

**HAMILTON COUNTY SOLID
WASTE COMMISSION**

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

JUNE 30, 2015

Table of Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-7
Financial Statement:	<u>Exhibit</u>
Statements of Cash Receipts, Disbursements and Changes in Cash Balance	A 8-9
Notes to Financial Statement	10-22
Other Information:	
Schedule of the Commission's Proportionate Share of the Net Pension Liability	23
Schedule of Commission Contributions	24
Notes to Other Information – Pension Liability	25-26
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with <u>Government Auditing Standards</u>	27-28
Schedule of Findings	29-32

Hamilton County Solid Waste Commission

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Jerry Kloberdanz	Chairperson	City of Webster City
Lendall Mechaelsen	Vice Chairperson	City of Kamrar
Wes Sweedler	Member	Hamilton County
Dale Graham	Member	City of Ellsworth
Mike Hanson	Member	City of Stanhope
Dennis Frayne	Member	City of Williams
Carlene Enderson	Member	City of Randall
Troy Hassebrock	Member	City of Blairsburg
Mickey Walker	Member	City of Jewell
Cherie Ferguson	Financial Secretary	

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

Independent Auditor's Report

To the Members of the Hamilton County
Solid Waste Commission:

Report on the Financial Statement

We have audited the accompanying financial statement of the Hamilton County Solid Waste Commission 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Hamilton County Solid Waste Commission 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 U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 3 to the financial statements, the Hamilton County Solid Waste Commission 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 Commission's Proportionate Share of the Net Pension Liability and the Schedule of Commission Contributions information on pages 4 through 7 and 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 31, 2016 on our consideration of the Hamilton County Solid Waste Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Hamilton County Solid Waste Commission's internal control over financial reporting and compliance.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 31, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- Operating receipts decreased 2%, or approximately \$21,000, from fiscal 2014 to fiscal 2015.
- Operating disbursements decreased 5%, or approximately \$53,000, from fiscal year 2014 to fiscal year 2015.
- The Commission's cash balance increased 5%, or approximately \$69,000, from June 30, 2014 to June 30, 2015.

USING THIS ANNUAL REPORT

The Commission 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 U.S. generally accepted accounting principles. 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 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 the 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 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 Commission's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Balance presents information on the Commission's operating receipts and disbursements, non-operating receipts and disbursements and whether the Commission'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 financial statement.
- Other Information further explains and supports the Commission's proportionate share of the net pension liability and related contributions.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

The purpose of the statement is to present the receipts received by the Commission and the disbursements paid by the Commission, 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 Commission's cash basis financial position by analyzing the increase and decrease in the Commission's cash balance.

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the Commission. Operating disbursements are disbursements paid to operate the transfer station and recycling program. Non-operating receipts and disbursements include grants, farm income, interest on investments, equipment purchases and collection center engineering and construction costs. A summary of cash receipts, disbursements and changes in cash balance for the years ended June 30, 2015 and June 30, 2014 is presented below:

	Changes in Cash Balance	
	Year ended June 30,	
	2015	2014
Operating receipts:		
Gate charges	\$ 859,941	888,572
Assessments	161,544	161,493
Scrap sales	7,260	4,502
Other	15,272	10,137
Total operating receipts	1,044,017	1,064,704
Operating disbursements:		
North Central - Gate	398,766	523,530
North Central - Buy In/Assessment	161,493	161,494
Other	420,702	349,325
Total operating disbursements	980,961	1,034,349
Excess of operating receipts over operating (disbursements)	63,056	30,355
Non-operating receipts (disbursements):		
Sale of equipment	-	13,500
Interest on investments	5,918	6,776
Equipment	-	(67,475)
Collection center engineering and construction	-	(11,863)
Net non-operating receipts (disbursements)	5,918	(59,062)
Change in cash balance	(68,974)	(28,707)
Cash balance beginning of year	1,321,098	1,349,805
Cash balance end of year	\$ 1,390,072	1,321,098

Cash Basis Fund Balance

Restricted for:

Postclosure reserve	\$ 873,691	900,209
Recycling reserve	11,248	21,651
Transfer station closure	22,316	22,316
Regional collection center closure	5,000	5,000
Total restricted cash basis fund balance	912,255	949,176
Unrestricted	477,817	371,922
Total cash basis fund balance	\$ 1,390,072	1,321,098

In fiscal year 2015, operating receipts decreased \$20,687 or 2%, from fiscal year 2014. Operating disbursements decreased \$53,388, or 5%, from fiscal year 2014. The main reason for these changes is the change in fee structure for North Central Iowa Regional Solid Waste Agency's gate charge from \$9 per cubic yard to \$35 per ton for acceptance of solid waste.

A portion of the Commission's cash balance, \$912,255 (66%), is restricted for postclosure care, recycling reserve funds, transfer station and regional collection center closure. State and federal laws and regulations require the Commission to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining cash balance, \$477,817 (34%), is unrestricted and can be used to meet the Commission's obligations as they come due. The restricted cash balance decreased approximately \$36,921, or 4%, during the year. The decrease was due to expenditures from the post closure account for engineering services and other related expenses. Unrestricted cash balance increased approximately \$105,895, or 28%, during the year due to the change in the gate charge paid by the Commission.

ECONOMIC FACTORS

The current condition of the economy in the state continues to be a concern for Commission members. Some of the realities which may potentially become challenges for the Commission to meet are:

- Facilities and equipment 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 required to be made to closure and postclosure accounts costs are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.
- User rates/charges/volume with North Central IA Regional Solid Waste Agency changed July 1, 2014 to \$35 per ton and is having a positive effect on the commission's cash flows.
- The Commission will be reviewing whether it is feasible to lower our gate fees now that the change from cubic feet to tonnage has been implemented and it appears these rates will be level in the near future.

BUDGETARY AMENDMENTS

There were no budgetary amendments this past fiscal year.

LONG-TERM DEBT

At June 30, 2015, the Commission had no long-term debt outstanding.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens and customers with a general overview of the Commission'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 the Hamilton County Solid Waste Commission, Webster City, Iowa 50595

Financial Statement

Hamilton County Solid Waste Commission

Exhibit A

Statement of Cash Receipts, Disbursements and
Changes in Cash Balance

Year ended June 30, 2015

Operating receipts:	
Gate charges	\$ 859,941
Member assessments	161,544
Scrap sales	7,260
Miscellaneous	15,272
Total receipts	<u>1,044,017</u>
Operating disbursements:	
Salaries and benefits	185,705
North Central - Gate	398,766
North Central - Buy In/Assessment	161,493
Engineering fees	5,630
Legal, accounting and auditing fees	5,230
General and liability insurance	11,629
Office expenses and supplies	6,476
Utilities	11,036
Telephone	2,885
Commission fees	1,009
Building supplies and repair	1,862
Diesel, gasoline and oil	31,663
Tire removal	3,102
RCC disposal	14,610
Electronics recycling	7,334
Vehicle expense	98,791
Laboratory testing	9,041
Water quality annual report	9,565
Leachate system report	7,707
Miscellaneous	7,427
Total operating disbursements	<u>980,961</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>63,056</u>

Hamilton County Solid Waste Commission

Exhibit A

Statement of Cash Receipts, Disbursements and
Changes in Cash Balance

Year ended June 30, 2015

Non-operating receipts (disbursements):	
Interest on investments	5,918
Net non-operating receipts (disbursements)	<u>5,918</u>
Change in cash balance	68,974
Cash balance beginning of year	<u>1,321,098</u>
Cash balance end of year	<u><u>\$ 1,390,072</u></u>
Cash Basis Fund Balance	
Restricted for:	
Postclosure reserve	873,691
Recycling reserve	11,248
Transfer station closure	22,316
Regional collection center closure	<u>5,000</u>
Total restricted cash basis fund balance	912,255
Unrestricted	<u>477,817</u>
Total cash basis fund balance	<u><u>\$ 1,390,072</u></u>

See notes to financial statement.

Hamilton County Solid Waste Commission

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

The Hamilton County Solid Waste Commission was formed in 1974 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to provide for the economic disposal, or collection and disposal, of all solid waste produced or generated within the jurisdiction of the units of government which are members of the Commission.

The governing body of the Commission is composed of one representative from each member. The members of the Commission include Hamilton County and the cities of Blairsburg, Ellsworth, Jewell, Kamrar, Randall, Stanhope, Webster City and Williams. Each member of the Commission has one vote.

The Commission ceased landfill operation during 2007 and has operated as a transfer station since that time.

A. Reporting Entity

For financial reporting purposes, the Hamilton County Solid Waste Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial 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 Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

Hamilton County Solid Waste Commission

Notes to Financial Statements

June 30, 2015

B. Basis of Presentation

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

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

C. Basis of Accounting

The Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Commission is prepared on that basis.

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

D. Cash Basis Fund Balance

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

(2) **Cash and Investments**

The Commission's deposits in banks at June 30, 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.

Hamilton County Solid Waste Commission

Notes to Financial Statements

June 30, 2015

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

The Commission has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the Commission, except for those covered by another retirement system. Employees of the Commission are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by 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.

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 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 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 formulas used to calculate a Regular member's monthly IPERS benefit includes:

Hamilton County Solid Waste Commission

Notes to Financial Statements

June 30, 2015

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30th, 2012, the highest three-year average salary as of the 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 .025 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 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

Hamilton County Solid Waste Commission

Notes to Financial Statements

June 30, 2015

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 Commission contributed 8.93 percent for a total rate of 14.88 percent.

The Commission's contributions to IPERS for the year ended June 30, 2015 were \$12,099.

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 Commission's liability for its proportionate share collective net pension liability totaled \$82,132. The collective net pension liability was measured as of June 30, 2014, and total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the collective net position liability was based on the Commission's share of contributions to the pension plan relative to the contribution of all IPERS participating employers. At June 30, 2014, the Commission's proportion was 0.0020710 percent, which was an increase of 0.0000894 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the Commission collective pension expense, collective deferred outflows and collective deferred inflows totaled \$6,147, \$4,518 and \$31,323 respectively.

Actuarial Assumptions – The total pension liability in 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
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)	7.5 percent, compounded annually, net investment expense, including inflation

Hamilton County Solid Waste Commission

Notes to Financial Statements

June 30, 2015

The actuarial assumptions used in the June 30, 2014 valuation 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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>1</u>	(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 Commission 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.

Hamilton County Solid Waste Commission

Notes to Financial Statements

June 30, 2015

Sensitivity of the Commission’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Commission’s proportionate share of the net position liability calculated using discount rate of 7.5 percent, as well as what the Commission’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 <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Commission’s proportionate share of the net pension liability	\$ 155,187	\$ 82,132	\$ 20,467

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.

(4) Compensated Absences

Commission employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Commission until used or paid. The Commission’s approximate liability for earned vacation and sick leave at June 30, 2015 was \$3,285. This liability has been computed based on rates of pay in effect at June 30, 2015.

(5) Other Post-Employment Benefits (OPEB)

Plan Description – The Commission operates a single-employer health benefit plan which provides medical/dental benefits for employees, retirees and their spouses. There are 3 active members in the plan. Participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/dental benefits as active employees.

Hamilton County Solid Waste Commission

Notes to Financial Statements

June 30, 2015

Funding Policy – The contribution requirements of plan members are established and may be amended by the Commission. The Commission currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Commission and plan members are \$524 for single coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2015, the Commission contributed \$16,574 and plan members eligible for benefits contributed \$5,525 to the plan.

(6) Closure and Postclosure Care

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

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that year. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in the 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.

Hamilton County Solid Waste Commission

Notes to Financial Statements

June 30, 2015

The costs for the Commission as of June 30, 2015 have been estimated to be \$809,293 for postclosure care.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has accumulated resources to fund these costs and, at June 30, 2015, assets of \$873,691 are restricted for these purposes, of which \$0 is for closure and \$873,691 is for postclosure care. The amount is reported as restricted cash balance in the Statement of Cash Receipts, Disbursements and Changes in Cash Balance.

(7) Transfer Station Closure Care

To comply with state regulations, the Commission 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 which have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles which will remain on site, including the rinsing of all surfaces which have come in contact with solid waste, and the removal and proper management of all washwater in the washwater management system.

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

The total closure care costs for the Commission as of June 30, 2015 have been estimated at \$10,714. The Commission has fully funded the costs and, at June 30, 2015, assets of \$22,316 are restricted for these purposes and are reported as restricted cash balance in the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Balance.

Hamilton County Solid Waste Commission

Notes to Financial Statements

June 30, 2015

(8) Regional Collection Center Closure Care

To comply with state regulations regarding the Regional Collection Center (RCC), the Commission is required to obtain and submit a financial assurance instrument to the department for the storage of household hazardous materials. The financial assurance instrument shall provide for monetary funds to properly dispose of household hazardous wastes, universal wastes, hazardous waste from conditionally exempt small quantity generators, and any other solid wastes that may remain at a site due to the owner's or operator's failure to properly close the site within 30 days of permit suspension, termination, revocation, or expiration.

As of June 30, 2015, there is insufficient information available to obtain an accurate estimate for the cost to close the RCC facility, therefore in accordance with Subrule 123.13(5)B, Hamilton County Solid Waste Commission is applying an initial closure cost of \$5,000, as it will be serving a population of less than 35,000. The Commission is currently in the process of obtaining a financial assurance instrument for the cost to close the RCC facility.

(9) Risk Management

The Commission 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.

Hamilton County Solid Waste Commission

Notes to Financial Statements

June 30, 2015

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

The Commission's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Commission's contributions to the Pool for the year ended June 30, 2015 were \$11,629.

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 Commission's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Commission's risk-sharing certificate.

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

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

Hamilton County Solid Waste Commission

Notes to Financial Statements

June 30, 2015

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 Commission also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation in the amount of \$14,577. The Commission assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) North Central Iowa Regional Solid Waste Agency Agreement

The Commission joined the North Central Iowa Regional Solid Waste Agency (NCIRSWA) through a 28E agreement, effective July 1, 2005, to provide for the disposal of all solid waste and recyclable materials generated within the Commission's jurisdiction. The agreement requires a buy in payment of \$1,481,220 to be paid over fifteen years.

During the year ended June 30, 2015, the Commission paid \$94,308 toward the buy in. As of June 30, 2015, the Commission's remaining buy in is \$142,173. The agreement also requires an assessment of \$4.50 per capita, based on the most recent census. During the year ended June 30, 2015, the Commission paid \$67,185 from its assessment.

The Commission also pays NCIRSWA a gate charge of \$35 per ton for acceptance of solid waste. During the year ended June 30, 2015, the Commission paid \$398,766 of gate charges.

(12) Customer Concentration

The Commission derived approximately 60.2% of its gate charges for the fiscal year ended June 30, 2015 from the Trash Man. The loss of this major customer would have a material adverse effect on the Commission.

Hamilton County Solid Waste Commission

Notes to Financial Statements

June 30, 2015

(13) Subsequent Events

Subsequent events have been evaluated through March 31, 2016, which is the date the financial statements were available to be issued.

In August 2015 the Commission approved the purchase of a semi-tractor costing \$61,275.

In February 2016 the Commission approved replacing some of the transfer station floor for \$34,700.

Other Information

Hamilton County Solid Waste Commission

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

Iowa Public Employees' Retirement System

Last Fiscal Year*

(In Thousands)

Other Information

	<u>2015</u>
Commission's proportion of the net pension liability	0.002071%
Commission's proportionate share of the net pension liability	\$ 82
Commission's covered-employee payroll	\$ 141
Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.16%
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.

See accompanying independent auditor's report

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 Commission will present information for those years for which information is available.

Hamilton County Solid Waste Commission
Schedule of Commission Contributions

Iowa Public Employees' Retirement System
Last 4 Fiscal Years
(In Thousands)

Other Information

	2015	2014	2013	2012
Statutorily required contribution	\$ 12	12	11	10
Contributions in relation to the statutorily required contribution	(12)	(12)	(11)	(10)
Contribution deficiency (excess)	\$ -	-	-	-
Commission's covered-employee payroll	\$ 137	141	138	133
Contributions as a percentage of covered-employee payroll	8.76%	8.51%	7.97%	7.52%

See accompanying independent auditor's report.

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 Commission will present information for those years for which information is available.

Hamilton County Solid Waste Commission

Notes to Other Information – Pension Liability

June 30, 2015

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 requirement 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 assumptions:

The 2014 valuation implemented the following refinements as a result of 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 ages 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.

Hamilton County Solid Waste Commission

Notes to Other Information – Pension Liability

June 30, 2015

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.

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 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.

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

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

To the Members of the Hamilton County
Solid Waste Commission:

We have audited in accordance with U.S. generally accepted auditing standards 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 Hamilton County Solid Waste Commission 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 31, 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 U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Hamilton County Solid Waste Commission's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Hamilton County Solid Waste Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Hamilton County Solid Waste Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that 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 a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Hamilton County Solid Waste Commission'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 items I-A-15 to be a material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control such is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-15 and I-C-15 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Hamilton County Solid Waste Commission'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 Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Hamilton County Solid Waste Commission's Responses to Findings

The Hamilton County Solid Waste Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The Hamilton County Solid Waste Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

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

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

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 31, 2016

Hamilton County Solid Waste Commission

Schedule of Findings

Year ended June 30, 2015

Part I: Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

I-A-15 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 in the office has control over each of the following areas for the Commission:

- (1) Accounting system – record keeping receipts and financial reporting.
- (2) Receipts –The responsibilities for maintaining detail accounts receivable records are not segregated from collections and records posting.
- (3) Investments – investing, recording and custody. An independent person does not inspect the investments, verify recorded investment earnings for accuracy or reconcile earnings with those recorded in the accounting records.
- (4) Bank reconciliations – preparing, reconciling and reviewing.
- (5) Cash – signing checks, recording and handling cash. All employees have access to the change drawer.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including Commission members, to perform independent reviews and verifications.

Response – We recognize our limitations; however, it is not fiscally responsible to add additional staff. The Transfer Station Manager reviews deposits and disbursements with the Secretary/Treasurer. The Board also reviews all disbursements and receipts at the monthly board meetings. These transactions are properly approved and if questioned, actual receipts are reviewed.

Conclusion - Response accepted.

Hamilton County Solid Waste Commission

Schedule of Findings

Year ended June 30, 2015

I-B-15 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The Hamilton County Solid Waste Commission does not have an internal control system designed to provide for the preparation of the financial statements, including accompanying footnotes and statements of cash flows, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statement and accompanying notes to the financial statement. The outsourcing of these services is not unusual in an organization of your size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statement, including all necessary disclosures, in accordance with the cash basis of accounting can be considered costly and ineffective. However, it is the responsibility of the Commission’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – The Commission feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis

Conclusion – Response accepted.

Hamilton County Solid Waste Commission

Schedule of Findings

Year ended June 30, 2015

- I-C-15 Financial Reporting – During the course of our audit, we noted that the Commission’s accounting records for receipts will be recorded by the use of two different accounting processes for the next fiscal year.

Recommendation -The Commission should consider upgrading P-DOX to integrate with QuickBooks so all accounting processes are on one accounting system and receipts do not have to be entered on both systems.

Response – We will consider this upgrade for the next fiscal year.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

Part II: Other Findings Related to Statutory Reporting:

- II-A-15 Questionable Disbursements – Late fees were charged to disbursements which included past due amounts for one month. Late fees do not meet the requirement of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

Recommendation – The Commission should ensure disbursements meet the test of public purpose.

Response – The Commission has changed their procedures and credit cards are now being paid electronically, so this should be corrected in the future.

Conclusion – Response accepted.

Hamilton County Solid Waste Commission

Schedule of Findings

Year ended June 30, 2015

- II-B-15 Travel Expense – No expenditures of Association money for travel expenses of spouses of Association officials or employees were noted.
- II-C-15 Commission Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.
- II-D-15 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa were noted.
- II-F-15 Financial Assurance – The Commission has elected to demonstrate financial assurance for landfill closure and postclosure care, transfer station and regional collection center closure care by establishing local government dedicated funds as provided in Chapter 567-113.14(6) of the Iowa Administrative Code (IAC).

Financial assurance is demonstrated as follows:

	<u>Regional Collection Center</u>	<u>Transfer Station Closure</u>	<u>Landfill Postclosure Care</u>
Total estimated costs for closure and postclosure care	<u>\$ 5,000</u>	<u>10,714</u>	<u>809,293</u>
Amount Commission has restricted for closure and postclosure care at June 30, 2015	<u>\$ 5,000</u>	<u>22,316</u>	<u>873,691</u>

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure accounts be made at least annually within 30 days of the close of each fiscal year. No deposit was required during the year ended June 30, 2015 because the Commission has restricted and reserved sufficient funds to pay the total estimated costs for closure and postclosure care.