	4,500,000
Premium on debt issuance	139,086
Bond issue costs	(74,045)
Interest paid	(53,514)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>3,396,775</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>32,299</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,807,542
CASH AND CASH EQUIVALENTS, BEGINNING	<u>6,018,988</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 9,826,530</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Loss	\$ (1,032,990)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Increase in landfill closure and post closure estimated liability	692,589
Depreciation	434,871
Change in assets and liabilities	
Decrease in accounts receivable	53,404
Decrease in other receivable	57,012
Decrease in prepaid items	11,831
Increase in accounts and intergovernmental payables	156,822
Decrease in net pension liability	(154,206)
Decrease in deferred outflows of resources	(23,590)
Increase in deferred inflows of resources	150,117
Decrease in accrued liabilities	(14,879)
Increase in net OPEB liability	8,466
Total Adjustments	<u>1,372,437</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 339,447</u>

See notes to financial statements.

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Reporting Entity*

The Dubuque Metropolitan Area Solid Waste Agency was created by a 28E agreement, as allowed by the Code of Iowa, between the City of Dubuque, Iowa, and Dubuque County, Iowa in 1975. Its purpose is to provide solid waste management for the Dubuque metropolitan area.

The Agency is governed by a three-person board consisting of two council members from the City of Dubuque and one supervisor from Dubuque County. Board members are appointed by their respective legislative bodies.

Under a contract with the Agency, the City of Dubuque operates and administers the Agency, including collecting, paying, and accounting for Agency funds.

Because the City of Dubuque appoints a majority of the Agency's governing board and has authority over those persons responsible for the day-to-day operations of the Agency, the Agency is considered a component unit of the City and is presented as such in the City's basic financial statements.

During the year ended June 30, 2015, \$409,651 of the Dubuque Metropolitan Area Solid Waste Agency's charges for services was related to services provided to the City of Dubuque.

The Agency has determined that there are no potential component units which must be included in its financial statements.

*Basis of Accounting*

The Agency's accounting records are maintained on the cash basis. However, for financial reporting purposes, the accounting records have been adjusted to the accrual method, recognizing revenue when earned and expenses when liabilities are incurred.

*Deposits and Investments*

The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities at approximately six months or less at date of acquisition.

*Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Restricted Assets*

Certain assets of the Agency are classified as restricted assets because they may be used only for such purposes specified by state statute and for landfill closure and post closure.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

*Capital Assets*

Capital assets include property, plant, and equipment. Capital assets are defined by the government as assets with an initial, individual cost of more than \$20,000 for building assets and \$10,000 for the remaining assets, and an estimated useful life of more than a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40 to 125
Improvements other than buildings	15 to 50
Machinery and equipment	2 to 30

*Deferred Outflows of Resources*

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

*Compensated Absences*

The Agency allows employees to accumulate a limited amount of earned, but unused, vacation and sick pay benefits. Such benefits are accrued when earned and are reported as liabilities.

*Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of the Iowa Public Employees' Retirement System (System's) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System.

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

For this purpose, payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Deferred Inflows of Resources*

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognize as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consist of unrecognized items not yet charged to pension expense.

*Net Position*

Restricted net position represents outside third-party restrictions and amounts restricted for minority interest of the Agency. The Agency is restricted to using certain amounts for purposes specified by state statute. The net position restricted for minority interest is calculated at 22.7% of unrestricted net position, based on the 1976 revenue bond resolution authorizing the issuance of revenue bonds for the construction of the landfill.

*Operating and Non-Operating Revenues and Expenses*

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Agency are charges to customers for sale and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Use of Estimates*

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and accompanying notes. Actual results may differ from those estimates.

*Implementation of GASB Statement No. 68 and GASB Statement No. 71*

As of July 1, 2014, the Dubuque Metropolitan Area Solid Waste Agency adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 10 and the additional disclosures required by these standards are included in Note 5.

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**NOTE 2 – CASH ON HAND, DEPOSITS, AND INVESTMENTS**

Cash on hand represents authorized change funds and petty cash funds used for current operating purposes. The carrying amount at year-end was \$1,200.

The carrying amount of deposits was \$9,825,330 and the bank balance was \$10,128,391.

The Dubuque Metropolitan Area Solid Waste Agency is authorized by state 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 City Council; 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.

*Interest Rate Risk:* The Agency's investment policy limits the investments of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in instruments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Agency.

*Credit Risk:* The Agency's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The Agency did not invest in any commercial paper or other corporate debt during the year.

*Concentration of Credit Risk:* The Agency's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The Agency held no such investments during the year.

*Custodial Credit Risk – Deposits:* In the case of deposits, this is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency's deposits are 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.

*Custodial Credit Risk – Investments:* For an investment, this is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency held no investments during the year.

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,952,666	\$ -	\$ -	\$ 2,952,666
Construction in progress	-	964,840	(153,880)	810,960
Total capital assets, not being depreciated	<u>2,952,666</u>	<u>964,840</u>	<u>(153,880)</u>	<u>3,763,626</u>
Capital assets, being depreciated:				
Buildings	88,495	18,000	-	106,495
Improvements other than buildings	10,306,408	-	-	10,306,408
Machinery and equipment	3,737,130	285,792	-	4,022,922
Total capital assets, being depreciated	<u>14,132,033</u>	<u>303,792</u>	<u>-</u>	<u>14,435,825</u>
Less accumulated depreciation for:				
Buildings	(50,478)	(1,622)	-	(52,100)
Improvements other than buildings	(6,426,126)	(174,800)	-	(6,600,926)
Machinery and equipment	(2,263,191)	(258,449)	-	(2,521,640)
Total accumulated depreciation	<u>(8,739,795)</u>	<u>(434,871)</u>	<u>-</u>	<u>(9,174,666)</u>
Total capital assets, being depreciated, net	<u>5,392,238</u>	<u>(131,079)</u>	<u>-</u>	<u>5,261,159</u>
Capital assets, net	<u>\$ 8,344,904</u>	<u>\$ 833,761</u>	<u>\$ (153,880)</u>	<u>\$ 9,024,785</u>

**DUBUQUE METROPOLITAN AREA  
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**NOTE 4 – LANDFILL CLOSURE AND POSTCLOSURE CARE**

State and federal laws and regulations require the Agency to place a final cover on each cell of its landfill site when filled and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

Although closure and post closure care costs will be paid only near or after the date that each cell stops accepting waste, the Agency reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each statement of net position date. The \$4,619,086 reported as landfill closure and post closure care liability at June 30, 2015, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of cells 1, 2, 3, 4, 5, 6, 7, and 8, and the use of 67% of cell 9. The Agency will recognize the remaining estimated cost of closure and post closure care of \$494,707 as the remaining capacity is filled.

These amounts are based on what it would cost to perform all closure and post closure care in 2015. The Agency expects to close cells 4, 5, 6, 7, and 8 in calendar year 2015. The Agency is making plans to construct a second generation of cells to extend the life of the landfill to 2050. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The Agency has begun to accumulate resources to fund these costs in accordance with state and federal financial assurance requirements. At June 30, 2015, funds have been restricted for closure and post closure costs in the amount of \$4,443,440.

**NOTE 5 – EMPLOYEE PENSION PLAN**

**Iowa Public Employees Retirement System IPERS**

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](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, 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.

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**NOTE 5 – EMPLOYEE PENSION PLAN (continued)**

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 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 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 - 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 city contributed 8.93 percent for a total rate of 14.88 percent.

The DMASWA’s total contributions to IPERS for the year ended June 30, 2015 were \$57,647.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the Agency reported a liability of \$ 393,621 for its

**DUBUQUE METROPOLITAN AREA  
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**NOTE 5 – EMPLOYEE PENSION PLAN (continued)**

proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Agency's collective proportion was 0.009925 percent which was a decrease of 0.000384 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Agency recognized pension expense of \$57,647. At June 30, 2015, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,280	-
Changes of assumptions	17,373	-
Net difference between projected and actual earnings on pension plan investments	-	150,117
Changes in proportion and differences between Agency contributions and proportionate share of contributions	2,268	-
Agency contributions subsequent to the measurement date	<u>57,647</u>	<u>-</u>
Total	<u>\$ 81,568</u>	<u>\$ 150,117</u>

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**NOTE 5 – EMPLOYEE PENSION PLAN (continued)**

\$57,647 reported as deferred outflows of resources related to pensions resulting from the Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Total
2016	\$ (31,940)
2017	(31,940)
2018	(31,940)
2019	(31,940)
2020	1,564
	<u>\$ (126,196)</u>

There were no non-employer contributing entries at IPERS.

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:

Pension Plan Fiduciary Net Position

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates 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

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

**DUBUQUE METROPOLITAN AREA  
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**NOTE 5 – EMPLOYEE PENSION PLAN (continued)**

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	(0.69)
Total	<u>100 %</u>	

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 employee contributions will be made at the contractually required rate and that contributions from the Agency will be made at 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.

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%)
City's proportionate share of the net pension liability:	\$ 743,738	\$ 393,621	\$ 98,088

**DUBUQUE METROPOLITAN AREA  
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**NOTE 5 – EMPLOYEE PENSION PLAN (continued)**

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 IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the Agency reported no payables to the defined benefit pension plan for legally required employer contributions. There were no legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**NOTE 6 – RISK MANAGEMENT**

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance purchased from independent third parties and it participates in a local government risk pool. The Agency assumes liability for any deductibles and claims in excess of coverage limitations.

The City of Dubuque has established a Health Insurance Reserve Fund for insuring benefits provided to City employees and covered dependents, which is included in the Internal Service Fund Type. Health benefits were self-insured up to an individual stop-loss amount of \$120,000 and an aggregate stop-loss of \$10,814,803 for 2015. Coverage from a private insurance company is maintained for losses in excess of the stop-loss amount. All claims handling procedures are performed by a third-party claims administrator. Incurred but not reported claims have been accrued as a liability based upon the claims administrator's estimate. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. The estimated liability does not include any allocated or unallocated claims adjustment expense.

The City of Dubuque has established a Workers' Compensation Reserve Fund for insuring benefits provided to City employees which is included in the Internal Service Fund Type. Workers' compensation benefits were self-insured up to a specific stop-loss amount of \$600,000, and an aggregate stop-loss consistent with statutory limits for 2015. Coverage from a private insurance company is maintained for losses in excess of the stop-loss amount. All claims handling procedures are performed by a third-party claims administrator. Incurred but not reported claims have been accrued as a liability based upon the claims administrator's estimate. Settled claims have not exceeded commercial coverage in any of the last three fiscal years. The estimated liability does not include any allocated or unallocated claims adjustment expense. The City purchases private insurance to include sworn Police Officers and Fire Fighters medical claims under a self-insured retention of \$750,000 for each accident.

The Agency participates in both programs and makes payments to the Health Insurance Reserve Fund and the Workers' Compensation Reserve Fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims. The Agency's annual contributions to the Health Insurance Reserve Fund were \$157,080 and the contributions to the Worker's Compensation Reserve Fund were \$94,448 for the year ended June 30, 2015.

The Agency is a member in the Iowa Communities Assurance Pool (Pool), as allowed by Chapter 670.7 of the Code of Iowa. The Pool is a local government risk-sharing pool whose 750 members include various

**DUBUQUE METROPOLITAN AREA  
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**NOTE 6 – RISK MANAGEMENT (continued)**

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. The Agency acquires automobile physical damage coverage through the Pool. All other property, inland marine, and boiler/machinery insurance are acquired through commercial insurance. 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 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 due and payable in the current 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 not to exceed 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The Agency's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Agency's annual contributions to the Pool for the year ended June 30, 2015, were \$37,415.

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. Excess coverage is provided for claims exceeding \$350,000 under various reinsurance agreements. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's Iowa Risk Management Agreement with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool through the Iowa Risk Management Agreement 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 claims and claims expenses become

**DUBUQUE METROPOLITAN AREA  
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**NOTE 6 – RISK MANAGEMENT (continued)**

the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal and any previous Cumulative Reserve Fund distributions.

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The Agency participates in the City of Dubuque's retiree benefit plan. The Agency's portion of the net OPEB obligation at June 30, 2015, is \$76,154. Information for the entire plan is as follows.

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* prospectively during the year ended June 30, 2009.

Plan Description – The City operates a single-employer retiree benefit plan which provides postemployment benefits for eligible participants enrolled in the City-sponsored plans, which include the employees of the Dubuque Metropolitan Area Solid Waste Agency (a component unit). The Plan does not issue a stand-alone financial report. The benefits are provided in the form of:

An implicit rate subsidy where pre-65 retirees receive health insurance coverage by paying a combined retiree/active rate for the self-insured medical and prescription drug plan.

An explicit rate subsidy exists since the City pays the full cost of a \$1,000 policy in the fully-insured life insurance plan.

To be eligible for the health insurance coverage, retirees must be at least 55 years old, have completed 4 years of service, and be vested with either the Iowa Public Employees' Retirement System (IPERS) or the Municipal Fire and Police Retirement System of Iowa (MFPRSI). In addition to the health eligibility coverage requirements, one must have belonged to a bargaining group to be eligible for life insurance benefits. There are approximately 548 active and 33 retired members in the plan as of most recent actuarial valuation report.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
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**NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

The following table shows the components of the City’s annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation:

Annual required contribution	\$ 456,947
Interest on net OPEB obligation	188,031
Adjustment to annual required contribution	<u>(178,220)</u>
Annual OPEB cost	466,758
Contributions made, net of Retiree contributions	<u>(6,197)</u>
Increase in net OPEB obligation	460,561
Net OPEB obligation, beginning of year	<u>3,760,615</u>
Net OPEB obligation, end of year	<u>\$ 4,221,176</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the City paid \$458,395 for retiree claims. Plan members eligible for benefits contributed \$452,198. The net resulted in City contributions of \$6,197.

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015, are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 466,758	1.33 %	\$ 4,221,176
June 30, 2014	\$ 583,450	32.02 %	\$ 3,760,615
June 30, 2013	\$ 581,872	(3.98) %	\$ 3,363,982

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$4,550,896, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,550,896. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$31,126,628 and the ratio of the UAAL to covered payroll was 14.25%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and the health care cost trend.

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2014, actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the City’s funding policy. The projected annual medical trend inflation rate is 6%. The ultimate medical trend rate is 5%, beginning in year 2. The underlying inflation rate is 5%.

Mortality rates are from the RP2014 Group Annuity Mortality Tables, applied on a gender-specific basis. Annual retirement and termination probabilities were developed consistent with the City’s experience and the IPERS and MFPSI retirement patterns. Annual turnover rates were based on Scale T-2 of the actuary’s pension handbook.

Projected claim costs of the medical plan are \$10,356 per year for retirees. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of pay on an open basis over 30 years.

**NOTE 8 - LONG-TERM DEBT**

**General Obligation Bonds.** Dubuque County, Iowa issued a general obligation landfill facility bond to provide funds for the acquisition and construction of major capital facilities.

The Dubuque Area Metropolitan Solid Waste Agency will reimburse Dubuque County for interest and principal payments from operating revenues. These bonds generally are issued as serial bonds with varying amounts of principal maturing annually and with interest payable semi-annually. The amount outstanding as of June 30, 2015 is as follows:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>		<u>Amount Originally Issued</u>	<u>Amount Outstanding End of Year</u>
Landfill Facility	12/30/2014	06/01/16-06/01/34	2.0-4.0 %	\$	4,500,000	\$ 4,500,000

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
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**NOTE 8 - LONG-TERM DEBT (continued)**

Annual debt service requirements to maturity of the general obligation bond is as follows:

Fiscal Year June 30	Principal	Interest
2016	\$ 185,000	\$ 127,584
2017	190,000	123,884
2018	195,000	120,084
2019	195,000	116,184
2020	200,000	110,334
2021-2025	1,090,000	456,625
2026-2030	1,270,000	300,913
2031-2034	1,175,000	95,360
Total	<u>\$ 4,500,000</u>	<u>\$ 1,450,968</u>

**Changes in Long-term Liabilities.** Long-term liability activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bond	\$ -	\$ 4,500,000	\$ -	\$ 4,500,000	\$ 185,000
Unaccreted premium	-	139,086	-	139,086	-
Total general obligation bond	<u>\$ -</u>	<u>\$ 4,639,086</u>	<u>-</u>	<u>\$ 4,639,086</u>	<u>\$ 185,000</u>

**NOTE 9 - COMMITMENTS AND CONTINGENT LIABILITIES**

**Construction Contracts**

Dubuque Metropolitan Area Solid Waste Agency has recognized as a liability only that portion of construction contracts representing construction completed through June 30, 2015. DMASWA has an additional commitment for a signed construction contract of \$2,142,585 as of June 30, 2015. This commitment will be funded by bond proceeds.

**DUBUQUE METROPOLITAN AREA**  
**SOLID WASTE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10 - ACCOUNTING CHANGE/RESTATEMENT**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial a reporting requirements for state and local governments which provide their employees with pension benefits, including additional not disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net position liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pensions Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date as follows:

Net position June 30, 2014 as previously reported	\$ 10,206,056
Net liability at June 30, 2014	(547,828)
Changes in outflows of resources related to contributions made fter the June 30, 2013 measurement date	<u>57,997</u>
Net Position July 1, 2014, as restated	<u>\$ 9,716,225</u>

**DUBUQUE METROPOLITAN AREA SOLID WASTE AGENCY  
SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
IOWA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM  
LAST FISCAL YEAR\*  
(IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION**

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	<u>2015</u>
Agency's proportion of the net pension liability (asset)	0.009925 %
Agency's proportionate share of the net pension liability	\$ 394
Agency's covered-employee payroll	\$ 674
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.40 %
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.

Data reported is measured as of July 1, 2014 (measurement date).

**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 Association will present information for those years for which information is available.

**DUBUQUE METROPOLITAN AREA SOLID WASTE AGENCY  
SCHEDULE OF AGENCY CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS\*  
(IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily Required Contribution	\$ 58	58	57	54	42	41	39	36	32	34
Contributions in relation to the statutorily required contribution	(58)	(58)	(57)	(54)	(42)	(41)	(39)	(36)	(32)	(34)
Contribution deficiency (Excess)	\$ -	-	-	-	-	-	-	-	-	-
Agency's covered-employee payroll	\$ 669	674	655	669	605	624	613	592	561	594
Contributions as a percentage of covered-employee payroll	8.67%	8.61%	8.67%	8.07%	6.95%	6.57%	6.35%	6.05%	5.75%	5.75%

**DUBUQUE METROPOLITAN AREA SOLID WASTE AGENCY NOTES TO  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
IOWA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM  
YEAR ENDED JUNE 30, 2015**

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*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 service 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 remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

*Changes of assumption*

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 percent.
- Decreased the assumed rate of interest on members account from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL 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
- Generally increased the probability of terminating members receiving a deferred retirement benefit
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary streams in the future years. It also included 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.

**DUBUQUE METROPOLITAN AREA SOLID WASTE AGENCY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
IOWA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM  
YEAR ENDED JUNE 30, 2015**

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The 2006 valuation implemented the following refinements as a result of a 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.

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE BENEFIT PLAN  
REQUIRED SUPPLEMENTARY INFORMATION**

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Year Ended June 30	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll (b-a/c)
2013	07/01/12	\$ -	\$ 5,720,577	\$ 5,720,577	0.0%	\$ 31,830,608	18.00 %
2014	07/01/12	\$ -	\$ 5,720,577	\$ 5,720,577	0.0%	\$ 32,626,373	17.53
2015	07/01/14	\$ -	\$ 4,550,896	\$ 4,550,896	0.0%	\$ 31,126,628	14.20

The Agency participates in the City of Dubuque's retiree benefit plan. The above information is for the entire plan. See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status, and funding progress.

**DUBUQUE METROPOLITAN AREA  
SOLID WASTE AGENCY  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2015**

	Operating Fund	Planning Fund	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash investments	\$ 1,225,447	\$ -	\$ 1,225,447
Receivables			
Accounts	255,924	-	255,924
Accrued interest	7,148	-	7,148
Prepaid items	12,817	-	12,817
Due from operating fund	-	6,285	6,285
Total Current Assets	1,501,336	6,285	1,507,621
<b>NONCURRENT ASSETS</b>			
Restricted cash and cash investments			
Restricted cash and pooled cash investments	4,039,616	-	4,039,616
For landfill closure and post closure care	4,443,440	-	4,443,440
By state statute	-	118,027	118,027
Total restricted cash and cash investments	8,483,056	118,027	8,601,083
Capital assets			
Land	2,952,666	-	2,952,666
Buildings	106,495	-	106,495
Improvements to other than buildings	10,306,408	-	10,306,408
Machinery and equipment	4,022,922	-	4,022,922
Construction in progress	810,960	-	810,960
Accumulated depreciation	(9,174,666)	-	(9,174,666)
Net Capital Assets	9,024,785	-	9,024,785
Total Noncurrent Assets	17,507,841	118,027	17,625,868
Total Assets	19,009,177	124,312	19,133,489
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	\$ 81,578	\$ -	\$ 81,578
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	330,848	-	330,848
Accrued payroll	17,229	-	17,229
General obligation bonds payable	185,000	-	185,000
Accrued interest payable	10,632	-	10,632
Accrued compensated absences	28,497	-	28,497
Intergovernmental payable	53,940	-	53,940
Total Current Liabilities	626,146	-	626,146
<b>NONCURRENT LIABILITIES</b>			
Due to planning fund	6,285	-	6,285
Landfill closure and post closure care	4,619,086	-	4,619,086
General obligation bonds	4,454,086	-	4,454,086
Accrued Compensated Absences	271,924	-	271,924
Net Pension Liability	393,621	-	393,621
Net OPEB Liability	76,154	-	76,154
Total Noncurrent Liabilities	9,821,156	-	9,821,156
Total Liabilities	10,447,302	-	10,447,302
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows	150,117	-	150,117
<b>NET POSITION</b>			
Net investment in capital assets	8,390,736	-	8,390,736
Restricted by state statute	-	118,027	118,027
Restricted for minority interest	24,717	-	24,717
Unrestricted	77,883	6,285	84,168
Total Net Position	\$ 8,493,336	\$ 124,312	\$ 8,617,648

**DUBUQUE METROPOLITAN AREA**  
**SOLID WASTE AGENCY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2015**

	Operating Fund	Planning Fund	Total
<b>OPERATING REVENUES</b>			
Charges for sales and services	\$ 3,488,840	\$ -	\$ 3,488,840
Other	9,161	-	9,161
Total Operating Revenues	3,498,001	-	3,498,001
<b>OPERATING EXPENSES</b>			
Employee expense	1,335,501	-	1,335,501
Utilities	53,340	-	53,340
Repairs and maintenance	536,212	-	536,212
Supplies and services	1,402,244	-	1,402,244
Insurance	76,234	-	76,234
Closure and post closure care	692,589	-	692,589
Depreciation	434,871	-	434,871
Total Operating Expenses	4,530,991	-	4,530,991
<b>OPERATING INCOME (LOSS)</b>	<b>(1,032,990)</b>	<b>-</b>	<b>(1,032,990)</b>
<b>NONOPERATING REVENUES</b>			
Intergovernmental	39,021	-	39,021
Investment earnings	33,583	-	33,583
Interest expense	(64,146)	-	(64,146)
Bond issue costs	(74,045)	-	(74,045)
Total Non-Operating Revenues	(65,587)	-	(65,587)
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(1,098,577)</b>	<b>-</b>	<b>(1,098,577)</b>
TRANSFERS IN	304,180	148,905	453,085
TRANSFERS OUT	(148,905)	(304,180)	(453,085)
<b>CHANGE IN NET POSITION</b>	<b>(943,302)</b>	<b>(155,275)</b>	<b>(1,098,577)</b>
<b>NET POSITION, BEGINNING, AS RESTATED</b>	<b>9,436,638</b>	<b>279,587</b>	<b>9,716,225</b>
<b>NET POSITION, ENDING</b>	<b>\$ 8,493,336</b>	<b>\$ 124,312</b>	<b>\$ 8,617,648</b>



**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 Dubuque Metropolitan Area  
Solid Waste Agency Board

We have audited, in accordance with the 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, the financial statements of the Dubuque Metropolitan Area Solid Waste Agency (Agency), a component unit of the City of Dubuque, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency’s basic financial statements, and have issued our report thereon dated February 22, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in Part I of the accompanying Schedule of Findings and Responses as item 2015-A that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance 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 statements of the Agency and are reported in Part II of the accompanying Schedule of Findings and Responses. 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.

### **Agency's Response to Finding**

The Agency's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements 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 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.



Dubuque, Iowa  
February 22, 2016

**Part I: Finding Related to the Basic Financial Statements:**

**SIGNIFICANT DEFICIENCY**

**2015-A Significant Audit Adjustments**

**Criteria** – A properly designed system of internal control over financial reporting allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

**Condition** – During the course of our engagement, we proposed significant audit adjustments to capital assets and beginning equity that were not identified as a result of the Agency’s existing internal controls and, therefore, could have resulted in a misstatement of the Agency’s financial statements.

**Cause** – There is a limited number of office employees with varying levels of experience with the reporting requirements. This significantly limits the Agency’s review procedures.

**Effect** – The effect of this condition was financial data not in accordance with generally accepted accounting principles.

**Recommendation** – We recommend that finance staff continue to receive relevant training and that additional review procedures be implemented in preparing the financial statements.

**Response** – The Finance Department will continue to receive relevant training, and management will review all documentation completed by staff for use in preparing the financial statements. Additional checks have been put in place to monitor the situations identified in this audit.

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

**2015-IA-A Questionable Expenditures** – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979, were noted.

**2015-IA-B Travel Expense** – No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.

**2015-IA-C Business Transactions** – No transactions between the Agency and its officials and/or employees were noted.

**2015-IA-D Bond Coverage** – Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

**2015-IA-E Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.

**Part II: Other Findings Related to Required Statutory Reporting: (continued)**

- 2015-IA-F Deposits and Investments** – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Agency’s investment policy were noted.
- 2015-IA-G Solid Waste Tonnage Fees Retained** – No instances of noncompliance with solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.
- 2015-IA-H Financial Assurance** – The Agency has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in 567-113.14(6) of the Iowa Administrative Code.