

**MAHASKA COUNTY SOLID WASTE  
MANAGEMENT COMMISSION**

Independent Auditors' Reports  
Basic Financial Statements and  
Management's Discussion and Analysis  
Schedule of Findings

June 30, 2015

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Contents

	<u>Exhibit</u>	<u>Page</u>
Officials .....		1
Independent Auditors' Report.....		2-3
Management's Discussion and Analysis.....		4-7
Basic Financial Statements:		
Statement of Net Position .....	A	8
Statement of Revenues, Expenses and Changes in Net Position .....	B	9
Statement of Cash Flows .....	C	10
Notes to Financial Statements .....		11-23
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 <i>Government Auditing Standards</i> .....		24-25
Schedule of Findings.....		26-28
Staff.....		29

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Alan DeBruin	Chairperson	Mahaska County
Edward Elder	Vice-Chairperson	City of Fremont
Wayne Hook	Secretary-Treasurer	City of Oskaloosa
Larry Boyer	Member	City of Keomah Village
Aaron Ver Steeg	Member	City of Oskaloosa
Terry Lowe	Member	City of Rose Hill
Peggy Wright	Member	Mahaska County
Mark Doland	Member	Mahaska County
Mike Buban	Member	City of Leighton
Don Baker	Member	City of Barnes City
John Jacobs	Member	Mahaska County
Richard Thomas	Member	City of Beacon
Janet VanderBeek	Member	City of Oskaloosa
Alven Meppelink	Member	City of Oskaloosa
Lee Bresnahan	Member	City of New Sharon
Arlen Phillips	Member	City of University Park
Steve Thomas	Manager	

Offices located in:  
**Burlington**  
(319) 753-9877  
**Cedar Rapids**  
(319) 393-2374  
**Centerville**  
(641) 437-4296  
**Fairfield**  
(641) 472-6171  
**Mt. Pleasant**  
(319) 385-3026



**TD&T CPAs and Advisors, P.C.**  
*Grow With Us*

Offices located in:  
**Muscatine**  
(563) 264-2727  
**Oskaloosa**  
(641) 672-2523  
**Ottumwa**  
(641) 683-1823  
**Pella**  
(641) 628-9411  
**West Des Moines**  
(515) 657-5800

## Independent Auditors' Report

To the Members of Mahaska County Solid  
Waste Management Commission

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

We have audited the accompanying financial statements of Mahaska County Solid Waste Management Commission, which comprise the statement of net position as of June 30, 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to financial statements.

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

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 statements.

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 statements referred to above present fairly, in all material respects, the financial position of the Mahaska County Solid Waste Management Commission as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2016, on our consideration of the Mahaska County Solid Waste Management 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 Mahaska County Solid Waste Management Commission's internal control over financial reporting and compliance.

*TDE&T CPAs and Advisors, P.C.*

February 12, 2016  
Pella, Iowa

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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

## FINANCIAL HIGHLIGHTS

- The Commission's operating revenues decreased 39%, or \$642,207, from fiscal 2014 to fiscal 2015.
- The Commission's operating expenses increased 9%, or \$117,748, from fiscal 2014 to fiscal 2015.
- The Commission's net position decreased 5%, or \$408,160 from June 30, 2014 to June 30, 2015.

## USING THIS ANNUAL REPORT

The Mahaska County Solid Waste Management Commission is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Mahaska County Solid Waste Management Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Statement of Net Position presents information on the Commission's assets and deferred outflows of resources less the Commission's liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

## FINANCIAL ANALYSIS OF THE COMMISSION

### *Statement of Net Position*

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. The Commission's net position at the end of fiscal year 2015 totaled approximately \$7,210,000. This compares to approximately \$7,820,000 at the end of fiscal year 2014. A summary of the Commission's net position is presented below.

	Net Position	
	June 30,	
	<u>2015</u>	<u>2014</u>
		<i>Not restated</i>
Current assets	\$ 5,858,051	6,494,284
Restricted investments	1,716,705	1,695,875
Capital assets at cost, less accumulated depreciation	1,276,416	896,500
Deferred outflows of resources	<u>27,715</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>8,878,887</u>	<u>9,086,659</u>
Current liabilities	127,170	144,765
Non-current liabilities	1,482,043	1,125,573
Deferred inflows of resources	<u>57,945</u>	<u>-</u>
Total liabilities	<u>1,667,158</u>	<u>1,270,338</u>
Net position:		
Invested in capital assets	1,276,416	896,500
Restricted	386,600	570,302
Unrestricted	<u>5,548,713</u>	<u>6,349,519</u>
Total net position	<u>\$ 7,211,729</u>	<u>7,816,321</u>

A portion of the Commission's net position (5%) is restricted for closure and post closure care. State and federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The portion of the net position invested in capital assets (18%, e.g., land, buildings and equipment) are resources allocated to capital assets. The remaining net position (77%) can be used to meet the Commission's obligations as they come due.

### *Statement of Revenues, Expenses and Changes in Net Position*

Operating revenues are received for gate fees from accepting solid waste. Operating expenses are expenses paid to operate the landfill. Non-operating revenues are for interest income and non-operating expenses are from the loss on disposal of equipment. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the years ended June 30, 2015 and 2014 is presented below:

Changes in Net Position		
	Year Ended June 30,	
	<u>2015</u>	<u>2014</u> <i>Not restated</i>
Operating revenue:		
Gate fees	\$ 975,148	1,606,427
Other operating revenues	<u>22,176</u>	<u>33,104</u>
Total operating revenue	<u>997,324</u>	<u>1,639,531</u>
Operating expenses:		
Salaries	283,891	278,150
Employee benefits	65,511	93,429
Machinery maintenance, labor and parts	67,918	112,199
Oil and gas	78,884	97,104
Long range planning and engineering	133,961	64,164
Site maintenance	145,980	96,234
Site utilities	7,862	13,306
Office expense	8,127	13,516
Legal and accounting	9,055	8,105
Insurance	15,805	14,019
Closure and post closure care costs	237,106	97,454
Planning and recycling expenses	51,756	51,756
Iowa Department of Natural Resources tonnage fees	117,497	178,418
Depreciation	140,653	130,869
Miscellaneous	<u>14,211</u>	<u>11,746</u>
Total operating expenses	<u>1,378,217</u>	<u>1,260,469</u>
Operating income (loss)	<u>(380,893)</u>	<u>379,062</u>
Non-operating revenues (expenses):		
Interest income	39,067	55,839
Gain (loss) on disposal of property and equipment	<u>(66,334)</u>	<u>(5,574)</u>
Net non-operating revenue (expense)	<u>(27,267)</u>	<u>50,265</u>
Change in net position	(408,160)	429,527
Net position beginning of year, as restated	<u>7,619,889</u>	<u>7,386,794</u>
Net position end of year	\$ <u>7,211,729</u>	<u>7,816,321</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease in the net position at the end of the fiscal year.

In fiscal year 2015, operating revenues decreased by \$642,207 or 39%, primarily a result of a decrease in the volume of commercial waste received. Operating expenses increased by \$117,748, or 9%, primarily a result of an increase in the closure and post closure care costs.

#### *Statement of Cash Flows*

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, and capital and related financing and investing activities. Cash provided by operating activities includes gate fees reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes the purchase of capital assets.

## **CAPITAL ASSETS**

At June 30, 2015, the Commission had approximately \$2,818,000 invested in capital assets, net of accumulated depreciation of approximately \$1,542,000. Depreciation charges totaled \$140,653 for fiscal year 2015. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

## **ECONOMIC FACTORS**

Mahaska County Solid Waste Management Commission continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for the Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- Facilities at the Commission 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 post closure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's 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 Mahaska County Solid Waste Management Commission, 2979 Highway 63, Oskaloosa, Iowa, 52577.

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Statement of Net Position June 30, 2015

### Assets

#### Current assets:

Cash and cash equivalents	\$ 1,537,511
Investments	4,102,380
Accounts receivable, less allowance for doubtful accounts of \$2,556	177,893
Accrued interest receivable	15,798
Prepaid insurance	24,469
Total current assets	5,858,051

#### Restricted assets:

Investments	1,716,705
-------------	-----------

Capital assets, net of \$1,541,689 of accumulated depreciation	1,276,416
--	-----------

#### Deferred outflows of resources:

Pension-related deferred outflows	27,715
-----------------------------------	--------

Total assets and deferred outflows of resources	8,878,887
---	-----------

### Liabilities

#### Current liabilities:

Accounts payable	88,928
Accrued compensated absences	30,441
Accrued expenses	7,801
Total current liabilities	127,170

#### Non-current liabilities:

Estimated liability for landfill closure and post closure care costs	1,330,105
Net pension liability	151,938
Total non-current liabilities	1,482,043

#### Deferred inflows of resources:

Pension-related deferred inflows	57,945
----------------------------------	--------

Total liabilities and deferred inflows of resources	1,667,158
---	-----------

### Net position

Invested in capital assets	1,276,416
----------------------------	-----------

#### Restricted for:

Closure	87,708
Post closure care	298,892

Unrestricted	5,548,713
--------------	-----------

Total net position	\$ 7,211,729
--------------------	--------------

See accompanying notes to financial statements.

**MAHASKA COUNTY SOLID WASTE  
MANAGEMENT COMMISSION**

**Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2015**

Operating revenues:	
Gate fees	\$ 975,148
Finance charges	22,176
Total operating revenues	<u>997,324</u>
Operating expenses:	
Salaries	283,891
Employee benefits	65,511
Machinery maintenance, labor and parts	67,918
Oil and gas	78,884
Long range planning and engineering	133,961
Site maintenance	145,980
Site utilities	7,862
Office expenses	8,127
Legal and accounting	9,055
Insurance	15,805
Closure and post closure care costs	237,106
Planning and recycling expenses	51,756
Iowa Department of Natural Resources tonnage fees	117,497
Depreciation	140,653
Miscellaneous	14,211
Total operating expenses	<u>1,378,217</u>
Operating income	<u>(380,893)</u>
Non-operating revenues (expenses):	
Interest income	39,067
Loss on disposal of property and equipment	(66,334)
Net non-operating revenues (expenses)	<u>(27,267)</u>
Change in net position	(408,160)
Net position, beginning of year, as restated	<u>7,619,889</u>
Net position, end of year	<u>\$ 7,211,729</u>

See accompanying notes to financial statements.

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Statement of Cash Flows For the Year Ended June 30, 2015

Cash flows from operating activities:	
Cash received from gate fees	\$ 1,102,977
Cash received from finance charges	(23,720)
Cash payments to suppliers for goods and services	(753,265)
Cash payments to employees for services	(309,522)
Net cash provided by operating activities	<u>16,470</u>
Cash flows from capital and related financing activities:	
Purchase of property and equipment	<u>(586,903)</u>
Net cash used by capital and related financing activities	<u>(586,903)</u>
Net increase in cash and cash equivalents	(570,433)
Cash and cash equivalents, beginning of year	<u>2,107,944</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,537,511</u></u>
Reconciliation of change in net position to net cash provided by operating activities:	
Operating income	<u>\$ (380,893)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	140,653
Closure and post closure costs	204,532
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	84,037
Increase (decrease) in accounts payable	(4,124)
Increase (decrease) in compensated absences	(11,367)
Increase (decrease) in accrued expenses	(2,104)
Increase (decrease) in net pension liability	(66,881)
(Increase) decrease in deferred outflows	(5,328)
Increase (decrease) in deferred inflows	57,945
Total adjustments	<u>397,363</u>
Net cash provided by operating activities	<u><u>\$ 16,470</u></u>
Noncash activity:	
Trade of property and equipment	<u><u>\$ 106,000</u></u>

See accompanying notes to financial statements.

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements June 30, 2015

### Note 1 – Summary of Significant Accounting Policies

Mahaska County Solid Waste Management Commission was formed in 1973 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to operate the sanitary landfill in Mahaska County for use by all residents of the County.

The Commission is composed of representatives from the member cities and Mahaska County. The member cities are: Oskaloosa, Beacon, Keomah Village, New Sharon, Rose Hill, Fremont, Leighton and Barnes City. Each member shall be entitled to one vote, except Oskaloosa, which has four, and Mahaska County, which has four.

The Commission's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

#### A. Reporting Entity

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

#### B. Basis of Presentation

The accounts of Mahaska County Solid Waste Management Commission are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

(continued)

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements (Continued) June 30, 2015

### Note 1 – Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### D. Assets, Liabilities and Net Position

The following accounting policies are followed in preparing the Statement of Net Position:

Cash and Cash Equivalents – The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, they have an original maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2015 included certificates of deposit of \$5,819,077.

Restricted Assets – Funds set aside for payment of closure and post closure care costs are classified as restricted. These funds are invested in brokered certificates of deposit and a money market account.

Accounts Receivable – The Commission carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Commission evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions.

The Commission's policy is to accrue interest on trade receivables 30 days after invoice date. A receivable is considered past due if the Commission has not received payments for 90 days. At that time, the Commission will discontinue accruing interest and turn the account over for collection. If a payment is made after it has been turned over for collection, the Commission will apply the payment to the outstanding principal first and resume accruing interest. Accounts are written off as uncollectible if no payments are received 90 days after they have been turned over for collection.

(continued)

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements (Continued) June 30, 2015

### Note 1 – Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities and Net Position (Continued)

Capital Assets – Capital assets are accounted for at historical cost or estimated historical cost where historical cost is not available. Capital assets are defined by the Commission as assets with initial, individual costs in excess of \$5,000. Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Buildings and lease improvements are depreciated over 15-39 years and equipment is depreciated over a 5-10 year life.

The cost of repairs and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2015.

Compensated Absences – Commission employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2015, which was \$24,348 and the Commission's share of applicable IPERS was \$2,174 and FICA/Medicare was \$1,863.

Commission employees are compensated at December 31, for unused, accumulated sick days in excess of 80 days, not to exceed 12 days. The Commission's liability for the excess accumulated sick leave has been computed based on rates of pay in effect at June 30, 2015, which was \$1,764 and the Commission's share of applicable IPERS was \$157 and FICA/Medicare was \$135.

These amounts have been reflected as a liability.

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

(continued)

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements (Continued) June 30, 2015

### Note 1 – Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities and Net Position (Continued)

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

### Note 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 depositories to ensure there will be no loss of public funds.

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

Investments are comprised of money market funds and certificates of deposit with local financial institutions. All investments are carried at historical cost.

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements (Continued) June 30, 2015

### Note 3 – Pension and Retirement Benefits

#### Plan Description

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

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

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

#### Pension Benefits

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

(continued)

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements (Continued) June 30, 2015

### Note 3 – Pension and Retirement Benefits (Continued)

#### Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

#### Contributions

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

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Landfill contributed 8.93 percent for a total rate of 14.88 percent. The Landfill's total contributions to IPERS for the year ended June 30, 2015 were \$24,448.

#### Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Landfill reported a liability of \$151,938 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Landfill's proportion of the net pension liability was based on the Landfill's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Landfill's collective proportion was .003754 percent, which was a decrease of .00011 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Landfill recognized pension expense of \$10,184. At June 30, 2015, the Landfill reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources in the table on the following page:

(continued)

**MAHASKA COUNTY SOLID WASTE  
MANAGEMENT COMMISSION**

**Notes to Financial Statements (Continued)  
June 30, 2015**

Note 3 – Pension and Retirement Benefits (Continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,651	-
Changes of assumptions	6,705	-
Net difference between projected and actual earnings on pension plan investments	-	57,945
Changes in proportion and differences between Landfill contributions and proportionate share of contributions	(5,089)	-
Landfill contributions subsequent to the measurement date	<u>24,448</u>	<u>-</u>
Total	<u>\$ 27,715</u>	<u>57,945</u>

\$24,448, reported as deferred outflows of resources related to pensions resulting from the Landfill's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2016	\$ (13,723)
2017	(13,723)
2018	(13,723)
2019	(13,723)
2020	<u>214</u>
Total	<u>\$ (54,678)</u>

There were no non-employer contributing entities at IPERS.

(continued)

**MAHASKA COUNTY SOLID WASTE  
MANAGEMENT COMMISSION**

**Notes to Financial Statements (Continued)  
June 30, 2015**

Note 3 – Pension and Retirement Benefits (Continued)

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to 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>	

(continued)

**MAHASKA COUNTY SOLID WASTE  
MANAGEMENT COMMISSION**

**Notes to Financial Statements (Continued)  
June 30, 2015**

Note 3 – Pension and Retirement Benefits (Continued)

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 Landfill will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Landfill's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Landfill'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.

	<u>1% Decrease</u> <u>6.5%</u>	<u>Discount Rate</u> <u>7.5%</u>	<u>1% Increase</u> <u>8.5%</u>
Landfill's proportionate share of the net pension liability:	\$ <u>287,083</u>	<u>151,938</u>	<u>(37,862)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**MAHASKA COUNTY SOLID WASTE  
MANAGEMENT COMMISSION**

**Notes to Financial Statements (Continued)  
June 30, 2015**

Note 4 – Capital Assets

A summary of capital assets at June 30, 2015, is as follows:

	<u>Balance Beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Capital assets not being depreciated:				
Land and improvements	\$ 82,200	-	-	82,200
Capital assets being depreciated:				
Buildings and cells	288,236	348,429	-	636,665
Equipment and vehicles	<u>2,028,266</u>	<u>361,000</u>	<u>(290,026)</u>	<u>2,099,240</u>
Total capital assets being depreciated	<u>2,316,502</u>	<u>709,429</u>	<u>(290,026)</u>	<u>2,735,905</u>
Less accumulated depreciation for:				
Buildings	136,560	29,498	-	166,058
Equipment and vehicles	<u>1,365,642</u>	<u>111,155</u>	<u>(101,166)</u>	<u>1,375,631</u>
Total accumulated depreciation	<u>1,502,202</u>	<u>140,653</u>	<u>(101,166)</u>	<u>1,541,689</u>
Total capital assets being depreciated, net	<u>814,300</u>	<u>568,776</u>	<u>(188,860)</u>	<u>1,194,216</u>
Total capital assets, net	\$ <u>896,500</u>	<u>568,776</u>	<u>(188,860)</u>	<u>1,276,416</u>

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 and 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 post closure 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.

(continued)

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements (Continued) June 30, 2015

### 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 and 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.

The total costs for Mahaska County Solid Waste Management Commission have been estimated at \$499,422 for closure and \$1,268,497 for post closure for a total of \$1,767,919 as of June 30, 2015, and the portion of the liability that has been recognized is \$1,330,105. These amounts are based on what it would cost to perform all closure and post closure care during the year ended June 30, 2015. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is approximately 19 years and the capacity used at June 30, 2015 is 75 percent.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and post closure care accounts to accumulate resources for the payment of closure and post closure care costs. The Commission has accumulated resources to fund these costs and, at June 30, 2015, assets of \$1,716,705 are restricted for these purposes of which \$463,451 is for closure and \$1,253,254 is for post closure care. These assets are reported as restricted investments on the Statement of Net Position. The difference of restricted investments less the recognized liability for close and post closure costs is reported as restricted net position on the Statement of Net Position.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), the Commission is over funded and therefore it is not necessary to demonstrate any additional financial assurance for the funding of the closure and post closure 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 post closure care account requirements. Accordingly, the Landfill is not required to establish closure and post closure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements (Continued) June 30, 2015

### Note 6 – Solid Waste Tonnage Fees Retained

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa.

As of June 30, 2015, there were no unspent amounts retained by the Commission and restricted for the required purposes.

### Note 7 – Local Government Risk Pool

Mahaska County Solid Waste Management Commission has entered into an agreement, as allowed by Chapter 331.301 of the Code of Iowa, to become a member in a local government risk pool. The pool was formed July 1, 1987 to provide worker's compensation and property/casualty insurance to counties in the State of Iowa. At present, ten counties are members of the pool. The risk pool was created for the purpose of providing and maintaining self-insurance benefits on a group basis substantially at cost. There have been no reductions in insurance coverage from prior years.

Each member is responsible for the payment of member contributions to the risk pool on an annual basis. Member contributions to the risk pool are recorded as expenditures from the operating funds at the time of payment to the risk pool. In the event of payment of any loss by the risk pool, the risk pool is subrogated to the extent of such payment to all the rights of the member county against any person or other entity legally responsible for damages for said loss, and in such event, the member is responsible for rendering all reasonable assistance, other than pecuniary assistance, to affect recovery. The risk pool is responsible for paying the premiums on the insurance policies when due; to pay claims in accordance with the various coverages and to make other payments as required by applicable law; to establish and accumulate a reserve or reserves which are deemed advisable or required by law to carry out the purpose of the risk pool; and to pay all reasonable and necessary expenses for administering the risk pool and fund.

Initial risk of loss for the self-insured coverages is retained by the risk pool. The risk pool obtained a reinsurance policy for the year ended June 30, 2015 which covers exposure of specific losses in excess of \$400,000 per occurrence up to a maximum of \$5,000,000 per occurrence, including the retention of the pool, for general and automobile liability. The workman's compensation policy obtained for the year ended June 30, 2015 covered exposures of \$750,000, up to the above stated maximum including retention of the pool. The coverage for workman's compensation was statutory. The risk pool fund records a liability for unpaid claims based on estimates of reported and incurred but not reported claims and related loss adjustments expenses. At June 30, 2015, 2014, and 2013 the risk pool fund reported a surplus of pool assets over liabilities.

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Notes to Financial Statements (Continued) June 30, 2015

Note 7 – Local Government Risk Pool (Continued)

Members retain the risk of claims, if any, exceeding maximum reinsurance coverage and the amount of surplus maintained in the risk pool, by means of an assessment that would be charged to the member in addition to the premium contributions. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance company coverage since commencement of the risk pool.

The Commission's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Commission's annual contributions to the pool for the year ended June 30, 2015, were \$24,468. Initial membership into the risk pool is for a mandatory three year period. Subsequent to the initial term, a member may withdraw at the end of any given fiscal year.

Note 8 – Major Customers

The Commission received 60% of its operating receipts from two companies during the year ended June 30, 2015. The same companies have receivables amounting to 29% of all accounts receivable as of June 30, 2015.

Note 9 – Prior Period Restatement

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27*, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by GASB No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*.

Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

Net position June 30, 2014,		
as previously reported	\$	7,816,321
Net pension liability at June 30, 2014		(218,819)
Change in outflows of resources		
related to contributions made after		
the June 30, 2013 measurement date		22,387
Net position July 1, 2014, as restated	\$	7,619,889

MAHASKA COUNTY SOLID WASTE  
MANAGEMENT COMMISSION

Independent Auditors' Report on Internal Control  
Schedule of Findings

June 30, 2015

Offices located in:  
**Burlington**  
(319) 753-9877  
**Cedar Rapids**  
(319) 393-2374  
**Centerville**  
(641) 437-4296  
**Fairfield**  
(641) 472-6171  
**Mt. Pleasant**  
(319) 385-3026



**TD&T CPAs and Advisors, P.C.**  
*Grow With Us*

Offices located in:  
**Muscatine**  
(563) 264-2727  
**Oskaloosa**  
(641) 672-2523  
**Ottumwa**  
(641) 683-1823  
**Pella**  
(641) 628-9411  
**West Des Moines**  
(515) 657-5800

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 Mahaska 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Mahaska County Solid Waste Management Commission, which comprise the statement of net position as of June 30, 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated February 12, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Mahaska 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 Mahaska County Solid Waste Management Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mahaska County Solid Waste Management Commission's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies as items 1, 2 and 3 in the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mahaska County Solid Waste Management Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and 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 noncompliance 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 statements 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.

### Mahaska County Solid Waste Management Commission's Responses to Findings

Mahaska County Solid Waste Management Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's responses, we did not audit Mahaska County Solid Waste Management Commission's responses and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the 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 not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Mahaska 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.

*TDE&T CPAs and Advisors, P.C.*

Pella, Iowa  
February 12, 2016

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Schedule of Findings Year Ended June 30, 2015

### Findings Related to the Financial Statements:

#### Material Weaknesses:

- 1) Segregation of Duties – An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one person has control over each of the following areas for the Commission:
  1. Accounting System – record keeping for revenues and expenses, and related reporting.
  2. Receipts – collecting, depositing, journalizing and posting.
  3. Payroll – changes to master list, preparation and distribution.
  4. Bank Reconciliation – preparation and maintenance of accounting records.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff or board members.

Response – Due to the limited number of office employees, segregation of duties is very difficult. However, we will have the manager or another official review receipts, posting and payroll on a test basis and bank reconciliations monthly.

Conclusion – Response accepted.

- 2) Material Adjustments – During the audit, we identified material amounts of assets, liabilities, revenues and expenses not reported correctly in the Commission’s financial statements. Adjustments were subsequently made by the Commission to properly report these amounts in the financial statements.

Recommendation – The Commission should record investment income on the trust account as well as the estimated current year closure and post closure care costs. The Commission should record DNR fees as an expense rather than as a reduction of revenue. In addition, the Commission should record an estimate for annual depreciation expense.

Response – We will record these items in the future.

Conclusion – Response accepted.

MAHASKA COUNTY SOLID WASTE  
MANAGEMENT COMMISSION

Schedule of Findings (Continued)  
Year Ended June 30, 2015

Findings Related to the Financial Statements (Continued):

Material Weaknesses (Continued):

- 3) Preparation of Financial Statements – The Commission does not have staff with the relevant knowledge and experience to prepare complete financial statements, including footnote disclosures, in accordance with accounting principles generally accepted in the United States of America.

Recommendation – We recognize that this type of knowledge is very specialized and it is not cost effective for management to obtain this type of education and training. As a result, we will continue to draft the financial statements and submit the draft for management's approval.

Response – The Commission will continue to monitor the process.

Conclusion – Response accepted.

Instances of Noncompliance

No matters were noted.

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Schedule of Findings (Continued) Year Ended June 30, 2015

Other Findings Related to Statutory Reporting:

- (A) Official Depositories – The Commission has adopted a resolution naming official depositories and the depository amount was not exceeded.
- (B) Questionable Expenses – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (C) Travel Expense – No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- (D) Board Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.
- (E) Deposits and Investments – No instance of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Commission’s investment policy were noted.
- (F) Solid Waste Tonnage Fees Retained – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.
- (G) Financial Assurance – The Commission has demonstrated financial assurance for closure and post closure care costs as required by Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

	<u>Closure</u>	<u>Post Closure</u>
Total estimated costs for closure and post closure care	\$ 499,422	1,268,497
Less: Balance of funds held in the local dedicated fund at June 30, 2014 plus amount delinquent for prior year	(444,315)	(1,251,560)
	55,107	16,937
Divided by the number of years remaining in the pay-in period	÷ _____ 10	_____ 10
Required payment into the local dedicated fund for the year ended June 30, 2015	5,511	1,694
Balance of funds held in the local dedicated fund at June 30, 2014	<u>444,315</u>	<u>1,251,560</u>
Required balance of funds held in the local dedicated fund at June 30, 2015	\$ <u>449,826</u>	<u>1,253,254</u>
Amount Commission has restricted and reserved for closure and post closure care at June 30, 2015	\$ <u>463,451</u>	<u>1,253,254</u>

# MAHASKA COUNTY SOLID WASTE MANAGEMENT COMMISSION

## Staff

This audit was performed by:

TD&T CPAs and Advisors, P.C.  
1108 Washington Street  
Pella, IA 50219

Personnel:

Courtney De Ronde, CPA, Engagement Partner  
Drew Kirkpatrick, CPA, Senior Accountant  
Courtney Bailey, Staff Accountant