

**South Central Iowa Landfill Agency**

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**Financial Statements and Required Supplementary Information  
(With Independent Auditor's Reports Thereon)  
June 30, 2015 and 2014**



**Shull, Schrum, McClafin  
& Co., Inc.**  
certified public accountants

SOUTH CENTRAL IOWA LANDFILL AGENCY

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>REPRESENTING</u>
	Before January 2015	
Mark Nitchals	Chairperson	City of Winterset
Aaron Price	Vice Chairperson	Madison County
Greg Marchant	Board member	City of Indianola
Jim Bussanmas	Board member	City of Bevington
Eric Hanson	Board member	City of Indianola
	After January 2015	
Mark Nitchals	Chairperson	City of Winterset
Aaron Price	Vice Chairperson	Madison County
Greg Marchant	Board member	City of Indianola
Jerry Bussanmas	Board member	City of Bevington
Eric Hanson	Board member	City of Indianola



Shull, Schrum, McClafin  
& Co., Inc.  
certified public accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
South Central Iowa Landfill Agency

Report on the Financial Statements

We have audited the accompanying financial statements of South Central Iowa Landfill Agency as of and for the years ended June 30, 2015 and 2014, 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 accounting standards generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency'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 Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Osceola, Iowa 50213  
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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Central Iowa Landfill Agency as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of a Matter

As disclosed in Note 9 to the financial statements, the South Central Iowa Landfill Agency adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

## Required Supplementary Information

Generally accepted accounting principles of the United States of America require Management's Discussion and Analysis, the Schedule of the Agency's Proportionate Share of the Net Pension Liability and the Schedule of Agency Contributions information on pages 4 through 8 and pages 29 through 33 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 22, 2016 on our consideration of the South Central Iowa Landfill Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering of the South Central Iowa Landfill Agency's internal control over financial reporting and compliance.

*Shull, Schrum, McClellan & Co., Inc.*

January 22, 2016

SOUTH CENTRAL IOWA LANDFILL AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

South Central Iowa Landfill Agency 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 Agency's financial statements, which follow.

**FINANCIAL HIGHLIGHTS**

- The Agency's operating revenues increased 26%, or \$268,966 from fiscal 2014 to fiscal 2015.
- The Agency's operating expenses were 13%, or \$109,867, more in fiscal 2015 than in fiscal 2014.
- The Agency's net position increased \$332,964 from June 30, 2014 to June 30, 2015.

**USING THIS ANNUAL REPORT**

The South Central Iowa Landfill Agency is a single Enterprise Fund 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 South Central Iowa Landfill Agency'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 Agency's financial activities.

The Statement of Net Position presents information on the Agency's assets and deferred outflows of resources less the Agency's liabilities and deferred inflows of resources, with the difference 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 Agency 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 Agency's operating revenues and expenses, non-operating revenues and expenses and whether the Agency'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 Agency's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Agency 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.

Required Supplementary Information further explains and supports the financial statements with the Agency's proportionate share of the net pension liability and related contributions.

SOUTH CENTRAL IOWA LANDFILL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2015

**FINANCIAL ANALYSIS OF THE AGENCY**

*Statement of Net Position*

As noted earlier, net position may serve over time as a useful indicator of the Agency's financial position. The Agency's net position at the end of fiscal 2015 totaled \$3,442,724. This compares to \$3,237,580 at the end of fiscal 2014. A summary of the Agency's net position is presented below.

	Net Position	
	2015	2014
Current Assets	\$ 979,237	489,232
Restricted investments	2,725,308	2,694,282
Capital assets at cost, less accumulated depreciation	1,368,879	1,505,218
Total Assets	5,073,424	4,688,732
Deferred outflows of resources	19,610	-
Current Liabilities	72,577	68,152
Noncurrent Liabilities	1,539,155	1,383,000
Total Liabilities	1,611,732	1,451,152
Deferred inflows of resources	38,578	-
Net Position:		
Net Investment in capital assets	1,368,879	1,505,218
Restricted	1,287,308	1,311,282
Unrestricted	786,537	421,080
Total Net Position	\$3,442,724	3,237,580

The unrestricted portion of net position (23%) may be used to meet the Agency's obligations as they come due. The invested in capital assets (e.g., land, buildings and equipment), less the related debt portion of net position (40%) are resources allocated to capital assets. The remaining \$1,287,308 of the Agency's net position is restricted for closure and postclosure care. State and federal laws and regulations require the Agency 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.

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 beginning net position was restated \$127,820 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The financial statement amounts for fiscal year 2014 net pension

SOUTH CENTRAL IOWA LANDFILL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2015

liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

Operating revenues are received for gate fees from accepting solid waste and member per capita assessments. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income. 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 change in net position for the years ended June 30, 2015 and 2014 is presented below:

	Changes in Net Position	
	2015	2014
Operating Revenues		
Gate fees	\$ 1,226,234	955,483
Member per capita assessments	60,000	60,000
Late charges	752	2,537
	1,286,986	1,018,020
 Operating Expenses		
Personnel	244,626	253,811
Equipment operation and property maintenance	251,167	237,336
Depreciation	203,304	205,725
Engineering	78,476	61,840
Tonnage fees	136,225	125,642
Closure and postclosure care	55,000	(26,000)
Office and general	19,149	19,726
Total operating expenses	987,947	878,080
Operating income	299,039	139,940
 Nonoperating Revenues		
Interest income	33,145	40,753
Gain (loss) on disposal of capital assets	-	(922)
Miscellaneous	780	1,250
Increase in net position	332,964	181,021
Net position, beginning of year, as restated	3,109,760	3,056,559
Net position, end of year	\$ 3,442,724	3,237,580

SOUTH CENTRAL IOWA LANDFILL AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2015

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

In fiscal 2015, operating revenues increased by \$268,966, or 26%. Operating expenses increased by \$109,867, or 13%. The increase in operating expenses was primarily a result of an increase in accrued closure and postclosure care expense of approximately \$81,000, and an increase of engineering expense of approximately \$17,000.

*Statement of Cash Flows*

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

**CAPITAL ASSETS**

At June 30, 2015, the Agency had approximately \$1,368,879 invested in capital assets, net of accumulated depreciation of approximately \$3,153,886. Depreciation charges totaled \$203,304 for fiscal 2015. More detailed information about the Agency's capital assets is presented in Note 5 to the financial statements.

**LONG-TERM DEBT**

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

**ECONOMIC FACTORS**

South Central Iowa Landfill Agency 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 Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

- Facilities and equipment at the Agency require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

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

SOUTH CENTRAL IOWA LANDFILL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2015

**CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact South Central Iowa Landfill Agency, 2496 Highway 92, Winterset, IA 50273.

SOUTH CENTRAL IOWA LANDFILL AGENCY  
 Statements of Net Position  
 June 30, 2015 and 2014

<b>ASSETS</b>	<u>2015</u>	<u>2014</u>
Current Assets		
Cash and cash equivalents	\$ 884,959	399,612
Accounts receivable	83,399	78,238
Accrued interest receivable	2,850	3,057
Prepaid insurance	8,029	8,325
Total current assets	<u>979,237</u>	<u>489,232</u>
 Restricted investments		
Cash and cash equivalents	16,652	7,161
Investments, including certificates of deposit of \$2,322,034 (2014 - \$2,300,499)	<u>2,708,656</u>	<u>2,687,121</u>
	<u>2,725,308</u>	<u>2,694,282</u>
 Capital assets		
Land and improvements	534,141	534,141
Buildings and improvements	2,129,593	2,067,600
Equipment	<u>1,859,031</u>	<u>1,854,060</u>
	4,522,765	4,455,801
Less accumulated depreciation	<u>3,153,886</u>	<u>2,950,583</u>
	<u>1,368,879</u>	<u>1,505,218</u>
<b>Total assets</b>	<u><u>5,073,424</u></u>	<u><u>4,688,732</u></u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related deferred outflows	<u>19,610</u>	<u>-</u>

See accompanying notes to financial statements.

<b>LIABILITIES</b>	<u>2015</u>	<u>2014</u>
Current Liabilities		
Accounts payable	\$ 43,201	39,213
Accrued wages and benefits payable	4,482	2,927
Compensated absences	24,894	26,012
Total current liabilities	<u>72,577</u>	<u>68,152</u>
Noncurrent Liabilities		
Landfill closure and postclosure care	1,438,000	1,383,000
Net pension liability	101,155	-
Total noncurrent liabilities	<u>1,539,155</u>	<u>1,383,000</u>
<b>Total liabilities</b>	<u>1,611,732</u>	<u>1,451,152</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenues		
Pension related deferred inflows	<u>38,578</u>	<u>-</u>
<b>NET POSITION</b>		
Net Investment in capital assets	1,368,879	1,505,218
Restricted for		
Closure and postclosure care	1,287,308	1,311,282
Unrestricted	786,537	421,080
<b>Total net position</b>	<u>\$ 3,442,724</u>	<u>3,237,580</u>

SOUTH CENTRAL IOWA LANDFILL AGENCY  
 Statements of Revenues, Expenses, and Changes in Net Position  
 Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues		
Gate fees	\$ 1,226,234	955,483
Member per capita assessments	60,000	60,000
Late charges	752	2,537
	<u>1,286,986</u>	<u>1,018,020</u>
 Operating Expenses		
Personnel	244,626	253,811
Equipment operation and property maintenance	251,167	237,336
Depreciation	203,304	205,725
Engineering	78,476	61,840
Tonnage fees	136,225	125,642
Closure and postclosure care	55,000	(26,000)
Office and general	19,149	19,726
	<u>987,947</u>	<u>878,080</u>
 Total operating expenses		
	<u>987,947</u>	<u>878,080</u>
 Operating income	299,039	139,940
 Nonoperating Revenues		
Interest income	33,145	40,753
Gain (loss) on sale of capital assets	-	(922)
Miscellaneous	780	1,250
	<u>33,925</u>	<u>41,081</u>
 Increase in net position	332,964	181,021
 Net position, beginning of year, as restated	<u>3,109,760</u>	<u>3,056,559</u>
 Net position, end of year	<u>\$ 3,442,724</u>	<u>3,237,580</u>

See accompanying notes to financial statements.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Statements of Cash Flows  
Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Cash received from customers	\$ 1,281,825	1,062,490
Cash paid to suppliers for goods and services	(480,733)	(446,175)
Cash paid to employees for services	(251,886)	(252,420)
Net cash provided by operating activities	549,206	363,895
 Cash flows from capital and related financing activities		
Acquisition of capital assets	(66,965)	(93,972)
 Cash flows from investing activities		
Purchases of investments	(1,245,936)	(1,518,078)
Maturities of investments	1,224,401	1,007,214
Interest income received	33,352	43,295
Miscellaneous revenue received	780	1,250
Net cash used by investing activities	12,597	(466,319)
 Net decrease in cash and cash equivalents	494,838	(196,396)
Cash and cash equivalents, beginning of year	406,773	603,169
 Cash and cash equivalents, end of year	\$ 901,611	406,773
 Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 299,039	139,940
Adjustments		
Depreciation	203,304	205,725
(Increase) decrease in accounts receivable	(5,161)	44,470
(Increase) decrease in prepaid insurance	296	19
Increase (decrease) in accounts payable	3,988	(1,650)
Increase in accrued wages and benefits payable	1,555	1,757
Increase (decrease) in compensated absences	(1,118)	(366)
Decrease in net pension liability	(41,569)	-
Increase in deferred outflows of resources	(4,706)	-
Increase in deferred inflows of resources	38,578	-
Decrease in accrued closure and postclosure care expenses	55,000	(26,000)
Net cash provided by operating activities	\$ 549,206	363,895

See accompanying notes to financial statements

# SOUTH CENTRAL IOWA LANDFILL AGENCY

## Notes to Financial Statements

June 30, 2015 and 2014

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The South Central Iowa Landfill Agency (the "Agency") was formed in 1980 by the City of Winterset, Iowa, Madison County, Iowa and the City of Indianola, Iowa pursuant to the powers granted by Chapters 28E and 28F of the Code of Iowa of 1979, as amended. The entities forming the Agency made initial capital contributions and sold general obligation bonds to finance the Agency. The Agency subsequently repaid the bonds in full and agreed to return the capital contributions. The purpose of the Agency is to operate, manage, maintain, and control the solid waste disposal facilities for solid waste produced and generated within Madison County, and the cities of Winterset and Indianola, Iowa.

The governing board membership consists of a representative of the governing body of each participant governmental jurisdiction and two individuals selected by the representatives of the other participating governments.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

- A. Reporting Entity – For financial reporting purposes, the Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial 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 Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. South Central Iowa Landfill Agency has no component units which meet the Governmental Accounting Standards Board criteria.
- B. Basis of Presentation - The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) that are 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.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued

June 30, 2015 and 2014

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Outflows of Resources, and Net Position – The following accounting policies are followed in preparing the Statement of Net Position:

Cash, Cash Equivalents and Investments - The Agency 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, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2015 include certificates of deposit of \$2,322,034.

Restricted Investments – Funds set aside for payment of closure and postclosure care costs are classified as restricted.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair 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.

Reportable capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land and improvements	\$ 25,000
Buildings and improvements	5,000
Equipment and vehicles	5,000

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued

June 30, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Investments (Continued)

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

Asset Class	Estimated Useful Lives (In Years)
Land and improvements	10 - 50
Buildings and improvements	10 - 40
Equipment and vehicles	5 - 10

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

Compensated Absences – Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Agency’s liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2015.

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 the fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not 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 receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued

June 30, 2015 and 2014

2. CASH AND INVESTMENTS

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

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

The Agency'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) in instruments that 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 Agency.

The Agency had the following investments at June 30, 2015:

	<u>CARRYING AMOUNT</u>	<u>MARKET VALUE</u>
U.S. agency bonds	\$ 386,622	400,579
Certificates of Deposit	2,322,034	2,322,034
	<u>\$ 2,708,656</u>	<u>2,722,613</u>

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued

June 30, 2015 and 2014

3. CAPITAL ASSETS

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

	Beginning of Year	Increases	Decreases	End of Year
Capital assets being depreciated:				
Land and improvements	\$ 534,141	-	-	534,141
Buildings and improvements	2,067,600	61,993	-	2,129,593
Equipment	1,854,059	4,972	-	1,859,031
Total capital assets being depreciated	<u>4,455,800</u>	<u>66,965</u>	<u>-</u>	<u>4,522,765</u>
Less accumulated depreciation for:				
Land and improvements	139,260	64,003	-	203,263
Buildings and improvements	1,287,344	6,680	-	1,294,024
Equipment	1,523,978	132,621	-	1,656,599
Total accumulated depreciation	<u>2,950,582</u>	<u>203,304</u>	<u>-</u>	<u>3,153,886</u>
Total capital assets, net	<u>\$1,505,218</u>	<u>(136,339)</u>	<u>-</u>	<u>1,368,879</u>

4. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Beginning of Year, As restated	Increases	Decreases	End of Year	Due within One Year
Compensated absences	\$ 26,012	-	-	26,012	26,012
Net pension Liability	142,724	-	41,569	101,155	-
Total	<u>168,736</u>	<u>-</u>	<u>41,569</u>	<u>127,167</u>	<u>26,012</u>

5. PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the Agency, except for those covered by another retirement system. Employees of the Agency are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

SOUTH CENTRAL IOWA LANDFILL AGENCY  
Notes to Financial Statements - Continued  
June 30, 2015 and 2014

5. PENSION PLAN (CONTINUED)

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

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

- o 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.

SOUTH CENTRAL IOWA LANDFILL AGENCY  
Notes to Financial Statements - Continued  
June 30, 2015 and 2014

5. PENSION PLAN (CONTINUED)

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

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Agency contributed 8.93 percent for a total rate of 14.88 percent.

The Agency's contributions to IPERS for the year ended June 30, 2015 were \$14,924.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the Agency reported a liability of \$101,155 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 Agency's proportion of the net pension liability was based on the Agency's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Agency's collective proportion was 0.0025506 percent which was an increase of 0.0000649 percent from its proportion measured as of June 30, 2013.

SOUTH CENTRAL IOWA LANDFILL AGENCY  
Notes to Financial Statements - Continued  
June 30, 2015 and 2014

5. PENSION PLAN (CONTINUED)

For the year ended June 30, 2015, the Agency recognized pension expense of \$7,359. At June 30, 2015, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,099	-
Changes of assumptions	4,464	-
Deferred outflows of resources from proportion change	(1,009)	-
Net difference between projected and actual earnings on pension plan investments	-	38,578
Agency contributions subsequent to the measurement date	15,056	-
Total	\$ 19,610	38,578

\$15,056 reported as deferred outflows of resources related to pensions resulting from the Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2016	\$	(8,581)
2017		(8,581)
2018		(8,581)
2019		(8,581)
2020		298
	\$	(34,026)

There were no non-employer contributing entities at IPERS.

SOUTH CENTRAL IOWA LANDFILL AGENCY  
Notes to Financial Statements - Continued  
June 30, 2015 and 2014

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to 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	1	(0.69)
Total	<u>100%</u>	

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued

June 30, 2015 and 2014

5. PENSION PLAN (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 City 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 City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Agency's proportionate share of the net pension liability	\$191,129	\$101,155	\$ 25,207

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).

6. RETIREMENT BENEFITS

Effective July 1, 2000 the Agency established a deferred compensation plan covering all full-time employees. The plan provides the Agency will match up to \$30 per month of eligible employee contributions. Agency contributions to the plan for the year ended June 30, 2015 were \$945 (2014 - \$1,170).

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued

June 30, 2015 and 2014

7. CLOSURE AND POSTCLOSURE CARE COSTS

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and closure/postclosure plan and to provide funding necessary to effect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure 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 postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

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

These costs for the Agency have been estimated at \$1,925,400 for closure and \$1,167,000 for postclosure care for a total of \$3,092,400 as of June 30, 2015 and the portion of the liability that has been recognized is \$1,438,000. These amounts are based on what it would cost to perform all closure and postclosure 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 horizontal expansion is 13 years. The capacity used at June 30, 2015 in the original landfill is 100 percent and the horizontal expansion is approximately 30 percent.

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 Agency has begun accumulating resources to fund these costs and, at June 30, 2015, assets of \$2,725,308 are restricted for these purposes, of which \$1,925,400 is for closure and \$799,908 is for postclosure care. They are reported as restricted investments in the Statement of Net Position.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued

June 30, 2015 and 2014

7. CLOSURE AND POSTCLOSURE CARE COSTS (CONTINUED)

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Agency must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number years remaining in the pay-in period

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

8. SOLID WASTE TONNAGE FEES RETAINED

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

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

9. LOCAL GOVERNMENT RISK POOL

The Agency 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 officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

SOUTH CENTRAL IOWA LANDFILL AGENCY  
Notes to Financial Statements - Continued  
June 30, 2015 and 2014

9. LOCAL GOVERNMENT RISK POOL (CONTINUED)

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent 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 Agency's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Agency's annual contributions to the Pool for the year ended June 30, 2015 were \$21,963 (2014 - \$22,860).

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Agency's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Agency's risk-sharing certificate.

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

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

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Financial Statements - Continued

June 30, 2015 and 2014

9. LOCAL GOVERNMENT RISK POOL (CONTINUED)

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

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

9. ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial 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 and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities 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
Net position June 30, 2014, as previously reported	\$ 3,237,580
Net pension liability at June 30, 2014	(142,724)
Change outflows of resources related contributions made after the June 30, 2013 measurement date	14,904
Net position July 1, 2014, as restated	\$ 3,109,760

**REQUIRED SUPPLEMENTARY INFORMATION**

SOUTH CENTRAL IOWA LANDFILL AGENCY

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

Iowa Public Employees' Retirement System  
Last Fiscal Year\*

Required Supplementary Information

	<u>2015</u>
Agency's proportion of the net pension liability	0.0025506%
Agency's proportionate share of the net pension liability	\$ 101,155
Agency's covered-employee payroll	\$ 167,121
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.53%
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.

SOUTH CENTRAL IOWA LANDFILL AGENCY

Schedule of Agency Contributions

Iowa Public Employees' Retirement System  
Last 10 Fiscal Years

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 14,924	14,904	14,135	10,625
Contributions in relation to the statutorily required contribution	<u>(14,924)</u>	<u>(14,904)</u>	<u>(14,135)</u>	<u>(10,625)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Agency's covered-employee payroll	\$167,121	166,901	163,033	171,689
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	6.19%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
10,628	9,951	10,300	9,037	9,295	7,764
<u>(10,628)</u>	<u>(9,951)</u>	<u>(10,300)</u>	<u>(9,037)</u>	<u>(9,295)</u>	<u>(7,764)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
171,586	159,849	166,255	156,196	162,445	135,020
6.19%	6.23%	6.20%	5.79%	5.72%	5.75%

## SOUTH CENTRAL IOWA LANDFILL AGENCY

### Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

#### Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

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

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

#### Changes of assumptions:

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

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

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

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

SOUTH CENTRAL IOWA LANDFILL AGENCY

Notes to Required Supplementary Information – Pension Liability (Continued)

Year ended June 30, 2015

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

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

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

**SUPPLEMENTARY INFORMATION**

SOUTH CENTRAL IOWA LANDFILL AGENCY

Statements of Operating Expenses  
Years Ended June 30, 2015 and 2014

	2015	2014
Personnel Expenses:		
Salaries and wages	\$ 170,310	168,419
Payroll taxes	13,114	12,836
IPERS	7,359	14,967
Retirement contributions	945	1,170
Group insurance	42,329	46,699
Workers' compensation insurance	10,569	9,720
	244,626	253,811
Equipment Operation and Property Maintenance Expenses:		
Fuel expense	65,596	77,282
Repairs and maintenance	83,763	49,787
Rock and road stone	10,390	8,339
Insurance	22,187	20,193
Recyclables expense, net	24,395	36,974
Household hazardous waste fees	44,836	44,761
	251,167	237,336
Depreciation	203,304	205,725
Planning and permits engineering	78,476	61,840
Tonnage fees	136,225	125,642
Closure and postclosure care	55,000	(26,000)
Office and General Expenses:		
Utilities	8,874	8,456
Telephone	1,991	1,800
Office supplies	2,239	2,791
Postage	-	276
Advertising and printing	1,925	2,163
Dues, conferences and meetings	220	615
Professional fees	3,900	3,625
	19,149	19,726
	\$ 987,947	878,080

See accompanying independent auditor's report.



# Shull, Schrum, McClaflin & Co., Inc.

certified public accountants

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

To the Board of Directors  
South Central Iowa Landfill Agency

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the South Central Iowa Landfill Agency as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, and have issued our report thereon dated January 22, 2016

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the South Central Iowa Landfill Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Central Iowa Landfill Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the South Central Iowa Landfill Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the South Central Iowa Landfill Agency's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the South Central Iowa Landfill Agency's internal control described in the accompanying Schedule of Findings to be material weaknesses.

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

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Central Iowa Landfill Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## South Central Iowa Landfill Agency's Responses to Findings

The South Central Iowa Landfill Agency's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The South Central Iowa Landfill Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the South Central Iowa Landfill Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Shull, Schrum, McClellan & Co., Inc.*

January 22, 2016

SOUTH CENTRAL IOWA LANDFILL AGENCY  
Schedule of Findings  
Year ended June 30, 2015

**Findings Related to the General Purpose Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties - During our review of the internal control over financial reporting, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the Agency's financial statements. We noted that one individual performs all record-keeping and reconciling functions for the Agency.

Recommendation - We realize that with a limited number of employees, segregation of duties is impractical. We recommend the Agency Board review monthly receipts and disbursements, accounts receivable and payable lists and bank reconciliations for unusual or unauthorized transactions.

Response and Corrective Action Planned - We have reviewed the number of staff necessary to perform accounting duties for the Agency and have no plans to add staff. The Agency Board is aware of the possibility for errors or fraud to occur.

Conclusion - Response accepted.

- (B) Financial Reporting – Reporting financial data reliably in accordance with generally accepted accounting principles requires management to possess sufficient knowledge and training to select and apply accounting principles and prepare financial statements including footnote disclosures. Management presently lacks the training to appropriately fulfill these responsibilities.

Recommendation – This situation is very common in small entities. Obtaining additional knowledge through reading accounting literature or attending professional education courses should help management improve their ability to prepare and take responsibility for reliable financial statements prepared in accordance with generally accepted accounting principles.

Response and Corrective Action Planned - We will consider this.

Conclusion - Response accepted.

SOUTH CENTRAL IOWA LANDFILL AGENCY  
Schedule of Findings - Continued  
Year ended June 30, 2015

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

- (1) 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.
- (2) Travel Expense - No expenditures of money for travel expenses of spouses of Agency officials or employees were noted.
- (3) Board Minutes - No transactions were found that we believe should have been approved in the Agency minutes but were not.
- (4) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Agency's investment policy were noted.
- (5) Solid Waste Tonnage Fees Retained - No instances of non-compliance with the solid waste fees used or retained in accordance with the provisions of Chapter 455B.310 of the Code of Iowa were noted.
- (6) Financial Assurance - The Agency has not demonstrated financial assurance for closure and postclosure care as required by Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

	Original Landfill	Horizontal Expansion	
		Cells 1 & 2	Cell 3
Total estimated costs for closure and postclosure care	\$ 729,000	1,418,040	945,360
Less: Balance of funds held in the local dedicated fund at June 30, 2014	(729,000)	(1,179,169)	(786,113)
	\$ -	238,871	159,247
Divided by the number of years remaining in the pay-in period	-	2	7
Required payment into the local dedicated fund for the year ended June 30, 2015	\$ -	119,435	22,750
Balance of funds held in the local dedicated fund at June 30, 2014	729,000	1,179,169	786,113
Required balance of funds held in the local dedicated fund at June 30, 2015	\$ 729,000	1,298,604	808,863
Amount Association has restricted for closure and postclosure care at June 30, 2015	\$ 729,000	1,197,785	798,523

Recommendation - The Agency should demonstrate financial assurance by designating amounts sufficient to comply with Iowa Administrative Code requirements.