AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Independent Auditors' Reports
Financial Statement
Supplementary Information
Schedule of Findings

June 30, 2015

OLSEN, MUHLBAUER & CO., L.L.P.
Certified Public Accountants
CARROLL, IOWA

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

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AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Officials

Name	Title	Representing
Penny Schmidt	Chairperson	Gray Representative
Lora Anthofer	Vice Chairman	County Representative
Duane Deist	Member	County Representative
Jessica Hoegh	Member	Kimballton Representative
Lee Jensen	Member	Audubon Representative
Janet Hansen	Director	

OLSEN, MUHLBAUER & CO., L.L.P.

Certified Public Accountants

PARTNERS
RICHARD D. MUHLBAUER
PATRICK J. O'BRIEN
TRUDENE L. WITTMAACK
KARLA L. FULTON
TAMMY M. BRUCH
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INDEPENDENT AUDITORS' REPORT

To the Members of the Audubon County
Solid Waste Management Commission
Audubon, Iowa

Report on the Financial Statements

We have audited the accompanying financial statement of the Audubon County Solid Waste Management Commission as of and for the year ended June 30, 2015, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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.

Auditors' 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 of 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 auditors' 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 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 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 Audubon County Solid Waste Management 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 disbursement, 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 Matters

As disclosed in Note 3 to the financial statements, Audubon County Solid Waste Management Commission adopted a 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 6 through 9 and on pages 23 through 26, has not been subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 12, 2016 on our consideration of Audubon County Solid Waste Management Commission's internal control over financial reporting and 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 Governmental Auditing Standards in considering Audubon County solid Waste Management Commission's internal control over financial reporting and compliance.

Olsen, Muhlbauer & Co., LLP

OLSEN, MUHLBAUER & CO., L.L.P.
Certified Public Accountants

January 12, 2016

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Management's Discussion and Analysis

Audubon County Solid Waste Management Commission provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Audubon County Solid Waste Management Commission is for the fiscal 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

- The Commission's operating receipts decreased 8.8%, or approximately $24,000, from fiscal 2014 to fiscal 2015.
- The Commission's operating disbursements increased approximately $23,400, or 7.7%, from fiscal 2014 to fiscal 2015.
- The Commission's cash balance decreased 8.8%, or approximately $74,500, from June 30, 2014 to June 30, 2015.

USING THIS ANNUAL REPORT

The Commission has elected to present its financial statement on a 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 the Commission's 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 this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

This discussion and analysis are intended to serve as an introduction to the financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the basic 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 financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the basic financial statement.

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.

Statement of Cash Receipts, Disbursements and Changes in Cash Balance (Continued)

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. Non-operating receipts and disbursements are for interest on investments and capital improvements. A summary of cash receipts, disbursements and changes in cash balance for the years ended June 30, 2015 and June 30, 2014 are as follows:

Changes in Cash Balance		
	Year Ended June 30,	
	2015	2014
Operating Receipts:		
Tipping Fees and Gate Charges	142,903	148,659
Member Assessments	84,992	83,507
Recycling Revenue	16,905	34,165
Miscellaneous	2,505	5,073
Total Operating Receipts	247,305	271,404
Operating Disbursements:		
Salaries and Benefits	152,686	161,149
Landfill Disposal Fees	52,940	56,286
Engineering	10,550	13,985
Other	110,926	72,286
Total Operating Disbursements	327,102	303,706
Excess of Operating Disbursements Over Operating Receipts	(79,797)	(32,302)
Non-operating Receipts (Disbursements)		
Sale of Equipment	3,500	0
Interest on Investments	1,739	2,087
Net Non-operating Receipts (Disbursements)	5,239	2,087
(Decrease) in Cash Balance	(74,558)	(30,215)
Cash Balance Beginning of Year	841,056	871,271
Cash Balance End of Year	766,498	841,056
Cash Basis Fund Balance:		
Restricted for:		
Closure	16,224	16,160
Postclosure care	538,324	568,202
Total Restricted Cash Basis Fund Balance	554,548	584,362
Unrestricted	211,950	256,694
Total Cash Basis Fund Balance	766,498	841,056

Statement of Cash Receipts, Disbursements and Changes in Cash Balance (Continued)

In fiscal year 2015, operating receipts decreased $24,099, over fiscal year 2014. Tipping fees and gate charges descreased by $5,756 while recycling revenue increased $17,260. In fiscal year 2015, operating disbursements increased by $23,396 over fiscal year 2014. The increase in disbursements was primarily due to expenses for insurance and leachate and landfill maintenance.

A portion of the Commission's cash balance, $554,548 (72%), is restricted for closure and postclosure care. 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. Regulations also require the Commission to set aside funds for the estimated cost of closing the transfer station, if and when that occurs. The remaining cash balance, $211,950 (28%) is unrestricted and can be used to meet the Commission's obligations as they come due. The restricted cash balance decreased $29,814, (net of interest income) or 5%, during the year. The unrestricted cash balance decreased $44,744, or 17%, during the year.

The decrease in restricted cash is due primarily to previously set aside funds being expended for post closure costs as follows:

General Site Facilities and Maintenance	$ 7,625
Cap and Vegetative Cover Maintenance	6,021
Gas Control System Monitoring	1,200
Water Quality Monitoring	8,869
Leachate Management	2,956
Leachate Control Systems Evaluations	400
Engineering and Technical Services	325
Financial Assurance and Accounting	3,800
Total	$ 31,196

LONG-TERM DEBT

At June 30, 2015 the Commission had no long-term debt outstanding. Final payment of the DNR SWAP Loan received in 2011was made in January 2015.

ECONOMIC FACTORS

The financial position of the Commission did not improve in the current fiscal year. The Commission completed landfill closure requirements during fiscal 2010. In conjunction with this action, the Commission is operating a transfer station, which will temporarily hold waste until its delivery to a liner compliant landfill. During fiscal year ended June 30, 2015, about 2,092 tons of waste was delivered from the transfer station. Some of the realities which may potentially become challenges for the Commission to meet are:

- Budgeting, anticipating increases in cost and fluctuating revenues due to items such as markets for recyclable materials.
- Facilities require constant maintenance and upkeep.
- Reacting to changes in regulatory requirements.

The Commission anticipates the current fiscal year financial results to be much like the past year. The Commission will maintain a close watch over resources to maintain our ability to react to unknown issues.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Audubon County Solid Waste Management Commission, 1881 215th St., Audubon, Iowa.

FINANCIAL STATEMENT

Exhibit A

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Statement of Cash Receipts, Disbursements and Changes in Cash Balance
For the Year Ended June 30, 2015

Operating Receipts:		
Tipping Fees and Gate Charges	142,903	
Member Assessments	84,992	
Recycling Revenue	16,905	
Miscellaneous	2,505	
Total Operating Receipts		247,305
Operating Disbursements:		
Salaries and Benefits	152,686	
Landfill Disposal Fees	52,940	
Regulatory Assistance/Engineering	10,550	
Recycling	11,253	
Insurance	28,079	
Building and Equipment Maintenance	34,181	
Landfill Maintenance	6,200	
Meeting Expenses	1,767	
Legal, Accounting and Auditing	4,323	
Travel, Education, and Training	1,268	
Utilities	5,925	
Office Equipment and Supplies	2,554	
Miscellaneous	1,134	
Groundwater Monitoring	14,243	
Total Operating Disbursements		327,102
Excess of Operating Disbursements Over Operating Receipts		(79,797)
Non-operating Receipts (Disbursements)		
Interest on Investments	1,739	
Sale of Equipment	3,500	
Net Non-operating Receipts		5,239
Change in Cash Balance		(74,558)
Cash Balance - Beginning of Year		841,056
Cash Balance - End of Year		766,498
Cash Basis Fund Balance		
Restricted for:		
Closure		16,224
Post Closure		538,324
Total Restricted Cash Basis Fund Balance		554,548
Unrestricted		211,950
Total Cash Basis Fund Balance		766,498

The accompanying notes are an integral part of this financial statement.

Note 1 – Summary of Significant Accounting Policies

The Audubon County Solid Waste Management Commission was formed in 1991 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to develop, operate and maintain solid waste and recycling facilities in Audubon County on behalf of the units of government which are members of the Commission. During 2010, the operation transitioned from an operating landfill to a transfer station, and commenced closure activities on the existing landfill.

The governing body of the Commission is composed of five commissioners. The commissioners are appointed by the participating political subdivisions as follows: one commissioner shall be a resident of the City of Audubon who has five votes; one commissioner shall be a resident of the City of Gray who has one vote; one commissioner shall be a resident of the City of Kimballton who has one vote; and two commissioners for the unincorporated area of Audubon County, one of whom shall be a member of the Audubon County Board of Supervisors who resides within the rural area and has three votes with the non-Board commissioner having four votes.

Reporting Entity

For financial reporting purposes, the Audubon County Solid Waste Management 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.

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.

Note 1 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

Cash Basis Fund Balance

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

Note 2 – Cash and Investments

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

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

Investments are stated at fair value. The Commission's investments at June 30, 2015 are as follows:

Iowa Public Agency Trust (Value per Treasurer)	$ 9,936
Certificates of Deposit or Passbook Savings held by Audubon County Solid Waste Management Commission	635,765
	$ 645,701

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

Credit risk - The Commission's deposits are held entirely by local financial institutions. The Commission places limits on the amount that may be invested with any one issuer.

Note 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 the plan documents for more information.

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for 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.

Note 3 – Pension and Retirement Benefits (Continued)

Contributions

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the 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 $8,492.

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 of the collective net pension liability totaled $53,769. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the collective net pension liability was based on the Commission's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Commission's proportion was 0.001326 percent, which was a decrease of 0.000275 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 $323, $(314), $20,472, respectively.

Actuarial Assumptions

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

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

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.

Note 3 – Pension and Retirement Benefits (Continued)

Actuarial Assumptions (Continued)

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that 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.

Note 3 – Pension and Retirement Benefits (Continued)

Actuarial Assumptions (Continued)

Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.5 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 (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Commission's proportionate share of the net pension liability	101,424	53,769	13,376

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.

Note 4 – Other Postemployment Benefits

The Commission has no retirees eligible for any plan benefits.

Note 5 – Closure and Post-closure Care Costs

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

Note 5 – Closure and Post-closure Care Costs (Continued)

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

These costs for the Audubon County Solid Waste Management Commission have been estimated at $8,412 for transfer station closure and $558,900 for postclosure, for a total of $567,312 as of June 30, 2015.

As described in Management's Discussion and Analysis, the Commission voted to stop accepting waste in 2010 and has completed its closure plan.

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 begun to accumulate resources to fund these costs and, at June 30, 2015, assets of $554,548 are restricted for these purposes, of which $16,224 is for closure and $538,324 is for postclosure care. They are reported as restricted net assets on the Statement of Receipts, Disbursements and Changes in Cash Balance.

The Commission has demonstrated financial assurance by fully funding the estimated postclosure care costs.

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

Note 6 – Solid Waste Tonnage Fees Retained

The Commission has established two accounts for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2015, the Commission had $13,076 on deposit for those fees, all of which will be expended for allowable purposes.

Note 7 – Risk Management

The Commission is a member in 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 official's liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and 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 annual contributions to the Pool for the year ended June 30, 2015, were $10,682.

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 member'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 reinsurance 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.

Note 7 – Risk Management (Continued)

The Commission does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probably such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the 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.

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 workers compensation and employee blanket bond coverage in the amount of $50,000. The Commission assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8 – 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 that have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles that will remain on site, including the rinsing of all surfaces that have come in contact with solid waste, and 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 landfill 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 $8,412. The financial assurance account has been funded with deposits in the amount of $16,224 which are shown as restricted net assets.

Note 9 – Subsequent Events

Management has evaluated subsequent events through January 12, 2016, the date which the financial statements were available for issue.

Note 10 – Compensated Absences

Commission employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Commission until used or paid. The Commission's approximate liability for earned vacation payments at June 30, 2015 was $5,965. This liability has been computed based on rates of pay in effect at June 30, 2015.

Note 11 – Long-term Debt

The Commission was awarded a "Solid Waste Alternatives Program" grant from the Iowa Department of Natural Resources. The program supported the construction of a new recyclables storage building and allows the Commission to expand the types and improve the quality of recyclables being collected and baled. The project was completed in the fall of 2012. The grant includes a forgivable loan of $20,000 and a zero interest loan of $21,660. The final payment on the loan was made in January of 2015.

OTHER INFORMATION

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

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

Iowa Public Employees' Retirement System
Last Fiscal Year*

Other Information

	2015
Commission's proportion of the net pension liability	0.002239%
Commission's proportionate share of the net pension liability	$ 53,769
Commission's covered-employee payroll	$ 95,094
Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll	56.55%
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.

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Schedule of Commission Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years

Other Information

	2015	2014	2013	2012
Statutorily required contribution	8,492	8,908	8,976	9,699
Contributions in relation to the statutorily required contribution	(8,492)	(8,908)	(8,976)	(9,699)
Contribution deficiency (excess)	0	0	0	0
Commission's covered-employee payroll	95,094	99,753	103,529	120,186
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

See accompanying independent auditor's report.

2011	2010	2009	2008	2007	2006
6,592	6,446	6,261	4,314	3,227	2,998
(6,592)	(6,446)	(6,261)	(4,314)	(3,227)	(2,998)
0	0	0	0	0	0
94,849	96,932	98,598	71,306	56,122	52,139
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

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 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 required 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 a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

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

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

Changes of Assumptions (Continued)

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

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

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

INDEPENDENT AUDITORS' 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

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Audubon County
Solid Waste Management Commission

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statement of the Audubon County Solid Waste Management 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 January 12, 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 the Audubon County Solid Waste Management 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 statements, but not for the purpose of expressing an opinion on the effectiveness of the Audubon County Solid Waste Management Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Audubon County Solid Waste Management Commission's internal control.

Our consideration of the 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 certain 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 Audubon County Solid Waste Management Commission's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Audubon County Solid Waste Management 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.

Comments involving statutory and other legal matters about the 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.

Audubon County Solid Waste Management Commission's Responses to Findings

Audubon County Solid Waste Management Commission's written responses to findings in our audit are described in the accompanying Schedule of Findings. The Audubon County Solid Waste Management 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 result of that testing and not to provide an opinion of 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 Audubon County Solid Waste Management 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.

Olsen, Muhlbauer & Co., LLP

OLSEN, MUHLBAUER & CO., L.L.P.
Certified Public Accountants

January 12, 2016

AUDUBON COUNTY SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings
Year ended June 30, 2015

Findings Related to the Financial statement:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has the potential to be involved in billing, deposit preparation, signing checks, posting transactions to accounting records and reconciling bank accounts.

Recommendation – The Commission should review its procedures to provide the maximum control possible through review of financial transactions including activity in customer accounts, approval of new bank accounts and investments and review of supporting documentation for disbursements.

Response – The Commission will review current procedures and strengthen oversight where practical.

Conclusion – Response accepted.

(B) Financial Reporting – We believe that a material weakness in internal control over financial reporting exists in the Commission's financial statement close process for preparing its year-end financial statements including the lack of expertise to prevent, detect and correct potential material misstatements to the financial statements on a timely basis.

Recommendation – The Commission should implement procedures to review its receipts and disbursements for the year in a more timely manner.

Response – We will use all available resources to ensure accurate information is available for financial statement preparation.

Conclusion – Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were reported.

Other Findings Related to Required Statutory Reporting:

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

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

3) Commission Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.

4) Deposits and Investments – No instance of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Commission's investment policy were noted.

Other Findings Related to Required Statutory Reporting: (Continued)

5) Solid Waste Tonnage Fees Retainage – No instances of non-compliance with the solid waste fees used or retained in accordance with provision of Chapter 455B.310 of the Code of Iowa were noted.

6) Financial Assurance – The Commission has elected to demonstrate financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code (IAC). The calculation is made as follows:

	Landfill Postclosure	Transfer Station Closure
Total estimated costs for closure and postclosure care	558,900	8,412
Less: Balance of funds held in the local dedicated fund at June 30, 2014	568,202	16,160
	(9,302)	(7,748)
Divided by the number of years remaining in the pay-in period	÷ 1	÷ 1
Required payment into the local dedicated fund for the year ended June 30, 2015	0	0
Balance of funds held in the local dedicated fund at June 30, 2014	568,202	16,160
Balance of funds required to be held in the local dedicated fund at June 30, 2015	558,900	8,412
Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2015	538,324	16,224

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure care accounts to be made at least annually within 30 days of the close of each fiscal year. The deposit shortfall is currently being addressed.

Recommendation – The Commission should demonstrate financial assurance by designating amounts sufficient to comply with Iowa Adminstrative Code requirements. In addition, the Commission should ensure deposits are made within 30 days of the close of the fiscal year to comply with Iowa Department of Natural Resources rules and regulations.

Response – The Commission has our engineering consultants do the estimates for financial assurance. The engineers use the latest reported financial assurance instrument values, which are from June of 2014. Their report issued in March of 2015 indicated the Commission was in compliance with financial assurance requirements. In the future, the Commission will work closer with the engineers to identify any current year shortage and make a timely deposit to cover it.

Conclusion – Response accepted.